

If the government wants growth it should be taxing wealth...

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In this latest video, I argue that Rachel Reeves says she wants growth. If so, she should tax wealth because the wealthy save much of what they earn, meaning that they don't spend it, and so reduce growth. If that same income was redistributed to those on low incomes who would spend it, then growth would follow. It really is almost that easy to increase growth.

<https://youtu.be/7RYwEsfguQ8?si=PwBjyb2mEVrVTK5L>

The [audio version of this video is here](#).

The transcript is:

Taxing wealth increases our national income. Now, I know that sounds, to some extent, a little counterintuitive, but a great many economic truths are completely counterintuitive, so let's not worry about that. Instead, let me explain what I mean.

The wealthy are wealthy because they save. After all, how else have they accumulated their wealth?

Okay, they may have inherited it, so somebody before them saved, but in essence, those who have wealth have managed to live on less than their income, or they have been given assets that they haven't dissipated in whatever way they might have wished over time, and have maintained them instead. That means they're still savers.

And this matters, because savings are effectively money taken out of circulation inside our economy.

Now, I'm not saying there's anything wrong with saving by saying that. Let's be clear, I think that for people to save and to have some wealth, particularly to be able to cover the proverbial rainy day, is incredibly useful. And one of the great stresses within our

society is that far too few people have sufficient savings to be able to manage a crisis.

But, when we look at our society as a whole, we have some people who have staggering amounts of wealth and most of the population who have not very much at all. The ratio of something like 91 percent goes to the top half of the population in terms of savings and 9 percent to the bottom half of the population. You can get a feel for the imbalance from that.

Now, why then does it make sense to tax wealth if you want to increase our GDP - our national income? The answer is quite straightforward.

If you take money away from those with wealth, which is what you would do if you taxed them, and - and that is an important 'and' - you then redistributed the benefit of that to those who do not have savings and who are therefore quite vulnerable with regard to their incomes and who are probably on, let's be candid, lower incomes, what you do is give money to people who are going to spend virtually everything that they get. They might save a little bit, but the vast majority of what they get will be spent.

So the wealthy, who've already got enough to live on, who therefore save a great deal in many cases of what they actually get by way of income, and who therefore don't contribute to the income of the country as a whole because they put that money out of use in their savings facilities, have less money to spend, and those who spend more money in proportion to their income have more money to spend.

Therefore, this redistribution of income from the wealthy to those who don't have a lot actually gives a significant economic boost to the economy as a whole, because there's more money being spent.

It's very simple, it's very straightforward, and as a matter of fact, it's true.

Now, there is a constraint on the amount to which you can do this, and I will acknowledge this and say it out loud right now, so that no one can accuse me of missing the point.

If you try to redistribute all the wealth of the wealthy to those who have less at any one point in time, quite clearly, the wealthy have so much wealth that you could not achieve this result of improving the national income as a consequence. You'd just create mayhem and chaos. And I'm not being silly about that.

You can't redistribute the £15 trillion of total wealth in the UK from those who own it at present to those who have little wealth and expect, as a consequence, there to be the capacity to spend it all because our national income is only £2.5 trillion or so a year and therefore there's still something like six times our national income saved in the UK.

You clearly can't redistribute six times that national income at any one point in time, and, as a consequence, boost national income by that same amount. It won't work. So,

instead, you only redistribute a bit at a time. But the point is that that is what makes sense in any case.

You don't want such a large change that you actually, first of all, disrupt the capital markets for savings, because that wouldn't be a benefit to anybody. You'd need an orderly transition.

And secondly, you don't need to do this to such a large extent that you're going to try and over inflate the economy by having too much money chasing too few goods.

In other words, too much wealth taxation could give rise to inflation. But we are so far away from that point at present, that that is not a constraint on taking reasonable steps to redistribute. And that's why I make this point. Although it's a real constraint, it isn't an operational constraint at present that is preventing us take action right now.

So, if we really wanted to improve the growth of the UK economy, and Rachel Reeves says she does, then one of the best ways to go about it would be to increase the taxation of income derived from wealth, or capital gains because that would undoubtedly generate extra capacity for spending inside the UK economy, which would drive growth.

NB: This is likely to be the only video of the day. I am on antibiotics for an ear infection and am feeling well below par. It happens.....