

# We don't need to tax the rich more to save the least ...

Published: January 13, 2026, 1:31 pm

---

The [Guardian reports this morning](#) that:

*A group of 30 UK millionaires have called on the chancellor to tax them and other rich people more because they can afford to pay it and “the cost of recovery cannot fall on the young or on those with lower incomes”.*

*In an [open letter](#) in the run-up to the budget on Wednesday, the millionaires told Rishi Sunak to introduce a wealth tax on the nation's richest people to help pay for the recovery from the coronavirus crisis and tackle the yawning inequality gap.*

It is a pity that 30 millionaires can't find out how tax works.

The simple fact is that tax does not pay for government spending. The government always, and without exception, creates the money to pay for government spending on every occasion that it parts with money, which is millions of times a day.

There is no secret as to how this happens. Since 1866 the government has had to the power to instruct the Bank of England to make any payment it likes without the Bank having the right to first check that there is money in its account to cover the cost. The fact is, it will always and without exception extend the required credit without question being asked. It can simple run an overdraft for the government.

Until 2008 this was explicit. This overdraft was called the Ways and Means account, which is rather apt in my opinion. It was actively used until 2008/09 when quantitative easing took its place, albeit to exactly the same effect. QE is simply a giant government overdraft in reality.

In that case it should be glaringly obvious, to the tune of about £875 billion right now, that there is no direct need for the money of the wealthy to pay for the crisis that we are still in.

Don't get me wrong though. I welcome this call. It demands social justice and equal tax treatment, which in turn requires that the wealthy pay considerably more in tax. So the

move is undoubtedly appropriate.

It can even be argued that what these millionaires are saying is entirely appropriate to counter the runaway inflation in capital asset prices. Just look at housing and the stock exchange for evidence of that.

But this does not mean that the rich must pay so that least well off do not have to. The fact is that we do not have to balance government books. There is also no evidence that government spending is creating inflation, even if other things are. And deficits are good things: they create the money supply the economy requires.

So, let's tax the wealthy more, but for the right reasons.

The first right reason is that as a proportion of their income the wealthy pay much less tax than those on average incomes do. They can shelter their income in companies. They pay almost no NIC. They have low capital gains rates. And they enjoy significant tax deductions.

The second right reason is because they are wealthy, and that is deeply disruptive of opportunity in our society, to which wealth is a barrier.

We don't need to make up more reasons to tax wealth as much as income than that.

My gentle plea is, please get this right. It would help.

*NB: [there is more on wealth and taxation here](#).*