

## We need to tax the wealthy because they are wealthy

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The FT [has an article this morning](#) entitled 'The case for taxing the rich more'.

It has to be said that the article did not make that case. It is a rambling discussion around a disjointed set of observations that the FT says is meant to fuel debate. But if it was meant to do that then it should discuss the best reason for taxing the rich more. And that is because they are rich.

I stress that I am not saying that we should tax the rich because we need their money. That, we now know, is not necessarily true. Rather, I am saying that the fact that we have a small number (in proportionate terms) of very wealthy people is in itself a problem for the health of our society and economy.

Let me list the problems. First, wealth grows exponentially. Income from work does not. We have a society now designed to become more unequal.

This is problematic. By definition the wealthy do not end all their income. As they capture a growing part of national income this means the return to those who really work will decline due to the negative multiplier effects of saving.

And the wealthy save, but do not invest. Savings guarantee that they do not lose their wealth status. Risky investments might. And since status is what really matters to the wealthy a supposedly wealthy economy is bad for innovation.

Then there is the problem that having a wealthy elite who save creates: they seek to extract more and more rent as a result. One way we see this is in property rents, and their increase. These rents add nothing to the true wealth of society. For most they represent an oppressive burden. They are the inevitable consequence of excessive wealth seeking a return from those who work.

Add to all this the fact that there is a denial of capital to those who need it, meaning there are failed markets due to the inability of many to enter them.

Remember too that poverty is relative, but that hidden impact becomes real when

rents extract any apparent gains those working make, as effectively (or more so) than any tax might do.

Wealth is, in that case, a problem in itself. Excess wealth stifles a society. Ignore all the arguments on how we get here and why for a moment, and I on the justice or injustice of it (which is not to dismiss those arguments; but just to ignore them for now) and the case for taxing excessive wealth exists in any case, and is purely economic. We need to do so because excessive wealth, matched by increasing wealth inequality, stifles an economy and the wellbeing of all within it.

Redistribution through tax makes sense in that case.

The FT article did not say that. It should have done.