

Labour needs to learn about The Joy of Tax

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I am not alone, I know, in despairing that Labour has apparently ruled out support for any tax increases this year when it would seem that it is very likely that the Chancellor is going to announce increases in corporation tax on business profits and capital gains tax on the sale of personal assets such as shares and property next week.

What is Labour doing? I wish I knew. Of course it is correct that no overall tax increases should be levied now on the economy, but as I expect to say as part of the [talk I will be giving to Keele World Affairs tonight](#):

Whilst we do not, overall, need to raise tax we do most urgently need to address the inequality arising from Covid 19. Whilst some households are in dire stress as a result of Covid others are saving vast sums. The result is that inequality is growing rapidly. As a result, we should tax to reduce inequality at the top of the income and wealth orders in the UK.

This, I stress, is something we should do to tackle inequality though, and not because we need the money. That point is worth repeating: we do not need to feel grateful to the rich for the tax that they pay. We now know that taxes are just part of the government fiscal cycle. Instead, we need to tax the rich more because they are rich.

And before anyone says this is the politics of envy, it isn't. This is about pure, hard-nosed economics. Being rich is problematic because the rich earn money from being rich. And most of that money earned from being rich is paid by those who aren't well off. If you're in doubt as to the fact that the least well off subsidise the rich, just call the payments from those with the least to those who have the most interest charges and rent and you'll see exactly what I mean. The fact is that if the gap between rich and poor is too big we create an unequal society.

And that means that we also end up with a poorer society. That's because the rich will, in that case, control more and more of the income, as they do now. They, though, will save more and more of that income, and that's a real problem.

And the problem with too much saving is easily explained. It arises because the more

that is saved in a society the less is spent on generating income. And as a result it ends up poorer as a consequence. Savings don't generate income. They may redistribute them, but they never create them. So, societies that have too big a wealth divide don't thrive.

So the simple fact is that tax has to correct for these trends, or failings, if we are to have a thriving, innovative, and wealthy society, which a country socially divided by inequality cannot deliver.

These are facts. Facts denied on the right-wing of politics, of course, but facts nonetheless. All I am describing is the lower marginal propensity to consume amongst those well off compared to those on lower incomes. That this is a fact is obvious: the wealthy must consume less as a proportion of income or they would not be wealthy. And we do need to address that inequality as a result.

Tax as an instrument of social policy can do that, This is what I described as The Joy of Tax in my book of that name.

It is time Labour learned what it is.