

# Wealth taxation is essential if capitalism is to work i...

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I was discussing wealth taxation with some of my students yesterday: it is an issue on which they want to work. By chance I was working on finishing a chapter on the subject for a forthcoming World Bank book linked to an event [I spoke at last year](#). What I did instead draw to their attention was something the [Guardian noted this week](#), which was:

*The gap between rich and poor in the UK is growing, as savings and home ownership decline among the poorest families but rise among the richest, a report by insurer Aviva shows.*

*In a sign of growing financial strain, low-income families had just £95 of savings and investments, excluding pensions, this winter, compared with £136 in the same period last year. That figure jumps to £62,885 among high-income families, up from £50,208 a year earlier.*

They were staggered: the insecurity in this was all too obvious to them. So too was the fact that the top 10% of families had so little relative wealth (houses are excluded). My point in drawing attention to the article was to make clear how massively wealth is concentrated in the UK with most being excluded. I argue that this does make it an appropriate tax base. But what I also suggested to them was that they need to think about the idea in my book 'Dirty Secrets: How tax havens destroy the economy' where I suggest that this wealth concentration undermines the market economy. Models of market capitalism do, after all, require equal access to capital for all. If most have not got that capitalism is an option for the few, and not for most. What that means is that markets cannot work as economic models of them suggest. It also has real human cost: people with talent simply cannot realise their potential and that has cost to us all. This, I argued with my students, means that wealth taxation is not just about revenue raising, although there is no doubt it can do that and in the process create the tax equity that Adam Smith aspired to, but it's also about correcting market failure, which is another of the key reasons for taxation I outlined in The Joy of Tax.

It will be interesting to see what they come up with.