

Wealth taxes may be necessary, but they are definitely ...

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The [Guardian](#) has an editorial today that says a wealth tax is ‘necessary but insufficient’ as a basis for tackling inequality in the UK. They say:

Before Covid-19 we were seeing a steady appropriation of wealth by a rentier class, who live off the income generated by dividends and rents. The scarcer capital is, the more this group wields disproportionate influence. In any coronavirus-induced recession, they will be looking to protect extractive mechanisms that delivered a record [£111bn in dividends from UK companies](#) last year. That is money which could have been used for corporate investment, leading to better-paid jobs.

The situation is worse than they suggest: [research I have done with others](#) suggests that many of these companies can only now survive with state support. And the likelihood is that the rentiers will get that support.

The Guardian also notes:

The economist Thomas Piketty [estimated](#) that half of all UK private wealth is inherited rather than earned. A wealth tax is necessary but not sufficient. The political priority is to help working people build up savings. To level up Britain, there will have to be higher wages from labour and also policies that lead, in the words of John Maynard Keynes, to the (metaphorical) “[euthanasia of the rentier](#)” so that the intelligence, skill and determination of the entrepreneur can be “harnessed to the service of the community on reasonable terms of reward”.

The point is well made: the foundations of wealth are work and enterprise, and current business policy and the maintenance of the status of existing wealth oppress both. I stress, there is nothing whatsoever entrepreneurial about current policies on wealth, most of which erect barriers to entry for new companies.

In that case, there is a need to tackle wealth through taxation. The only question is whether a wealth tax is the first item on the agenda. I will state again that I do not think it should be: increasing existing taxes on the income from wealth is in the current

environment quicker, more cost-effective, will be subject to less resistance and will deliver what is required whilst plans for a wealth tax are developed. [There is much more on this here](#). Being too blinkered on this issue and thinking that a wealth tax alone will solve it is unwise: we need to think broadly about this issue, which is one of the biggest that we face in our society.