

# Biden delivers the wealth taxes that the UK also needs

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As the [FT has reported](#) this morning:

*US president Joe Biden is this week expected to roll out a series of tax increases on the wealthy, including a near-doubling of levies on capital gains and dividends, in order to fund a new education and child care spending package that could top \$1.5tn.*

The claim that this tax increase will fund anything in the USA is, of course, wrong. We know from modern monetary theory that this claim is incorrect. The Fed will fund that package with newly created money. But the fact that this aspect of the story is wrong makes no difference to the overall virtue of the story, because virtue it has.

The US needed to increase taxes on income for all sorts from capital (and gains are income, conveniently renamed to make them appear otherwise). There are three reasons.

First, to create a level playing field. There is no reason on earth why income from work should be taxed more heavily than unearned income.

Second, to tackle inequality. Inequality is corrosive of well being in any country. The US is one of the most unequal societies on earth. The wealthiest in the US need to be taxed more precisely because they are wealthy, and precisely because the gap between them and the rest of US society needs to be reduced.

Third, because the misallocation of human, intellectual and financial capital dedicated to finding ways to reduce tax bills because the law makes that possible needs to come to an end. Tax abuse is a burden on society. Equalising tax rates reduces the chance that it happens.

The plan has, of course, already been criticised by those who claim it will end the American Dream, as if paying 40% instead of 20% tax on that dream means that no one will now partake in it.

The claims are nonsense, of course.

As are the claims that in the UK capital gain tax must stay at 20% in most cases when income tax can reach 45%, or more when national insurance is taken into account, as it should be.

There is no justification in the UK for this favourable tax rate. No wealth is created as a result. But inequality and tax abuse is fuelled as a consequence.

In the UK tax rates between income and gains need to be aligned.

And income tax rates, including national insurance, on work and wealth need to be aligned.

Social, economic and tax justice demands it. The result in terms of a level playing field would help end tax abuse. It would not end inequality. But it would help. And inequality is now so pernicious, and such a block to social justice that this is essential.

Which government will be brave enough to say so?