

[The true lesson of A Christmas Carol](#) [1]

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As I've mentioned, this is the time of year to be talking about taxation. It was Caesar Augustus who started this whole Bethlehem thing after all. And here we have Steve Landsburg telling us that the real lesson of A Christmas Carol is, well, [it's this](#) [3]:

Great artists are sometimes unaware of the deepest meanings in their own creations. Though Dickens might not have recognized it, the primary moral of A Christmas Carol is that there should be no limit on IRA contributions.

Well quite. And this is the lesson of the [Mirrlees Review](#) [4] as well.

As Landsburg points out, if you save then you're doing someone else a favour. If you save what you've earned and stick it in the bank then that lowers interest rates (however infinitesimally) for someone who wants to borrow, allowing them to consume. And if you save just under the bed then you have produced something in order to earn but you're not consuming. Thus leaving more goods and services to be consumed by others.

The lesson of which actually extends long beyond IRA (or pension) contributions. All savings and all earnings from savings should be tax free. It is consumption, not income or capital, that should be taxed. As indeed the Mirrlees Review goes on to point out.

What we'd really like to have is a proper consumption tax. At the end of the year your income is measured. What you have added to savings is deducted from that. What you have withdrawn from savings and spent is added to it. It is this net sum, income plus or minus changes in savings, which then pays tax. Earnings on savings which are reinvested are not taxed.

Essentially, all savings are inside a giant ISA in our system. At which point Tiny Tim would indeed be able to say, "God Bless us all. Everyone."

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