

We need tax reform, and the FT agrees

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Martin Sandbu writes the FT Free Lunch column, which is rapidly becoming the best feature of that paper, in my opinion. Yesterday he wrote about tax, [saying](#):

Today's turbulent politics is in large part rooted in a feeling that the economy is rigged against large numbers of people, those we now tend to call the "left behind". That feeling is not unjustified. One does not have to be a populist to want a fairer economy that works for everybody – indeed, if serious centrists had done a better job of ensuring this, the populists would have less success.

Spot on. I cannot argue with that. This is the malaise in British politics nailed in a paragraph.

What he went on to say was that:

One particular aspect of rich-country economies that does not work well for everybody involves their tax system.

He then offered three ideas for improving the UK tax system:

First: tax wealth, and tax it well.

I am glad [I got in](#) first yesterday. I am also pleased that he made the point that this is not just a tax on land and buildings: this should be a wealth tax.

Then he said:

Second: tax harmful things.

His implicit theory is that most pollution is paid by the wealthy. He is right, of course.

And he added:

Third: Ensure the tax structure imposes no greater burden on those falling behind than

those well off.

Taking into account social security he argued that what we have are tax systems that are designed for a past social era that are now well past their use by dates. As he put it the result is:

[T]wo types of costs that the welfare state imposes disproportionately on those slipping downwards on income and status distribution steeper than it once was. One is that means-tested benefits create very high effective marginal income tax rates on people with very modest incomes – much higher than on those who earn the most. The other is the cost of incoherent and disruptive benefit payments (and non-payments) to those with irregular or changing work situations. The former cost is insufficiently appreciated because we rarely understand the benefits system as being part of the tax system. We should, and doing so would allow us to see the absurdity of levying the greatest tax slice from the marginal pound earned by those who work the hardest for the smallest rewards. The latter cost is not a tax, but it acts just like one.

His solution is a universal basic income. It's an open discussion, I know. His overall conclusion is worth sharing:

The general lesson is this: on all three counts, a dose of radicalism can make a big difference. What is more, changing the structure of taxation and seeing the benefit and the tax system as part of a whole need not entail a significantly different state share of the economy. There should be something for parties both of the centre-right and the centre-left to agree on here – and win back voter support from their respective fringe challengers in the process.

I welcome this. I do not agree with all the sentiments implicit in what is said. But then the FT gets to the point of saying we need wealth taxes, green taxes and a system that is genuinely progressive something is happening and don't knock that: tax reform needs all the friends it can get.