

Nigella makes the case for progressive taxation

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As many know, I don't buy all the arguments of the standard economics repertoire, especially as now interpreted by mainly mathematical economists. But some of the ideas they have abused are very obviously right. One is the diminishing marginal utility of income.

The idea of this is very simple. What it says is that the first £1 you earn is worth more than the second, and so on. Actually, the evidence may well be that there's almost no tailing off for quite a long time - [new research suggests](#) until about £22,000 of income is reached - but thereafter there's no doubt that each individual pound (or yen or dollar or euro) is relatively worth less than the one before.

Until you reach the point Nigella Lawson reached where you don't check or notice that your staff [have spent £600,000 of your money](#) because there's so much that simply passes unnoticed.

There is, however, an important point in this. The fact is that if each pound is worth less as your earnings increase then each pound of tax paid also imposes less strain. The declining marginal utility of income also means that the marginal cost of tax falls as income rises too - so that a greater part of marginal income can be paid in tax without imposing a greater real burden on the taxpayer.

This is, I think, economic fact.

It's why we need a progressive tax system in the UK. We don't have one right now. Nigella Lawson makes a compelling case for why introducing one would be virtually costless to those it might impact most.