

The FT needs to get its head around wealth, and the ne...

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The Financial Times [published an editorial yesterday](#) which revealed more about the priorities of the economic establishment than it probably intended.

The FT editorial team was worrying, at considerable length, about the fact that Keir Starmer has not ruled out a wealth tax. Its suggestion was that merely keeping that option open is enough to frighten rich foreigners from Britain's shores, supposedly taking with them jobs, investment, and tax revenues, because these people are, apparently, 'wealth creators', when there is absolutely no evidence to support that claim.

The wealthy are, by definition, profoundly good hoarders, but the evidence that they actually create wealth is weak, at best. The whole premise of the FT argument is, then, based on this fundamental error that they make. I suspect, however, that they made it quite deliberately, since their readers and advertisers are determined that this myth be maintained.

That mistake having been noted, the rest of the editorial also needs to be considered.

First, the FT made clear that in its opinion, the entire argument about tax policy is now held hostage by the threat that the wealthy might leave. The FT notes that some 70,000 people have registered interest in Donald Trump's proposed "gold card" US visa, although there are now doubts about whether that scheme will progress. They also noted that Italy's flat tax on foreign income is luring the rich and that the UAE offers zero income tax. The implicit message from the FT was obvious: they think that the UK either competes in this race to the bottom, or we are in trouble, even though the consequence of winning is reduced tax revenue, whatever happens. Taking part makes no sense in that case.

Second, by making this argument, the FT implicitly, but most certainly not explicitly, acknowledges that they understand that those wealthy people that we have in the UK are not here for our schools, our hospitals, or our communities. They are here for the tax breaks, and that is it. How that can be equated to being a wealth creator or to

contributing to the UK is hard to work out, but the FT makes that leap, nonetheless.

Third, there is something deeply uncomfortable in the suggestion that the FT implicitly makes that without the transient wealthy population, the British economy would somehow grind to a halt. The FT produced all the usual arguments, that they create jobs, bring investment, and pay taxes. But the truth is that most jobs in the UK are created by small and medium enterprises that thrive on local demand created by people with ordinary incomes, or via public spending. As for taxes, our existing system is so riddled with advantages for the wealthy that the wealthy pay proportionately less than most people on ordinary incomes when all sources of increase in financial well-being are taken into account, as I showed in the [Taxing Wealth Report](#). That is the real scandal.

The editorial then recycled the argument that wealth taxes have failed elsewhere, before grudgingly admitting what both I and the Institute for Fiscal Studies have long made clear, which is that the UK does not need a wealth tax if it simply taxes the sources of wealth properly. We under-tax capital gains. We under-tax dividends and other investment income. We give absurd breaks on inheritance, pensions and other activities that only the wealthy undertake. And we still let wealth accumulate in offshore structures that pay nothing at all. Fix those, and we do not need a wealth tax. We would simply have a fair tax system.

So, where does this leave us? I think that there are three important conclusions.

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We must stop treating threats by the wealthy to leave as vetoes on democratic policy. Any group that only remains in our country under the promise of minimal tax responsibility is not a foundation for a stable, equitable society.

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We should ignore fear-mongering over international mobility and instead build a tax system that is robust, progressive, and closes the existing loopholes. Proper capital gains taxes, fair inheritance taxes, reform to other tax rates, and proper taxes on investment income, plus an end to non-dom type carve-outs, would all achieve a great deal more than a poorly designed wealth tax.

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Above all, we (and the FT, in particular) need to rediscover the principle that tax is not a punishment, but the price we all pay for a civilised society. If the ultra-rich are unwilling to pay that price, then we should let them go. Their departure will not destroy Britain, but their presence, under special privilege, corrodes our democracy.

If Labour is serious about rebuilding the UK after years of austerity and stagnant growth, it must stop flinching at the first sign of rich people's disapproval. It needs to

tax wealth properly if we are to build prosperity in the UK. No politician has any other option available to them. That is the only sane way to support the public services and investments on which long-term prosperity depends.

And if the Financial Times objects, perhaps that is simply because it knows who its real audience is, and it's not the majority of people in Britain who have to live with the consequences of chronic underinvestment and inequality.