

FOOL'S GOLD

The case against the wealth tax, and
suggestions for alternatives

Kristian Niemietz
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About the author

Dr Kristian Niemietz is the IEA's Editorial Director and Head of Political Economy.

He studied Economics at the Humboldt University Berlin and the University of Salamanca, graduating in 2007 as *Diplom-Volkswirt* (\approx MSc in Economics). In 2013, he completed a PhD in Political Economy at King's College London.

Kristian previously worked at the Berlin-based Institute for Free Enterprise (IUF), and at King's College London, where he taught Economics.

He is the author of the books *Imperial Measurement: A Cost-Benefit Analysis of Western Colonialism* (2024), *Socialism: The Failed Idea That Never Dies* (2019), *Universal Healthcare Without The NHS* (2016), *Redefining the Poverty Debate* (2012) and *A New Understanding of Poverty* (2011).

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Summary

- Wealth taxes have been tried many times. In the early 1990s, about half of Western Europe still had wealth taxes. In the meantime, all but three of these countries have given up on them, including, in some cases, under left-wing governments, and even the three remaining ones have scaled back their wealth taxes.
- Governments that abolished wealth taxes justified this by pointing to their high administrative and compliance costs, adverse behavioural responses (especially negative effects on investment) and limited revenue-raising potential. These are also the reasons why previous attempts to introduce wealth taxes in Britain were abandoned.
- This paper mostly draws on the work of economists who are broadly sympathetic to the idea of wealth taxes, as opposed to ideologically hostile critics. Even a lot of their sympathisers concede that wealth taxes have major drawbacks.
- Britain does not currently have a tax which meets the strict textbook definition of ‘a wealth tax’, but it does have several wealth-*related* taxes, which can be considered close-enough substitutes, and it already raises more revenue from such taxes than any other OECD economy.
- For its supporters, the wealth tax has become an all-purpose tool. They are trying to achieve too many different things, and often mutually incompatible things, with it. The ‘wish list’ of things that a wealth tax has been promised to finance

is simply implausibly long, and then it is also supposed to do many things beyond raising revenue on top of that.

- Wealth inequality in the UK is not especially high, and it is not rising. The top 1% of the wealth distribution account for about 22% of the total wealth, which is less than the EU average and much less than it used to be for most of the 20th century.
- Wealth taxes have rarely raised more than 1% of GDP in revenue, with typical figures being much lower than that. Where wealth taxes have existed for long periods, revenue has often tended to decline over time.
- In recent years, empirical evidence on behavioural responses to wealth taxes has largely confirmed the suspicions of sceptics. Wealth taxes really do reduce and distort investment in a number of ways. None of these effects are catastrophic, but they keep adding up and they tend to get worse over time.
- There are vastly superior alternatives to wealth taxes, which are based on creating wealth rather than penalising it. In the 20th century, Britain had long periods of falling wealth inequality, which was not explained by the government expropriating the wealthy but simply by more people acquiring pension wealth and housing wealth.
- Britain could move to a pension system more like the Australian one, where people pay contributions into their own pension fund rather than to a state pension programme. In such a system, the vast majority of people have the opportunity to build up considerable amounts of wealth over time.

- Wealth inequality in Britain was at its lowest when housing was relatively affordable and home ownership rates were at peak levels. Britain needs a ‘YIMBY’ revolution to unleash a building boom. This would give millions of people the opportunity to build up housing wealth.

Introduction: the return of the wealth tax

For most of the 20th century, wealth taxes used to be a fairly common form of taxation. Until the early 1990s, about half of Western Europe levied wealth taxes of one form or another.

After that, however, they fell out of favour and were dropped in country after country (Friend 2024: 4–8). Austria abolished its wealth tax in 1994, Denmark and Germany followed suit in 1997, and so did the Netherlands in 2001, Finland, Iceland and Luxembourg in 2006, and Sweden in 2007. Even France, a high-tax country with strong egalitarian political commitments, downgraded its wealth tax to a high-end property tax or ‘mansion tax’ in 2018.

Today, there are only three countries left that still have wealth taxes, namely Spain, Norway and Switzerland. Out of those three, the Spanish wealth tax is so full of holes that what remains of it can be considered largely symbolic: it raises so little revenue that most fiscal accounts for Spain do not even bother to list it. (They just subsume it under ‘Other’.) This leaves only two countries with more-than-symbolic wealth taxes, Norway and Switzerland. Both are slightly unusual examples insofar as they effectively use wealth taxes, in part, as a substitute for other common forms of taxing asset ownership and transfers (Perret 2021: 546). Norway, for example, does not have an inheritance tax, and Switzerland does not have a general capital gains tax. Still, Norway and Switzerland have not entirely bucked the international trend away from wealth taxes either. They have

not abolished them, but they have pared them back, in Norway's case by raising exemption thresholds and in Switzerland's case by cutting headline rates (Perret 2021: 544).

It is hard to think of another example of a once-popular policy that has fallen out of favour so rapidly and so widely, going from common practice to nearly extinct over the course of just a few years. This cannot be explained by conventional political pendulum swings: the move away from wealth taxes was a policy trend which was pursued by governments of very different political persuasions, including left-wing ones. But while the governments that abolished wealth taxes were not ideologically similar to each other, their reasons for doing so very much were. As the OECD points out in a report on wealth taxes:

The main arguments [put forward to justify the repeal of net wealth taxes] relate to their efficiency costs and the risks of capital flight [...]; the observation that net wealth taxes often failed to meet their redistributive goals [...]; and concerns about their high administrative and compliance costs, in particular compared to their limited revenues (i.e. high cost-yield ratio) (OECD 2018: 17).

A review of the economic literature on wealth taxation in the journal *Fiscal Studies* also notes:

Political statements justifying the repeal of wealth taxes reveal similar arguments across countries. [...] [T]he most commonly cited justifications for the repeal of wealth taxes were that they reduced savings and investment, they encouraged migration, they were not effectively borne by the wealthiest households, [...] and they generated substantial administrative and compliance costs, especially compared with the limited revenues they raised (Perret 2021: 555–556).

Another literature review, in the *Journal of Governance and Regulation*, adds:

[Administrative costs] are a significant challenge in [implementation of wealth taxes], as the effort and expense of tracking and valuing assets can sometimes exceed the revenue generated. [...] [N]umerous European nations have abolished their wealth taxes due to issues related to administration and compliance. [...] Wealth taxes can prompt relocation, especially among the affluent, eroding tax bases and revenues (Ola 2024: 121).

The UK never had a wealth tax and therefore does not feature prominently in the economic literature on the subject. But the above reasons will nonetheless look familiar to British fiscal policy veterans, because these are precisely the reasons why previous attempts to introduce a wealth tax in the UK were abandoned (Friend 2024: 4-5). In 1974, Prime Minister Harold Wilson's government was elected on the basis of an election manifesto which promised: 'Labour believes [...] that taxation must be used to achieve a major redistribution of both wealth and income. [...] The next Labour Government will introduce an annual tax on wealth above £100,000 [close to £1m in today's prices – KN].'¹

But as the Wilson government started to work on the nuts and bolts of a wealth tax, they discovered a raft of practical problems and risks which they had not anticipated. Internal government documents raised concerns that the introduction of a wealth tax would lead to 'a considerable outflow of funds in the form of dividends and interest', to 'a big movement of banks, insurance and shipping business moving out of the UK', and that '[a]ssets

1 <http://www.labour-party.org.uk/manifestos/1974/oct/1974-oct-labour-manifesto.shtml>

held here would be affected. This would reduce the level of business in UK' (cited in Glennerster 2012). The civil servants most involved in the project concluded that a wealth tax would not generate much revenue, that it would be extremely complex to administer and that it would cause serious economic damage (Glennerster 2012). Thus, the tax plans were repeatedly delayed and eventually dropped entirely. Chancellor Denis Healey later said: 'We had committed ourselves to a Wealth Tax: but in five years I found it impossible to draft one which would yield enough revenue to be worth the administrative cost and political hassle' (cited in Glennerster 2012).

As the wealth tax itself faded, so did interest in it. According to Google Books Ngram Viewer, the relative frequency with which the term 'wealth tax' is mentioned in the English-language literature began to increase in the early 1950s, peaked in the mid-1970s, and then dropped sharply after that. By the early 2010s, it had fallen to just one-fifth of its peak level.

Yet today, the wealth tax is firmly back on the agenda again. In recent years, it has made a sensational comeback – not in the sense that it has been (re-)introduced anywhere, but in the sense that it now commands a huge amount of media interest and that it is phenomenally popular. According to a recent YouGov poll (2025), 75% of the public support the introduction of a wealth tax, with only 12% opposing. The idea is popular across all regions, all social classes and all age groups, as well as across the political spectrum: perhaps surprisingly (or perhaps not), a clear majority of Conservative and Reform voters support it too.

One of the most vocal campaigners for a wealth tax in the UK is Gary Stevenson, whose book *The Trading Game* (Stevenson 2024) became a number one *Sunday Times* bestseller and whose

YouTube channel ‘Gary’s Economics’ has about 1.5 million subscribers at the time of writing.

Another vocal campaigner is Zack Polanski, who made the wealth tax his flagship policy and who became leader of the Green Party in September 2025 on that basis. Party membership surged from less than 70,000 before Polanski² to 215,000³ at the time of writing and almost certainly more than that by the time this paper goes to print.

A whole movement has sprung up around the idea, which includes the Trades Union Congress (TUC) (Green 2025), Oxfam (n.d.), Tax Justice UK⁴, Greenpeace UK⁵ and Patriotic Millionaires. It has its own ‘fan merchandise’ as well: one can now buy T-shirts, baseball caps and tote bags with slogans signalling support for a wealth tax⁶. This is a level of commitment which does not exist for any other tax: there are no fashion items signalling support for vehicle excise duty or air passenger duty.

For this new movement, the wealth tax is a multi-purpose tool, which will remedy multiple social, economic and environmental problems all at once. They believe that a wealth tax would raise the revenue needed to improve public services, expand

2 R. Mason ‘Green party membership in England and Wales passes 200,000 after byelection victory’, *The Guardian*, 1 March 2026 (<https://www.theguardian.com/politics/2026/mar/01/green-party-membership-surge-byelection-victory-zack-polanski>).

3 Zack Polanski, X, 6 March 2026. Accessed: 24 March 2026 (<https://x.com/ZackPolanski/status/2029833936331845819>).

4 Tax Justice UK: *Taxing Wealth*. Accessed: 24 March 2026 (<https://taxjustice.uk/campaign/taxing-wealth/>).

5 Greenpeace: *Tax the super-rich for a greener, fairer Britain*. Accessed: 24 March 2026 (<https://action.greenpeace.org.uk/tax-super-rich-fairer-britain>).

6 Gary’s Economics (<https://www.youtube.com/garyseconomics>).

the welfare state and finance the ‘green transition’ to a ‘green economy’. They also believe that it could be used to rebalance the tax system, easing the burden on ordinary wage earners and shifting it onto rich asset owners instead. Last but not least, they see it as a tool to address wealth inequality, breaking up the concentration of wealth and spreading it more widely. Some see wealth taxes as a tool to solve Britain’s housing crisis, which they interpret as a distributional problem, not as a housing shortage. Some even see it as a tool to ease social tensions around immigration. They believe that objections to immigration are not *really* about immigration at all, but about economics, or more precisely, about people wrongly scapegoating immigrants for their economic problems. If these people’s problems were addressed with a wealth tax, they would no longer have a need to scapegoat immigrants (or, for that matter, anyone).

This sudden enthusiasm for wealth taxes may, at first sight, seem surprising, given the disappointing real-world experience with them. Wealth taxes have thus far not been especially effective at achieving any of the above goals, let alone all of them at once. They have not raised much revenue, they have not eased the tax burden on wage earners, and they have not done much to reduce wealth inequality. They have certainly not improved housing affordability, let alone made people more tolerant of immigrants. Their benefits have been elusive, but their costs are very real. Wealth taxes have previously been abandoned for good reason, and creating a hype around them now does not make those reasons go away. The drawbacks of wealth taxes, such as high administrative costs, high compliance costs, valuation problems, capital flight, negative impacts on domestic investment, capital formation and entrepreneurship etc, are very real indeed, and before the current hype, even their sympathisers used to acknowledge this, in large part. In fact, in order to reach the conclusion that the wealth tax is a bad idea, we do not even

need to read any literature by critics of wealth taxes: it is enough to read the many concessions that the more well-informed, fair-minded sympathisers make.

This paper relies mostly on literature written by economists who, judging from the tone of their publications, appear to be broadly sympathetic to wealth taxes. By 'sympathetic', we either mean authors who support wealth taxes or authors who see a good case for them but stop just short of endorsing them. A few of the authors cited here appear ideologically hostile to wealth taxes, but most are quite clearly not.

One pattern we have repeatedly found is that as soon as supporters of wealth taxes start to address the practicalities, they start to lose their enthusiasm. They do not necessarily give up on wealth taxes altogether, and they certainly do not come round to the views of the author of this paper. But they do not make bombastic promises about how a wealth tax will transform society. They will, at most, argue that, on balance, having a wealth tax is a little bit better than not having one, and even then, they will caveat this heavily, emphasising the need for good design and implementation.

The most enthusiastic supporters of wealth taxes are the ones who do not address the practical difficulties with wealth taxes, or their disappointing history, at all. What they prefer to do instead is simply reiterate the *intentions* behind a wealth tax, or the *problems* they are trying to solve with it.

This paper will argue that the current hype around wealth taxes is undeserved and that the international policy trend of the 1990s and 2000s, which was to move away from wealth taxes, was a desirable one. The arguments against wealth taxes which were raised in those years are well-founded and stand up to scrutiny.

In some ways, these arguments are more relevant today than they were then, and they are more relevant in the UK than in most other OECD economies. If wealth taxes are a bad idea in general, the UK is particularly poorly suited for them.

The argument of this paper is *not* that the introduction of a wealth tax is just around the corner or that it would be catastrophic even if it were. It is necessary to keep things in perspective.

Firstly, we have been here before. In the early 2010s, there was a very similar hype around the ‘Robin Hood Tax’, a type of financial transaction tax which was enthusiastically endorsed by actors, musicians and other celebrities⁷. Then as now, economists pointed out that similar taxes had been tried before and that both economic theory and actual experience were against them. Then as now, these arguments failed to cut through. If one side of a debate has the support of actors and musicians, while the other side has the support of economists, the former side will always win.

Nonetheless, the Robin Hood Tax ultimately did not happen. The hype around it simply fizzled out, and its supporters moved on to other fashionable causes⁸. The wealth tax may well go the same way.

Secondly, even if it does happen in some form, a British wealth tax is not going to be implemented by a government that is

7 Robin Hood Tax: ‘Celebs join the merry band’, 23 March 2010. Accessed: 24 March 2026 (<https://www.robinhoodtax.org.uk/celebs-join-merry-band.html>).

8 Then again: it may also have failed because the initial practical difficulties of a financial transaction tax may be even greater than those of a wealth tax. It is possible to introduce a rudimentary wealth tax first and then try to sort out the details later. With a financial transaction tax, it may not be possible to introduce it at all until the details are sorted.

unanimously and zealously committed to it. If at all, it will be implemented by a government which is internally divided about it, and which will probably only adopt a heavily watered-down version of it. If so, a British wealth tax could end up much like the – largely symbolic – Spanish one. (Although, as we will see later, while the Spanish wealth tax is not especially burdensome, it still causes problems in other ways.)

Thirdly, the one redeeming feature of the wealth tax is that, unlike the vast majority of other misguided policies, it is at least easy to repeal it again, as evidenced by the fact that so many countries have done just that. If a British wealth tax happens, there is a good chance that it will be short-lived, introduced by one government and then immediately scrapped again by the next one. If the taxpayers affected by it do not expect it to last for long, there might not even be major behavioural responses to it.

Fourthly, even a full-fat, permanent wealth tax would not ruin the country. As we will see later, the impact on wealth taxes on economic growth and long-term prosperity is negative but not enormous in magnitude. The wealth tax is bad but not catastrophic. As it happens, the author of this paper was born in a country (West Germany) which had a wealth tax at the time. That tax was later abolished for good reason, because it caused real economic problems, but these were problems one would not know about unless one reads an economic study about them. More, given that Switzerland and Norway are among the very richest countries in the world (as was Luxembourg when they still had their wealth tax), it would clearly be hyperbolic to claim that wealth taxes are the path to economic ruin.

So why this paper? Why bother addressing the idea at all if it may never happen and if it would not be the end of the world even if it did?

The answer is that, at least in the current context, the wealth tax is not just a fiscal policy measure. It is also a communication device. It tells a story. It encapsulates a range of assumptions and narratives about how the economy works. The ideas embodied in the proposal deserve to be challenged, and they would still deserve to be challenged even if the proposal itself disappeared.

The story they tell is that of a country with an almost limitless reservoir of unused, unearned and unproductive wealth, which we just need to tap into. If that were true, there are a number of policy areas which we would approach in a very different way.

For a start, we would not be too bothered about economic growth anymore. In the picture painted by wealth tax proponents, Britain is already sufficiently wealthy in aggregate terms. Its wealth is just in the wrong hands. The primary challenge is to distribute it in a different way, not to increase its total amount.

Secondly, it would change the relationship between fiscal policy and public spending. Wealth tax proponents make it sound as if Britain could be the equivalent of a petrodollar economy, just with billionaire wealth instead of oil wealth. A petrodollar economy does not face the same trade-offs that a 'normal' economy faces. If oil prices and/or volumes of domestic oil production increase, a petrodollar economy can increase public spending without having to increase taxes or borrowing. Wealth taxes are, of course, technically part of the tax burden, just as income taxes and consumption taxes are, but to the vast majority of the population, it is not going to feel that way, and wealth tax proponents do not present it to them in that way. They present it as a quasi-extra-fiscal source of revenue, which generates additional public spending 'for free' (for all intents and purposes).

Thirdly, we would be far less bothered about the effectiveness and efficiency of public spending. If it is so easy to raise additional revenue, and if that money would otherwise just be stowed away somewhere in the Cayman Islands, even a spending programme of questionable value can still be justifiable.

But this is not a useful way to think about Britain's social and economic problems, and it is wrong to give people that impression, be it via advocacy for a wealth tax or in some other way.

Regarding growth: Britain very much *is* suffering from a growth malaise, *not* from excessive 'wealth hoarding'. In 2025, Britain's real GDP per capita was only about 8% higher than in 2007 and only about 77% of what it would have been if the economy had remained on its pre-2008 growth path throughout (OBR 2026a). Meanwhile, wealth inequality barely changed at all during this period. It has, in fact, not changed much since the 1990s. It remains at a level which is fairly low by both historical and international standards (more on this later). The portrayal of Britain as a country that is wealthy in the aggregate, but suffering from excessive wealth concentrations, is completely at odds with the data.

Regarding taxation: across OECD economies, there is a very strong correlation between public expenditure levels and the tax burden faced by people on average incomes. If we rank OECD economies by levels of public spending, France and Belgium usually top the list, with Italy, Austria, Sweden and Finland not far behind. These are also among the countries with the heaviest tax burdens for people in the middle of the earnings distribution (OECD 2025a). Where public spending is high, taxes are also high – and, crucially, they are high for the majority of the population, not just a few billionaires and multi-millionaires.

Regarding the effectiveness of public spending: ironically, the hype around wealth taxes took off at a time when public spending – especially on healthcare and welfare – was already increasing considerably. Since the late 2010s, public spending has already increased by almost five percentage points of GDP, from under 40% to over 44% (OBR 2026b and 2025). These spending increases have clearly not satiated demands for additional spending increases, and wealth tax proponents have failed to explain what makes them so sure that another round of spending increases will do the trick.

Some readers will be tempted to dismiss the above arguments as strawmen, because nobody is saying that a wealth tax is a silver bullet which will solve all of Britain's problems on its own. Nobody is saying that Britain should just introduce a wealth tax, spend the revenues and leave everything else exactly as it is. In principle, the introduction of a wealth tax could go hand in hand with all kinds of pro-growth reforms, wider reforms of the tax system and reforms of the public sector.

It is just that, in practice, this does not happen. The wealth tax need not collide with any of the above, but in practice, it just does. Perhaps the main cost of the wealth tax – even of a wealth tax that is never implemented – is its opportunity cost. All that political energy and enthusiasm, undoubtedly largely well-intentioned, that currently goes into promoting a wealth tax is distracting us from more worthwhile goals. As Bryan Caplan (talking about the US but making a point that is equally applicable to the UK) explains:

Both airtime and mental bandwidth are very scarce. [...] The U.S. polity has the ability to adopt only one or two big policy reforms per year. [...] A society can't think about everything. A society can't talk about everything. When our society thinks and talks about distribution, we are, by default, failing to

think and talk about growth. If we don't think and talk about growth, we can't implement policy reforms to promote it. And so we don't⁹.

9 B. Caplan The Distributive Distraction. Bet On It, 26 July 2022 (<https://www.betonit.ai/p/the-distributive-distraction>).

Wealth taxes, taxes on wealth and taxes on the wealthy: some clarifications on terminology

Wealth taxes proper

The term ‘wealth tax’ sounds self-explanatory, but it actually has a very narrow and specific definition, so it makes sense to start by clarifying what exactly a wealth tax is and how it differs from other taxes.

A wealth tax is a recurring – usually annual – levy on individual or household net wealth, where ‘net wealth’ means the total value of someone’s assets minus their liabilities and where ‘assets’ refers to all assets unless specifically exempt.

More pedantically minded readers will notice that if a wealth tax is by definition recurring, there can be no such thing as a ‘one-off wealth tax’. In this paper, we will nonetheless use that expression on a you-know-what-I-mean basis, because it is more widely used than the more accurate term ‘capital levy’.

Wealth-related taxes

There are many taxes which do not quite meet the definition of a wealth tax, but which nonetheless share some of its characteristics. The main ones are:

1. Taxes on asset ownership
2. Taxes on asset transfers
3. Taxes on increases in asset values
4. Taxes on income derived from assets

The most common example of (1) is property taxes, the UK's version of which is council tax. Council tax was originally a textbook example of a property tax because it tracked property values closely, but it has since increasingly lost that connection, as tax liability has been updated on an ad hoc basis rather than in line with property values. Still, this does not mean that council tax has ceased to be a property tax: it is not unusual for taxes on assets – including, and especially, wealth taxes – to be based on outdated valuations.

An example of (2) is inheritance tax, which could be described as a one-off wealth tax that is tied to a specific realisation event, namely the death of the original owner and the bequest of their wealth to their heirs.

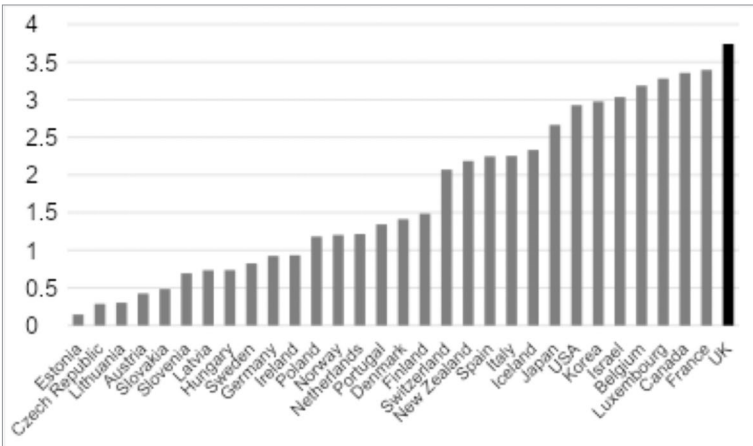
Another example of (2) is stamp duty land tax (SDLT), a tax on the purchase of property. We could also describe it as a 'wealth conversion tax', because the seller converts one type of wealth (property) into another (cash), and the buyer does the reverse. Unlike council tax, SDLT is based on the actual, current value of the property, as revealed by the purchase price.

An example of (3) is capital gains tax (CGT). In practice, it works much like (2), because people pay the tax at the point when they sell the asset, not at the point when the appreciation of the asset value happens. CGT could, in theory, work in that way too: people could be taxed every time their wealth increases, in which case, CGT would work much like a wealth tax, or rather, an incremental wealth tax. But this would require ongoing valuations of asset wealth, in which case CGT would run into the same valuation problems as a wealth tax. Tying CGT to a transaction neatly sidesteps the valuation problem, because the transaction itself provides the valuation.

Finally, while most OECD countries do not tax wealth per se, they do tax the income streams generated by it.

What becomes clear is that a country can have plenty of taxes *around* wealth even if it does not have a single thing called ‘a wealth tax’. The UK is one of those countries (Friend 2024: 9-11). If we combine wealth taxes, property taxes, inheritance taxes and financial/capital transaction taxes into one single category, which we could call ‘wealth and wealth-related taxes’, the UK raises more revenue from taxes in that category than other OECD countries. Despite not having a wealth tax, the UK is, on this measure, ahead of Spain, Switzerland and Norway, which do have one.

Revenue from wealth and wealth-related taxes, % of GDP, 2024



Based on OECD Data Explorer (2026) <https://data-explorer.oecd.org/>

So, in principle, we could end this paper here by simply saying that the entire debate is moot, because while the UK does not have a tax which meets the strict, technical definition of a wealth tax, it does have several substitutes. We can argue about whether that is a good thing or whether those substitute taxes are themselves part of the problem, but that would be a separate debate (see e.g. Meakin 2026). Even a supporter of wealth taxation could, in principle, conclude that the UK does not need a wealth tax, because it already taxes wealth in other ways.

We are not going to take that easy way out, but it is worth making the general point that tax systems need to be judged as an overall package, not by one element (or its absence) in isolation. Wealth tax supporters sometimes point out that Switzerland, despite its wealth tax, has long been a magnet for investors and High Net Worth Individuals. They are right. A resident of Geneva, the canton with the highest wealth tax rates in Switzerland, could

very easily cut their wealth tax bill to zero by relocating to the French side of the border, but few of them do. But there is, of course, a simple reason for that, which is that the overall tax burden is vastly greater in France than anywhere in Switzerland.

Taxes on the wealthy

A wealth tax is not the only way to tax the wealthy. It is only the most direct way, since under wealth tax, net wealth itself acts as the tax base. But it is equally possible to target close correlates of wealth.

It is not unusual for the tax system to tax correlates of the thing they actually want to tax rather than the thing itself. There is, for example, no specific tax on aviation fuel, since it would be too easy to avoid (by simply filling up the plane somewhere else), but Air Passenger Duty acts as an imperfect substitute. In the same way, a progressive consumption tax with very high rates for luxury items (such as private jets and yachts) would not explicitly target net wealth or income, but in practice, there would be an extremely strong correlation.

Overall, the wealth distribution and the income distribution are two quite distinct distributions. Wealth is not an especially good proxy for income, and income is not an especially good proxy for wealth: it is possible to be income-rich and asset-poor, and it is possible to be asset-rich and income-poor. At the top ends, though, the overlap of the two distributions is unusually strong (OECD 2018: 32). The very income-rich and the very asset-rich tend to be largely the same people. We can also see this from the fact that people in the top 1% of the income distribution derive a much greater share of their income from various forms of business ownership. As the IFS points out:

[R]elative to the bottom 99%, the top 1% of income tax payers receive more of their income in the form of partnership income or dividends. [...] Business owners are thus an important part of the top 1% in the UK – something that is also true of the highest-income people in the United States. Adding up the people in the top 1% whose most important income source is partnership income (14%), dividend income (11%) or self-employment income (4%) suggests that almost one-in-three of the top 1% is a business owner (Joyce et al. 2019: 14).

What this means is simply that the income tax system already does a lot of what a wealth tax is supposed to do. The income tax system is already heavily progressive, with the top 1% of income tax payers paying more than a quarter of all income tax revenue, while the bottom 50% just one tenth (House of Commons Library 2025). They are not paying that money specifically in their role as wealth owners, but they are paying it all the same.

By the same token, it is also worth pointing out that a wealth tax need not be a tax that only targets the super-wealthy. Historical wealth taxes have often been more broad-based, taxing middle-class wealth as well (Perret 2021: 542–544). The progressivity of a wealth tax simply depends on how high the tax exemption threshold is and what kinds of assets are exempt from it. A wealth tax with exemptions for primary residences, for example, is going to be more progressive than a wealth tax without those exemptions. This is because property wealth accounts for a large proportion of wealth in the upper-middle segment of the wealth distribution but only for a small share of wealth at the distribution's top end (Advani, Bangham et al. 2020: 13–14 & 25). So, the exemption is proportionately worth more to the moderately wealthy than to the super-wealthy. An exemption for business wealth does the opposite, because the relative importance of business wealth increases as we approach

the top end of the distribution, so the exemption is worth more to the super-wealthy than to the quite-wealthy.

For the purposes of this paper, we will largely ignore the option of a broad-based wealth tax because, to the best of the author's knowledge, this is not what anyone is currently proposing in the UK¹⁰. What the current proposals all have in common is that they use a very high exemption threshold, narrowly targeting the very top end of the wealth distribution, but taxing those at what are, by the standards of previous wealth taxes, relatively high effective rates. This would make a British wealth tax unusually progressive but also unusually narrow-based.

The Tax Justice Network and Patriotic Millionaires suggest a wealth tax of 2% on wealth above £10 million. For comparison, in Switzerland, wealth tax liability starts at wealth levels of much less than £1 million (parameters vary from canton to canton), while rates range from 0.1% to 1% (Eckert & Aebi 2020). These are headline rates, but there are also multiple deductions available, which means that effective rates are much lower than that. British proposals mention no such exemptions or deductions, so presumably, the headline rate is going to be close to the effective rate.

At the risk of slightly oversimplifying: previous wealth taxes were arrangements where lots of people pay something, but most of those do not pay a huge amount. A British wealth tax would be an arrangement where very few people pay at all, but within that small group, most would be expected to pay a considerable amount.

10 For a summary of the proposals, see Tax Policy Associates (2025) Wealth taxes: high risk, unworkable and anti-growth. Accessed 24 March 2026 (<https://taxpolicy.org.uk/2025/07/22/uk-wealth-tax-anti-growth/>).

Debates around wealth taxes, then and now

The current debate around wealth taxes is heavily politically charged and runs along traditional ideological dividing lines. This is, however, not a helpful way to think about the issue, and it has historically not been this way. In the 20th century (and before), a wealth tax was supported – and opposed – by people of very different political persuasions. There are right-wing arguments for wealth taxes; there are left-wing arguments against them; and there are arguments for and against them that fall outside of the left-right spectrum altogether.

In this section, we will give a brief overview of some of those arguments. Some readers will see this as a needless digression, because it does not tell us much about whether wealth taxes are good or bad. To answer the latter question, we do not need to know the intellectual history of the idea, and readers who are not interested in that history are advised to skip this section altogether. But if nothing else, what this section should make clear is that nobody needs to feel obliged to either support or oppose wealth taxes out of a sense of loyalty to any political camp.

Wealth taxes are not intrinsically left-wing. One of the early adopters of a wealth tax was the Kingdom of Prussia, which was certainly no hotbed of progressivism. Their Supplementary Tax Act (Wealth Tax) of 1893 stated:

We, Wilhelm, King of Prussia by the Grace of God, decree, with the consent of both Houses of Parliament of Our Monarchy, for the entire extent of the same, [...] the following:

[...] With effect from 1 April 1895, a supplementary tax shall be levied in accordance with the following provisions.

[...] Subject to the supplementary tax are [...] natural persons [...] based on the total value of their taxable assets, defined as 'their Prussian real estate, [...] their fixed and operating capital used for the operation of agriculture or forestry, [...] mining, or a permanent trade in Prussia' (Prussian Finance Ministry 1895, translation KN).

Although Prussian politics was heavily dominated by aristocratic conservatives, the wealth tax was not a controversial measure at the time: it passed the House of Commons with a two-thirds majority, and for the House of Lords, only one dissenting voice is noted.

Prussia was no outlier. One paper on the history of wealth taxes finds that countries with a politically powerful landed aristocracy were more likely to introduce a wealth tax than otherwise similar countries with a different political power balance (Limberg & Seelkopf 2022). A quasi-Marxist interpretation of this finding would be that for aristocratic landowners, a general wealth tax is preferable to land and property taxes, since the latter fall largely on them, while the former is shared among a larger group of asset owners. Thus, they may have seen a wealth tax as a way to shift the tax burden away from feudal wealth and towards

‘bourgeois’ wealth: to tax factories more heavily and country estates more lightly.¹¹

The Prussian wealth tax was soon adopted by other German states and became a federal tax in the early 1920s. Over the coming years and decades, it was collected by governments of just about any imaginable political persuasion: conservatives, social democrats, left-liberals, national liberals, monarchists, separatists, fascists (during the Third Reich) and communists (in East Germany).

The UK, meanwhile, never had a wealth tax, but the idea was seriously considered on multiple occasions (Friend 2024: 4 – 6). After World War I, there were discussions about a one-off wealth tax or capital levy, in part to help finance the wartime burden, but also a symbolic we-are-all-in-this-together measure to ease social tensions. It was, for example, debated in the House of Commons in 1919 (Hansard 1919), and some of the arguments presented still sound familiar today.

Ernest Wild, Conservative MP for Upton, argued:

A capital levy is impracticable for the simple reason that valuation is impossible. Capital cannot be valued without a vast and intricate machinery which would tax the resources of the State in order to arrive at the real value of capital. It is improvident because it disturbs credit. When you disturb credit you promote unemployment.

¹¹ Whether it actually works out that way is another matter. There is evidence that the Prussian wealth tax fell much more heavily on ‘feudal’ than on ‘bourgeois’ property.

Ernest George Pretyman, Conservative MP for Chelmsford, agreed:]

One difficulty was mentioned by the Chancellor of the Exchequer when he introduced his Budget. I cannot see how you are going to value all the property, movable and immovable, from one end of the country to the other, and obtain a fair valuation of it. It is really impracticable.

On the opposite side, Sidney Arnold, Liberal MP for Peniston, supported the measure:

[I]n Germany there has been a great deal of discussion on the point and the German Government has prepared for the last year or two for a big levy, which shows again that in the opinion of some of the ablest men in Germany a capital levy can be carried through. Therefore, there is no good in saying that it is impracticable and cannot be done because it has been done, and these schemes which have been prepared show that some very eminent men abroad think that it can be done.

Francis Acland, Liberal MP for Camborne, also supported it:

It is difficult of course. All great financial expedients are difficult. But it does not seem to be more difficult than the proposal of the Income Tax or the Death Duties must have seemed before they were initiated. All great financial expedients have their difficulties and the only thing is to try to face them. [...]

It is a choice between a capital levy and the continuance indefinitely [...] of the tremendous level of Income Tax which is really facing us. [...]

I would remind the House that it is not a new proposal put forward by a band of doctrinaire Radicals or Members of the Labour party. It has a great deal of backing in

important, financial, and business quarters, and it has a most respectable past.

Then as now, opponents anticipate administrative difficulties of valuation and negative effects on investment. Then as now, proponents argued that where there is a will, there is a way, and presented the wealth tax as a way of rebalancing the tax burden away from ordinary wage earners, thereby pre-empting today's slogan 'Tax Wealth, Not Work'.

This is not to say that nobody had ideological objections and that the debate was purely about practicalities. Baron Henry Page Croft, MP for Bournemouth for the National Party, condemned inheritance tax in the strongest terms and then extended his criticism to the wealth tax:

How can the right hon. Gentleman justify it! This kind of Bolshevism is quite a new line for him to take [...]

The Chancellor of the Exchequer, I am certain, would regard with abhorrence the ideas prevailing in Russia, and he would say that Lenin and Trotsky are thieves and scoundrels because they are collaring 100 per cent. of a man's possessions, but he himself is getting on pretty rapidly when we find him taking 30 per cent. and 40 per cent. of large estates. [...] The same argument applies to the question of a levy on capital, which is to be raised later by an Amendment.

Winston Churchill, then secretary of state, was certainly no Bolshevik, but he also supported a wealth tax in those years, if more for instrumental reasons. As Professor Martin Chick explains in 'Taxing Wealth: A Historical Perspective':

Winston Churchill [...] was concerned that the Government not appear as a 'class' government as he saw a failure to gain

working-class support as the ‘greatest danger to capital’. For Churchill, such a levy was required to defend the existing system of capitalism. [...] Churchill’s view was that ‘it will be very hard anyway to hold this immense electorate by reason and not by force and still hold the capitalist system. If we cannot reason with them and convince them, we shall bring the very disaster which the City fears.’ (Chick 2021: 7)

The Conservative Chancellor of the Exchequer, Austen Chamberlain, took a similar view:

The prejudice against great wealth in ‘pockets’ is a danger to all capital. The wealth has come to men too rapidly and they have waxed fat while the mass have grown poorer. This is felt among the whole of the professional classes and in black coated circles and by the squires who see new men in the country flinging wealth about extravagantly. A tax is the wise policy but for one thing – the panic. [...] If we do not do it we shall strengthen the socialist case and send new people to their side. (quoted in Chick 2021: 6)

Unlike Churchill, Chamberlain nonetheless stopped just short of endorsing a wealth tax because he thought it would trigger capital flight: ‘The City always has cold feet but this time they have frightened me. [...] I confess I fear the unreasoning fear of the City’ (quoted in Chick 2021: 6).

The idea resurfaced in the postwar period and played a major role in the economic policy debates of the 1960s and 1970s. In the early 1960s, the government set up the National Economic Development Council (NEDC), a tripartite economic advisory body consisting of representatives from the business world, the trade union sector and the public sector. Their report *Conditions Favourable to Faster Growth* argued that the ‘introduction of a wealth tax [...] may have a useful role in a major review of taxation related to a programme of growth’ (cited in Peacock 1963).

Perhaps ironically, it was an IEA author, the economist Sir Alan Peacock, who developed what was, for all we know, the first model of a British wealth tax. Peacock was by no means endorsing such a tax: he merely analysed what its effects would be, which is easier to do when dealing with a fleshed-out tax proposal with rates and thresholds, rather than just a general idea. But while he was not personally endorsing it, he acknowledged that many of his colleagues did:

‘Generally speaking, and abstracting from the administrative problems associated with it, the net wealth tax gets high marks from economists when viewed in terms of the commonly accepted objectives of economic policy’ (Peacock 1963: 395).

‘Abstracting from the administrative problems’ is, of course, doing some heavy lifting here, but Peacock did not object to a wealth tax in principle. He said that ‘the mere holding of wealth confers satisfaction on the owner’ (Peacock 1963: 396), and he saw this ‘psychic income’ as a legitimate target for taxation. He also said that ‘the case for a net wealth tax can be made [...] as a measure of social reform in a country with a relatively high degree of inequality of wealth’ (Peacock 1963: 399).

But he also discussed some of the practical problems we have already come across, namely around valuation and avoidance:

[T]he outstanding administrative problem is obviously that of valuation. Valuation of stocks and shares, house property, etc., might not be too difficult, but valuing family businesses, jewellery, pictures and furniture – to mention only a few items – is another matter. This suggests that efficient valuation would involve large administrative costs (Peacock 1963: 398).

He also thought that it would not raise much revenue and that most of what its proponents were trying to achieve could be better achieved in other ways. His overall verdict was therefore a critical one: 'It seems fair to conclude that the net wealth tax [...] would hardly live up to the role it would be expected to perform by NEDC and others' (Peacock 1963: 399). But what the paper shows is that even liberal economists were seriously thinking about the idea at the time.

Both major parties were divided on the subject. Curiously, it was the moderate wing of Labour which was most supportive of the wealth tax, while the more radical wing was sceptical. In the Tory party, the opposite was true: conservative sympathisers of the wealth tax presented arguments that sounded far more like proto-Thatcherism than One Nation Conservatism.

Professor Howard Glennerster (2012: 5-6) summarises the divisions within Labour, noting

the internal debate the party was having about the very nature of socialism. How far should socialism be associated with public ownership of the means of production or was it about [...] more equality [...] and a higher quality of life to all sections of the community?

[F]or the more Marxist left it was still the ownership of capital and the power it brought that was the key to a changed society. Taxation of wealth holdings and other means to pay for social welfare were not the answer.

It is true that a wealth tax, on its own, does not lead to the socialisation or collectivisation of wealth, so it should not be surprising that some Marxists would see it as a pointless distraction. Remnants of this style of thinking still exist today.

At the launch of Your Party, co-founder Zarah Sultana demoted the wealth tax to a second-fiddle issue:

[W]e need a wealth tax, but we also need to nationalise the entire economy. Obviously [...] utilities, transport, energy, are important, but we need to look beyond that. We need to look at the banks. We need to look at construction. We need to look at the entire economy.¹²

Similarly, the *Guardian's* senior economics commentator Aditya Chakraborty also sees it as woefully insufficient:

I can't go along with the consensus emerging around a wealth tax. [...] If the wealth taxers seriously want to tackle big money [...], they are going to the gunfight not with knives, but toothpicks. [...] [I]t's a pantomime [...] of pseudo-radicalism in which the villains are some [expletive deleted] on yachts and the solution is one simple trick, just like those dodgy internet ads used to offer. [...] [W]hy not go the whole hog and make the Greens the anti-billionaire party, with a charter to remove oligarch influence from our political parties, our thinktanks, our media?¹³

But back to the postwar decades. In 'How can wealth be taxed? Debates in Britain since the First World War', Professor Martin Daunton (2023: 10–11) describes the intra-Tory debates of the 1960s and 1970s:

On the right, a wealth tax could be justified on grounds of efficiency – a way of stimulating enterprise. The tax would fall

12 Novara Media (2025) (<https://www.youtube.com/shorts/Hj-ZJsYI8wo>).

13 A. Chakraborty 'What does the left want? A wealth tax. What will that accomplish? Very little', *The Guardian*, 20 November 2025 (<https://www.theguardian.com/commentisfree/2025/nov/20/wealth-tax-left-super-rich-britain-budget-2025>).

on the asset and not the yield which would encourage a shift from safety and low yields to seek higher returns that would encourage entrepreneurialism. The tax might break up passive accumulations of past wealth and allow a cut in higher rates of income tax. [...]

The Conservatives embarked on a major reassessment of tax policy in opposition after 1964 with the aim of encouraging efficiency and enterprise, by improving personal incentives and broader ownership of capital. One member of the committee, William Rees-Mogg, thought that [...] 'the present system is weighted against the modest capitalist or would be capitalist compared to the man with a very large fortune'. [...]

In order to encourage these accumulations and to discourage passive old fortunes, the committee turned to an annual tax on wealth which Angus Maude thought was 'really the keystone of the arch'. [...] William Clark, a MP on the committee, saw the aim as 'to place more burden on the static existing accumulations of wealth and this to avoid the present concentration of the burden of tax on the creation of wealth'. Nigel Lawson agreed. The aim was to attack a 'property-owning gerontocracy' and create active entrepreneurial wealth.

Proto-Thatcherites saw themselves as defenders of entrepreneurship rather than 'old money' and were therefore initially sympathetic to the wealth tax because they saw it as a potential way to shift the tax burden from the former to the latter.

In 1974, much like today, 67–72% of the public supported a wealth tax, while only 22–30% opposed it (Daunton 2023: 12). After a failed attempt to introduce it, though, support dropped dramatically. The Conservatives had, at that point, abandoned the idea for good. Labour still kept trying for a while, for example, in their 1979 election manifesto: 'In the next Parliament, we shall

introduce an annual wealth tax on the small minority of rich people whose total net personal wealth exceeds £150,000.¹⁴

And again in 1983: ‘We shall [...] introduce a new annual tax on net personal wealth, [...] [t]his will ensure that the richest 100,000 of the population make a fair and proper contribution to tax revenue.’¹⁵

And one last time in 1987: ‘We will [...] bring forward [...] reforms to capital taxation – including the introduction of a wealth tax, which, whilst applying to only the wealthiest one per cent of the population, will, over the years, bring a significant contribution from those in our society best able to pay.’¹⁶

This was, for the time being, the end of it. Subsequent Labour manifestos made no mention of the idea. The wealth tax was, for all intents and purposes, dead and would remain so for over 30 years.

In the introduction, we have described the wealth tax revival of the 2020s as ‘surprising’. But one could equally argue that what is really surprising is that it did not happen earlier, given the *zeitgeist* in the years before.

The book *The Spirit Level* by Kate Pickett and Richard Wilkinson (2010), which blamed virtually all of the world’s problems on inequality, became the most influential political book of the early 2010s. It could have served as a launchpad for a revival of wealth taxes, but it did not. This was also the time of the Occupy movement, The People’s Assembly, UK Uncut and regular mass

14 <http://www.labour-party.org.uk/manifestos/1979/1979-labour-manifesto.shtml>

15 <http://www.labour-party.org.uk/manifestos/1983/1983-labour-manifesto.shtml>

16 <http://www.labour-party.org.uk/manifestos/1987/1987-labour-manifesto.shtml>

demonstrations against ‘austerity’, movements which could easily have adopted the wealth tax as one of their causes. But they did not.

Thomas Piketty’s (2013) book *Capital in the Twenty-First Century* was the most influential political book of the mid-2010s, for which he was repeatedly described as a ‘rock star economist’. Piketty claimed to have found a structural flaw in capitalism: a tendency for asset wealth to grow at a faster rate than the economy as a whole, leading to ever-greater concentrations of wealth. He proposed wealth taxes, ideally worldwide, to counteract that tendency.

But curiously, despite Piketty’s enormous cultural clout and the centrality of his wealth tax proposal to his argument, it was not widely picked up. Even Jeremy Corbyn, as leader of the opposition, showed no interest in it. Neither the 2017 nor the 2019 Labour manifesto contained any allusion to it.

In 2018, the OECD published a major report on wealth taxes, and in 2020, a group of British academics set up the Wealth Tax Commission, which ‘studied whether a UK wealth tax is desirable and deliverable. To do this we worked with a network of world-leading experts, including economists, lawyers and accountants to study all aspects of a wealth tax’. But this constitutes academic interest in the subject, not political hype, and both the OECD report and the final report of the Wealth Tax Commission (Advani, Chamberlain et al. 2020), while not unsympathetic in tone, highlighted many downsides and practical difficulties.

The revival of the wealth tax as a political project, as opposed to a research interest, started in the USA. In early 2021, Senator Elizabeth Warren came up with a legislative proposal for a wealth tax, the Ultra-Millionaire Tax Act. The proposal itself attracted

little attention in the UK, but it had the endorsement of Senator Bernie Sanders, who was then still a hero of Britain's 'Corbynite' Left. Later in the same year, Jeremy Corbyn himself started to tweet about wealth taxes, sporadically at first, but eventually picking up pace. At that point, Corbyn was no longer leader of the opposition, but he still had a large, dedicated following of 'Continuity Corbynistas'. Corbyn was still an agenda-setter, whose ideas would get picked up by social media influencers and multipliers. In parallel, Gary Stevenson's YouTube channel, 'Gary's Economics', began to take off¹⁷.

In June 2022, there was a debate in the House of Commons on wealth taxes, where MPs Richard Burgon, Nadia Whittome, Caroline Lucas, John McDonnell, Rebecca Long-Bailey, Jon Trickett, Ian Lavery and a few others spoke out in favour of it (Hansard 2022).

In August 2023, Shadow Chancellor Rachel Reeves responded to speculation that a future Labour government might introduce a wealth tax by explicitly distancing herself from that idea¹⁸. By that stage, the idea had clearly re-entered mainstream discourse; otherwise, Reeves would not have felt the need to do that.

A few months after the 2024 election, 30 MPs, including Zarah Sultana and Jeremy Corbyn, wrote an open letter to the new Chancellor Reeves, demanding the introduction of a wealth

17 A. Chakelian, "‘Capitalism’s over’: The man who made millions by betting the economy would never recover. Gary Stevenson, the Patriotic Millionaire and former trader, on predicting disaster – and why it can only be avoided by closing the wealth gap", *New Statesman*, 17 November 2021 (<https://www.newstatesman.com/encounter/2021/11/gary-stevenson-i-knew-the-markets-were-wrong>).

18 'Rachel Reeves rules out wealth tax if Labour wins next election', *The Guardian*, 27 August 2023 (<https://www.theguardian.com/politics/2023/aug/27/rachel-reeves-rules-out-wealth-tax-if-labour-wins-next-election>).

tax¹⁹. In 2025, Green Party leadership candidate Zack Polanski adopted it as his flagship policy. Polanski's 'eco-populism' has since become the 2020s version of what Corbynism was in the second half of the 2010s, and the wealth tax is front and centre.

As we have seen in this section, no particular ideological camp can claim ownership of the wealth tax, and we should not judge it through the lens of British politics in the 2020s. The idea had its sympathisers from Kaiser Wilhelm II to Zack Polanski, from Winston Churchill to Gary Stevenson, from the proto-Thatcherites of the 1960s to Oxfam and from the interwar liberals to Greenpeace. Some early opponents denounced it as 'Bolshevism', while some actual Marxists derided it as mere window dressing within capitalism. Quite clearly, if we want to know whether a wealth tax is good or bad, these labels do not get us very far.

19 J. McKiernan, 'Dozen Labour MPs join call for "extreme wealth" tax', *BBC News*, 22 October 2024 (<https://www.bbc.co.uk/news/articles/cx242gw70x7o>).

What proponents of wealth taxes are trying to achieve

While it is fair to say that the wealth tax has experienced a spectacular revival, ‘revival’ is perhaps not quite the right word, because the current proponents of wealth taxes are not simply picking up where their historical predecessors have left off. One major difference between then and now is that the wealth tax’s current-day proponents have vastly greater ambitions for what they are trying to achieve with it. Their main ambitions are:

- 1. Raise revenue for additional public spending**, especially on social and environmental objectives. The Trades Union Congress (TUC) want to use wealth tax revenue to ‘[d]eliver real growth in school budgets’, to ‘[r]educer NHS waiting lists’, to ‘[d]eliver a major cash boost for local services’, and ‘to tackle anti-social behaviour and improve community cohesion’ (TUC 2025). Similarly, the Tax Justice Network also want to use it to fund extra spending on healthcare, education, poverty relief and local government services²⁰. Greenpeace want to use it to build up ‘green industries’, upgrade public transport systems, fund home insulation programmes and boost the NHS budget²¹. Oxfam want to use it for ‘funding public services, social security, and a just climate transition in fair ways’, to ‘improve living standards, support gender and racial justice, build a stronger economy,

20 Tax Justice Network: *Taxing wealth*. Accessed 24 March 2026 (<https://taxjustice.uk/campaign/taxing-wealth/>).

21 Greenpeace: *Tax the rich for a greener, fairer Britain*. Accessed 24 March 2026 (<https://action.greenpeace.org.uk/tax-super-rich-fairer-britain>).

and restore the UK's global reputation on aid and climate commitments' (Oxfam n.d.).

2. **Rebalance the tax system** away from labour income and towards asset ownership, as expressed in the slogan 'Tax Wealth, Not Work'.
3. **Reduce wealth inequality.** This point is particularly developed in the writing of Gary Stevenson, who sees wealth inequality as the root cause of Britain's poor economic performance. Stevenson has constructed a whole theory of economic decline around this:

We had been diagnosing a terminal cancer as a series of seasonal colds. [...] [W]hat was really happening was that the wealth of the middle class [...] was being sucked away from them and into the hands of the rich. Ordinary families were losing their assets and going into debt. So were governments. As ordinary families and governments got poorer, and the rich got richer, that would increase flow of interest, rent and profit from the middle class to the rich, compounding the problem. The problem would not solve itself. In fact, it would accelerate, it would get worse (Stevenson 2024: 236).

4. **Solve the housing crisis.**

If we see Britain's high housing costs as the result of a housing shortage, the obvious solution is to build more houses. Wealth tax campaigners, however, see the housing crisis as a distributional one: they believe that the super-rich are buying up too many properties, thus driving up the price and pricing ordinary people out of the market²². In this interpretation, a wealth tax becomes an alternative to housebuilding because it nudges the wealthy to sell off properties they do not need, thereby making them available to others.

22 Zack Polanski, speaking at the London Renters Union panel at The Word Transformed (TWT) conference (<https://www.facebook.com/LondonRentersUnion/videos/792169310095988/>).

5. **Ease tensions around immigration**

Some wealth tax campaigners believe that anxieties around immigration have been artificially manufactured. In this interpretation, billionaires immiserate large sections of the population and then misdirect the resulting anger ‘downwards’, at sections of the population that are in an even weaker position. In Zack Polanski’s words: ‘The whole framing of the migrant crisis is racist and fascist. The answer is not to blame the migrants. The answer is not to point at the small boats. The answer is to point at the private jets, the private yachts, and to multi-millionaires and billionaires.’²³

Before we even look at any numbers, we can already see that some of these goals are in conflict with one another. There is, in fact, a conflict even just within point 1, because the wish list of all the things that a wealth tax is supposedly going to fund is simply implausibly long and contains too many open-ended promises.

There is an even greater conflict between goals 1 and 2. The slogan ‘Tax Wealth, Not Work’ implies that the revenue from the wealth tax is going to be recycled into tax cuts for wage earners. But to the extent that a wealth tax is used in that way, it can, of course, not generate any additional revenue.

Both goals are in conflict with 3 and 4. Under 3 and 4, the wealth tax is presented as a ‘sin tax’ of sorts. The primary aim of a sin tax is not to raise revenue but to discourage an activity the government deems undesirable. Tobacco duty is supposed to discourage smoking, alcohol duty is supposed to discourage drinking and the wealth tax, in this version, is supposed to

23 Channel 4 News, X, 2 September 2025. Accessed 24 March 2026 (<https://x.com/Channel4News/status/1962930131808256280>). See also IEA & Niemietz K. (2025) ‘The revival of the Marxist “False Consciousness” thesis, and its shortcomings’, IEA blog (<https://insider.iea.org.uk/p/the-revival-of-the-marxist-false>).

discourage 'hoarding': of assets in general under 3 and of property wealth in particular under 4. Taxes that are supposed to raise revenue work best when people are not especially responsive to them: when they more or less keep doing what they would have done in the absence of the tax. For sin taxes, the opposite is true: they work best when people are highly responsive to them and strongly modify their behaviour. To the extent that they do that, sin taxes do not raise revenue, and that is a feature, not a bug. If lots of people give up smoking, tobacco duty revenue drops; if lots of people reduce their alcohol consumption, alcohol duty revenue drops, and if lots of wealthy people reduce their asset holdings above the threshold, wealth tax revenue drops.

Whether a wealth tax can achieve one of the above goals in isolation is an empirical question. We cannot say a priori that it can or that it cannot; we need to look at the data. But we can already say that the goals are in conflict with one another and that success in one area must come at the expense of another.

We will now look at the data to see which of the above goals (if any) a wealth tax could potentially achieve.

Wealth taxes and their discontents

Revenue

If we see the wealth tax as a revenue-raising tool, the most successful example that has ever existed was the one in Luxembourg, which, at its peak, raised more than 2% of GDP (OECD 2018: 20). This was a broad-based wealth tax, not just a tax on the super-rich.

The special case of Luxembourg aside, nobody has ever managed to raise much more than 1% of GDP in wealth tax revenue. Typical figures are well below that. The Austrian wealth tax used to raise about 0.5% of GDP but with a downward trend over time, while Denmark, Finland, France and the Netherlands used to raise around 0.2% of GDP (OECD 2018: 20), as Spain still does today. Norway raises about 0.6% and Switzerland a little over 1% of GDP: this is about as good as it gets.

Supporters of wealth taxes sometimes bring up a figure of £25 billion which they hope to raise, about 1% of UK GDP at the time when these proposals were first aired. Even if we take that figure at face value for a moment, it would still hardly be transformational. It would be about equivalent to one-fifth of the current budget deficit (OBR 2026b) or to the increase in the

(non-Covid) NHS budget that has already taken place over the past five years²⁴.

But a British wealth tax would be very unlikely to raise anything like £25 billion. As mentioned, historic wealth taxes have typically been far more broad-based than anything that is currently on offer in the UK. They had exemption thresholds far below £1 million (Perret 2021: 542–544) and thus applied to a much larger proportion of taxpayers. For example, in the final year of its existence, 360,000 people were subject to the French wealth tax, more than ten times the number of people that would be subject to a British one. A British wealth tax would have to compensate for its smaller number of taxpayers by squeezing more revenue out of each of them. But if avoidance behaviour was already a concern in France, it would be many times more so in the UK.

Inequality

Proponents of wealth taxes start from the premise that wealth inequality is out of control and that it is spiralling ever further. But what do we actually know about wealth inequality?

There are different measures of wealth inequality, which produce different results, because they concentrate on different parts of the wealth distribution.

If we are mostly interested in the super-rich (as wealth tax campaigners clearly are), the best measure is the share of total

24 Jefferies, D. & Purbrick-Thompson, K. (2025) The NHS budget and how it has changed. The King's Fund. Accessed 24 March 2026 (<https://www.kingsfund.org.uk/insight-and-analysis/data-and-charts/nhs-budget-nutshell>).

wealth owned by the top 1% of the wealth distribution. On this measure, Britain was historically a very unequal country. In the late 19th and the early 20th centuries, the wealthiest 1% accounted for 70% of the country's total wealth (Advani, Bangham et al. 2020; Alvaredo et al. 2018). From then on, however, this share shows a steady downward trend for a period of about 70 years. By 1980, it had dropped to just below 20%. It moderately increased again in the second half of the 1990s and then again in the early 2010s. It currently stands at a little under 22%, which is where it seems to have stabilised²⁵.

Internationally, the UK is, on this measure, slightly less unequal than the EU, where the wealth share of the top percentile stands at 25%, and substantially less unequal than the US, where it stands at over 35%²⁶.

If we look at the top 10% of wealth distribution, we observe a similar trend. In the beginning of the 20th century, Britain was still very unequal in that that group still accounted for a little over 90% of the total wealth. But their share then dropped steadily for about 70 years, and by 1990, it had dropped to 46%. We then see a moderate rebound in the second half of the 1990s

25 Our World in Data (2025) *Wealth share of the richest 1%. World Inequality Database*. Last updated 10 February 2026 (<https://ourworldindata.org/grapher/wealth-share-richest-1-percent>).

26 Ibid. These figures are probably not exactly correct. The British ones are from the ONS's Wealth and Asset Survey (WAS), which means that they rely on self-reporting. Nobody is going to start a valuation process for the sake of an ONS survey: respondents will simply give their best guess. But this need not be a problem for our purposes. We are not interested in the precise *level* of wealth inequality but in time trends and international comparisons. Whatever problems there may be with the data, they were probably already there in earlier times, and they are probably also present in other places. So, they should cancel each other out.

(Equality Trust)²⁷. It currently stands at a bit less than 58%, which is where it seems to have stabilised²⁸.

On this measure, the UK is marginally less unequal than the EU, where the wealth share of the top decile is slightly under 60%, and much less unequal than the US, where it is more than 70%.

At least on those measures, the UK seems remarkably egalitarian, which is completely out of line with the conventional wisdom. But this would be a premature conclusion. The above measures concentrate on the gap between the top group and the rest of the distribution, but they are blind to inequality within the second group. The UK's wealth distribution is best described as follows:

There are millions of people in the UK who own substantial amounts of wealth but who are not millionaires and who probably do not think of themselves as 'wealthy'. Most homeowners with a pension fund would fall into that category. But there are also millions of people whose asset wealth is only a fraction of the median level. There is a large wealth gap between these groups, and that constitutes 'wealth inequality', in a meaningful sense. It has just nothing to do with billionaires and multi-millionaires.

This is because there are simply not enough of those to affect aggregates. To be included in the top 10% of the UK's wealth distribution, a British household needs a net wealth level of a little over £1.2 million, and to be included in the top 1%, they need about £3.2 million (ONS 2025). There are only about 32,000

27 Equality Trust: *The Scale of Economic Inequality in the UK*. Accessed 24 March 2026 (<https://equalitytrust.org.uk/scale-economic-inequality-uk/>).

28 Our World in Data (2025) *Wealth share of the richest 10%*. Last updated 10 February 2026 (<https://ourworldindata.org/grapher/wealth-share-richest-10-percent>).

households with a wealth of £10 million or more²⁹, and of those, only 156 are billionaires³⁰.

With that in mind, what would be the distributional impact of a wealth tax with an exemption threshold of £10 million, that is, a tax on those 32,000 households?

The answer depends on how they react to a wealth tax. A wealth tax, in and of itself, is *not* a tool for wealth redistribution, in the way that income tax is (among other things) a tool for income redistribution. Under an income tax system, those who earn above the relevant threshold transfer a part of their income to the state. The state then uses some of that revenue for income transfers. The resulting post-tax/post-transfer income distribution is more egalitarian than the original pre-tax/pre-transfer income distribution. A wealth tax does not do anything comparable to the wealth distribution. People pay income tax out of their income, but they do not pay wealth tax out of their wealth. There is no transfer of assets under a wealth tax: not from the asset-rich to the state, and certainly not from the state to the asset-poor. The asset-poor may well benefit in other ways. If wealth tax revenue is spent on, for example, the NHS, they may receive better healthcare. But they are still asset-poor.

We could think of a wealth tax as a second income tax, where wealth is treated as a source of ‘psychic income’.

A wealth tax could, of course, affect the wealth distribution in indirect ways (and almost certainly would, in some way). It could

29 Tax Policy Associates (2025) Wealth taxes: high risk, unworkable and anti-growth. Accessed 24 March 2026 (<https://taxpolicy.org.uk/2025/07/22/uk-wealth-tax-anti-growth/>).

30 Tax Justice UK: *Scale of extreme wealth in UK revealed*. Accessed 24 March 2026 (<https://taxjustice.uk/blog/scale-of-extreme-wealth-in-uk-revealed/>).

induce people to sell a lot of their assets above the threshold and spend the money on current consumption instead. But who would they sell those assets to, in that scenario?

It seems rather unlikely that they would sell them to people in the bottom half of the wealth distribution. A more plausible outcome is that they would sell them to people closer to them in the wealth distribution, that is, people whose asset wealth is safely below the £10 million threshold but who are still very wealthy. The effect of a wealth tax, in this scenario, would be a wealth redistribution of sorts, but it would only be a redistribution within the top group. It would flatten the very top of the distribution but leave the rest unaffected.

Valuation and administration

In his seminal paper ‘Economics of a Net Wealth Tax for Britain’, IEA author Alan Peacock (1963) said that

the outstanding administrative problem is obviously that of valuation. Valuation of stocks and shares, house property, etc., might not be too difficult, but valuing family businesses, jewellery, pictures and furniture – to mention only a few items – is another matter. This suggests that efficient valuation would involve large administrative costs unless it was carried out infrequently, but there would be obvious objections to the use of valuations which go quickly out of date.

He was not the first to point this out. As we have seen, it was already discussed in House of Commons debates in 1919, and it was mentioned in the Prussian Wealth Tax Act of 1893. Much later, it would become one of the main factors leading to the abolition of wealth taxes (Friend 2024: 15 – 16).

But why is valuation such a big issue? Is it not true of all taxes that the tax base has to be assessed somehow? Why are wealth taxes supposedly so different?

In her paper ‘Not So Fast: The Hidden Difficulties of Taxing Wealth’, Miranda Perry Fleischer (2017) explains:

Those of us whose income comes largely from academic salaries may wonder what’s so hard about valuation. [...] Valuing the assets of salaried professionals – which generally consist of [...] bonds and publicly traded stocks – is fairly straightforward. If the portfolios of wealthy taxpayers differed from ours solely in size and value, then valuation difficulties would be less problematic [...]. The holdings of the wealthy, however, also differ in kind. Many ‘somewhat’ wealthy individuals [...] are small business owners or own real estate. [...] Valuing such assets is a difficult and imprecise task. Moving from somewhat wealthy individuals to very wealthy individuals, their portfolios become even more difficult to value. [...] Roughly half of the assets owned by the wealthiest 1% of Americans are not easily valued

To go a step further back: the basic problem is that we do not know how much anything is worth until somebody offers it for sale, and we can observe how much people are prepared to pay for it. There has to be a market price, in other words, and for there to be a market price, there has to be a market transaction. This is not a problem for income taxes and consumption/sales taxes, because those are automatically attached to market transactions: where there is no transaction, there is no tax. We do not pay income tax on a salary we do not earn, and we do not pay VAT on an item we do not buy.

Wealth taxes, on the other hand, are not tied to any transaction – that is what makes them special (Friend 2024: 16). They are

taxes on the mere ownership of an asset. This still need not be a problem if close substitutes exist and are regularly being traded. The person subject to the tax may not currently be trading shares in, e.g. Microsoft, but we can nonetheless easily work out how much a Microsoft share is worth on any given day. There are millions of Microsoft shares, every Microsoft share is identical to every other Microsoft share, and millions of people are trading Microsoft shares every day. The same is true of commodities.

At the opposite end of the spectrum, we have rare artworks and collectibles that have no close substitutes (or even distant ones) and that are rarely (or never) publicly traded. An extreme example would be the Rembrandt painting 'Vision of Zacharias in the Temple', which has recently been rediscovered after 65 years. Unless it is put up for an auction, nobody could possibly know how much it is worth. It has not been sold since 1960, and there is no other painting of its kind. At a stretch, we could compare it to the value of other Rembrandt paintings from the same period, but the range of values that are in the public domain is so wide as to render that exercise meaningless.

Most assets are somewhere in between these two extremes on this spectrum of 'valuability'. Most businesses and properties are nothing like long-lost Rembrandt paintings, but they are not like gold or Microsoft shares either. Valuation is possible, but it can be a time-consuming and costly process.

Estimating the value of a house is easy enough if a similar house in the same area was sold last month. But it becomes harder and harder depending on how much time has elapsed since the last transactions and on how heterogeneous the properties in the area are. There may not even be agreement on what constitutes 'similarity'. Two properties may look similar to a valuation bureaucracy, but potential buyers may not see them as similar at

all. The same applies to business wealth, i.e. shares in companies that are not publicly traded and that do not have an obvious market value.

Valuation problems are not unique to wealth taxes: to a lesser extent, they also affect property and inheritance taxes. On the former point, Fleischer (2017) notes: “The number of property tax valuation challenges that occur whenever localities reassess values further illustrates how important the stakes are to taxpayers: frequently, one-quarter to one-third of homeowners challenge the new valuations.’

And on the latter point: ‘In the mid-1990s, [...] at most about 2% of estates (roughly 30,000 estates) were subject to the estate tax. Even then, noted Tax Court Judge Theodore Tannenwald quipped that we “already have more valuation cases than we know what to do with.”’

But while these problems are not unique to the wealth tax, there are differences in degree: ‘If a taxpayer loses on a valuation issue in an estate tax dispute, once the appeals process is over, that’s generally it. The valuation stands. But if they lose a valuation dispute in Year 1 of a wealth tax, they may well try to challenge the valuation again in Year 2.’

These problems would equally affect a British wealth tax. The higher up we go on the wealth distribution, the larger the share of business wealth becomes (Advani, Bangham et al. 2020: 13–14 & 25). Among people with net wealth levels above £5 million, business wealth accounts for over 40% of the total, and it may well be more than that because it tends to be underreported in surveys. Property wealth, which is also difficult to value, accounts for a further 15%.

Exact numbers on administrative costs are hard to come by. There are some estimates of the valuation costs for the old German wealth tax, which range from 3% to 32% of the total revenue raised (Mosemann 2017: 13–15). We should note that the lower-end estimate is an outlier: it comes from 1996, when the wealth tax was already on its way out, so we can safely assume that the tax authorities were no longer seriously trying to engage in complex valuations. The figure also ignores costs that were borne by the taxpayers themselves.

Estimates from the Netherlands show a similar range (Mosemann 2017: 15). It is, again, the lower-end estimate which is the least relevant for our purposes. It comes from a study which estimates that the old Dutch wealth tax (which was abolished in 2001) had administrative costs of 8–10% of revenue but which then generously assumes that the cost could be slashed by half if the tax were reintroduced today.

Estimates for the administrative and compliance costs of other wealth taxes, actual or hypothetical, are in the same ballpark or above (Friend 2024: 15 – 16).

There are ways to minimise valuation problems, but they all come with problems of their own (Friend 2024: 16). One way to do this is to limit the number of cases by setting the threshold very high. However, while this reduces the valuation costs, it also limits the revenue-raising potential of the tax.

Another way to minimise valuation costs is to exempt assets that are difficult to value. In practice, nearly all actually existing wealth taxes had at least some carve-outs (Perret 2020: 15–17). But this opens an easy avoidance strategy, as people may change their asset composition, shifting wealth from taxed to untaxed assets. Peacock already mentioned this in 1963: ‘Another

possibility is to assess only certain classes of assets. [...] Thus the difficulties in comprehensive valuation may offer an incentive to hold assets which are excluded' (Peacock 1963: 398).

The existence of this effect is probably clearest in the case of the Spanish wealth tax (Mas-Montserrat, Durán-Cabré et al 2025), which has generous asset exemptions. In a review of the empirical literature on behavioural responses to wealth taxes, Advani and Tarrant (2021: 526) point out:

[I]n Spain, a 1pp increase in the average wealth tax rate resulted in an 18.1pp increase in the share of exempt assets over a four-year period. [...] [T]heir taxable wealth elasticity of 32.4 may be driven almost entirely by asset composition responses. Over a four-year period, this figure implies a revenue loss equivalent to 2.6 times the forecasted annual wealth tax revenue. Exempting assets can, it seems, have extremely large revenue implications.

A third possibility to reduce the cost of the valuation bureaucracy is to rely on self-assessment and self-reporting. But this also reduces revenue, because it enables underreporting. Advani and Tarrant (2021: 521) explain:

In settings with little or no third-party reporting, under-reporting appears to be a significant margin of response. In Switzerland, [...] 50 per cent of the overall taxable wealth elasticity (21.6 after five years) can be attributed to changes in reported financial assets [...]

[I]n Sweden [...] [c]lose to the exemption threshold, under-reporting appears to be rife: 75–80 percent of taxpayers valued assets at less than their true value.

'Underreporting' does not mean 'lying': if that were the problem, it could be addressed by spot checks and a credible threat of steep

finer. Under self-reporting, people still need to follow a standard valuation procedure, and they need to show how they worked out their numbers. But where there is a plausible range of values, it is, of course, perfectly legal to report the lower-bound estimate.

Apart from the underreporting, self-reporting does not necessarily decrease the total cost of the valuation process: it just shifts it from the tax collection agency to the taxpayer. The Wealth Tax Commission simulated such a system, where a wealth tax with a rate of 1.12% is applied to wealth above a £10 million threshold, which raises £10 billion (Advani, Chamberlain et al. 2020: 102-103). In their estimation, the administrative cost comes to just over 7.3% of the total revenue, almost all of which would be borne by the taxpayer. This version of a wealth tax would be about as efficient as it gets because it only applies to a small number of people but raises a relatively large sum per taxpayer.

Behavioural responses

Our attitudes towards wealth taxes depend, to some extent, on the assumptions we make about how people will respond to such a tax. Proponents tend to assume that behavioural responses will be weak to non-existent, or, in economic terms, that the tax elasticity of wealth is close to zero. Under that assumption, the people subject to a wealth tax will simply pay their tax bill and otherwise carry on as before.

Critics of wealth taxes, on the other hand, expect strong behavioural responses, or, in economic terms, they assume a high tax elasticity of wealth. Under that assumption, people subject to a wealth tax will go to great lengths to minimise their tax liability. They may, for example, reduce their rate of savings

and investments, refrain from entrepreneurial activities, shift their wealth into tax-exempt assets (if there are any), or even emigrate (Friend 2024: 12–15).

Ultimately, this is an empirical question. We can think of plausible reasons why someone might change their behaviour in response to a wealth tax, and we can also think of plausible reasons why they might not. There is not much point in speculating how the wealthy *might* respond to a wealth tax: we need to look at how they do respond in jurisdictions which currently have a wealth tax or which had one in the past.

Unfortunately, the matter cannot be entirely settled by consulting the empirical literature, because estimates are all over the place. In their paper ‘Behavioural Responses to a Wealth Tax’, which is a review of the empirical studies on the subject, Advani and Tarrant (2021: 512) explain: ‘Headline elasticities with respect to the net-of-tax rate in the existing literature vary substantially [...], ranging from 0.054 to 43.2 – a factor of 800!’

But we can narrow things down; in particular, we can immediately discount the lower-bound estimates. These are based on a methodology called ‘bunching’, which looks for oddities in the shape of the wealth distribution around the tax-free threshold. If the wealth tax applies to net wealth above, e.g. £10 million, and if there is a disproportionately large number of people with net wealth just below that threshold, mirrored by a disproportionately small number of people with net wealth just above it, a bunching study would attribute that mismatch to avoidance. It would assume that people who would otherwise own wealth of just above £10 million are deliberately reducing their wealth to just below the threshold in order to avoid the tax. The problem with that approach is that it gives undue weight to taxpayers with the lowest tax bill and extrapolates from their

behaviour. Simply put, if somebody's net wealth is £10 million plus £1,000, they are only going to pay the wealth tax on those excess £1,000, so if the tax rate is 1%, their tax bill is going to be £10. Clearly, they are not going to go to great lengths to avoid having to pay those £10. But we cannot conclude from that that someone with wealth levels of £20 million or £30 million will be similarly unresponsive.

The other studies look at changes in wealth levels after an increase in the wealth tax rate (or the introduction of a wealth tax where none previously existed), relative to one or more otherwise similar jurisdictions without such a tax increase (or introduction). Switzerland and Spain are particularly suitable for this, because their wealth taxes vary by region, which gives us plausible control groups. If we take out the bunching studies and only look at studies of the latter type, we still get a broad range of estimates, but the highest estimates are now 'only' 7 times as large as the lowest, as opposed to 800 times (Advani & Tarrant 2021: 512–513). Out of those, the lowest numbers come from a study with a four-year time horizon and may thus not capture the full effect: other studies suggest that behavioural responses to wealth taxes become stronger over time.

We can probably also discount the very highest elasticity estimates somewhat, because those would not fully apply to a British wealth tax. The studies which find the strongest behavioural responses come from Spain and Switzerland, where, as mentioned, the wealth tax varies from region to region. Britain's tax system is heavily centralised, so a British wealth tax would almost certainly be a nationwide tax. This matters, because it is obviously easier for a Swiss millionaire to move from the canton of Bern to the canton of Lucerne than it is for a British millionaire to move from Britain to Australia, Dubai or

Singapore³¹. Up to a fifth of Swiss tax elasticity can be explained by such inter-cantonal migration, with figures for Spain not far below.

Advani and Tarrant (2021) try to assemble an elasticity estimate for the UK by looking at international estimates that they believe would most closely resemble the UK, and then cutting off those components that they believe would not apply to the UK. (For example, there would be no equivalent of inter-cantonal migration.) They arrive at a range of 7–17%, which means that a 1% wealth tax would reduce the UK's taxable wealth by at least 7% and by up to 17%. When interpreting those figures, we need to bear in mind that the wealth tax they use for this model is not a wealth tax that currently exists anywhere. Rather, it is a hypothetical 'ideal wealth tax from the point of view of minimising behavioural responses'. Any wealth tax that falls short of that ideal would trigger stronger responses in behaviour.

Not all behavioural responses are equally economically damaging. If a business owner responds to a wealth tax by reducing investment in their business, then that clearly constitutes an economic loss. But if they respond by partially transferring ownership of the business to their spouse in order to fall below the wealth tax threshold, nothing would have changed, in practice. The business is still there, and it still does what it did before, just under a slightly different legal arrangement. Similarly, if somebody owns £11 million but reports it as £10

31 We can read this in two ways, though. Proportionately, there may be far more Swiss millionaires who leave Bern for Lucerne than there would be British millionaires who leave Britain for Dubai, in response to a wealth tax. However, if a Swiss millionaire moves from Bern to Lucerne, Bern loses, but Switzerland as a whole does not (unless that move entails a reduction in that person's productivity). In contrast, every British millionaire who emigrates because of a wealth tax would leave the country as a whole, not just one region within it.

million in order to avoid the wealth tax (which, as explained above, does not need to be fraudulent), nothing has changed in practice. The wealth has not disappeared; it is just not reported. Then there are responses which are somewhere in between pure wealth destruction and mere on-paper changes, such as asset-shifting. If somebody owns £11 million and shifts £1 million of that from taxed assets X into untaxed assets Y, that entails some loss, because there is presumably a reason why they preferred X over Y before. But that loss is less than £1 million.

Therefore, a higher tax elasticity does not automatically mean greater damage: it depends on *how* people respond to a wealth tax, not just how strongly. Not every reduction in *taxable* wealth fully translates into a reduction in *total* wealth.

The above estimates, though, are biased towards harmful responses because most of the options for harmless responses which merely reduce wealth on paper have already been greatly reduced. The idealised wealth tax modelled by Advani and Tarrant (2021) is levied on a household basis; it has no exemptions, and it makes extensive use of third-party reporting. Under those conditions, even their lower-bound estimate, a 7% reduction in taxable wealth in response to a 1% wealth tax, involves a genuine economic cost, making the country measurably poorer in the medium to long term.

The lower-bound estimate assumes little to no migratory responses: to the extent that emigration becomes a factor, we quickly move towards the higher bound.

The think tank Tax Policy Associates (2025)³² has looked at this issue in more detail. They explain:

There is a very important difference between the very wealthy in the UK and the very wealthy in Norway. The list of the 400 wealthiest Norwegians is almost entirely a list of Norwegians, born in Norway, and who made their money in Norway. [...] The equivalent UK list is [...] far more international, and many of the list weren't born in the UK, and made their fortune before coming to the UK. [...] [T]he UK, and London in particular [...] [has] long been a magnet for mobile capital. But that capital remains mobile – many of the most wealthy have only tenuous ties to the UK. [...] We should therefore expect that the UK is much more susceptible to wealth tax migration than Norway.

Perhaps more importantly, they explain why the way we generally think about 'emigration' may be misleading in the context of a British wealth tax. The word 'emigration' evokes images of somebody packing their packs, cutting their ties and starting a new life somewhere else. For most people, this is what 'emigration' means. It is a highly disruptive decision even for the most mobile groups (e.g. young professionals without family commitments).

For people at the top end of the wealth distribution, however, it is already a common arrangement to have a secondary residence abroad and to divide their year between their primary and their secondary residence. For them, 'emigration' may mean something very different: a mere rebalancing of how they divide their time and a swapping of their primary and their secondary

32 Tax Policy Associates (2025) Wealth taxes: high risk, unworkable and anti-growth. Accessed 24 March 2026 (<https://taxpolicy.org.uk/2025/07/22/uk-wealth-tax-anti-growth/>).

residence. In this way, it is possible to emigrate without really changing one's day-to-day life all that much.

Tax Policy Associates are not saying that this will definitely happen if the UK introduces a wealth tax. They are pointing out that a British wealth tax would stand on a thin foundation, since only about 32,000 people would pay it, and out of those, 5,000 people would account for 80% of the revenue. With that in mind, the question of whether a wealth tax will trigger a mass exodus is missing the point: it does not even take a mass exodus for a wealth tax to have serious wealth-reducing effects.

This makes it likely that a British wealth tax would be closer to the upper end than to the lower end of Advani and Tarrant's (2021) 7-17% responsiveness range. But there is, in fact, no reason to believe that 17% really is the upper limit. These estimates are extrapolations from wealth taxes that exist today or that have existed in the recent past. But as mentioned, current proposals for a British wealth tax differ in some ways from those, and the further away they are, the harder it is to extrapolate.

In particular, previous studies show that people's savings and investment behaviour is quite responsive to wealth tax incentives, but this responsiveness mostly takes the form of rearranging asset portfolios in a tax-efficient way (Mas-Montserrat, Durán-Cabré et al 2025). There is also evidence of overall reductions in saving and investment levels, but these effects have been weaker in comparison than the portfolio-rearrangement effects (Perret 2021: 545). What has yet to be fully studied is how savers would respond to a wealth tax which closes these escape routes. It might well raise more revenue than historic wealth taxes, but it might also depress savings and investment to a much greater extent. The fact that people rearrange their asset portfolios in line with wealth tax incentives shows that they are clearly not indifferent

to them. It would be strange if wealth taxes had a massive effect on *how* people save and invest but not on *how much*.

Similarly, there is evidence that, despite their many loopholes, wealth taxes have a negative impact on entrepreneurial activities such as business formation (Hansson 2008). If this is true for wealth taxes that offer escape routes, the effect must be greater still for wealth taxes that do not.

Overall, people can react to a wealth tax in a number of different ways, and viewed in isolation, no single type of response is huge in magnitude. There is no sudden exodus of millionaires. There is no sudden wave of capital flight. There is no collapse in saving, investment or capital formation. It is not that nobody sets up new businesses anymore. Wealthy people do not slash their working hours or stop taking investment risks. But lots of individually modest responses keep adding up, and they grow larger over time.

Tax Policy Associates show that previous studies suggest a long-run decrease in GDP of 2–5%, not in the sense that GDP literally falls but in the sense that it grows more slowly, ending up 2–5% lower than where it otherwise would have been. The 2% figure comes from a US study, the 5% figure from a German one, with much of the difference being explained by the absolute size of the respective countries/economies. A US-wide wealth tax would be harder to avoid than a Germany-wide one, since a German millionaire is more likely to move to Luxembourg than an American millionaire is to move to Mexico. The UK would, of course, be closer to the German end of the spectrum, if not beyond.

Steelmanning the wealth tax: two best-case scenarios

‘Steelmanning’ is an intellectual practice which describes the opposite of ‘strawmanning’. Strawmanning means substituting a weaker argument for the argument one’s opponents are actually making, and then arguing against that weak version. Steelmanning means doing the opposite, namely, to argue against the strongest possible version of an argument, a version which may be stronger than the one which one’s opponents are actually presenting. In this section, we will ‘steelman’ the wealth tax by presenting a best-case scenario, or rather, two best-case scenarios: one for the wealth tax as a revenue-raising tool and one for the wealth tax as a tool to decrease wealth inequality.

Steelmanning a revenue-raising wealth tax

In 2029, Chancellor Gary Stevenson introduces the UK’s first wealth tax, after careful preparation by a team of economic advisors consisting of the world’s leading experts on the subject (e.g. Thomas Piketty, Gabriel Zucman, Joseph Stiglitz). It comes with a credible commitment that it will be subject to periodic reviews and that it will be scrapped again if it does not achieve its stated purpose.

People interpret this commitment in very different ways. The people liable to the wealth tax believe that it will not be permanent. They therefore do not bother to change their behaviour very much in response. The people who campaigned

for it, on the other hand, are convinced that they have won and that the reviews will be a mere formality. Just by existing, the wealth tax calms down much of the anti-capitalist anger that inspired it in the first place. Now that the wealthy are finally ‘paying their fair share’, many campaigners decide that maybe British capitalism is redeemable, after all. They retire from the world of political activism. Their job is done.

A new Wealth Valuation Agency (WVA) has been set up. It consists mostly of former ONS researchers who previously worked on collating the Wealth and Assets Survey, as well as valuation experts from the insurance industry, the Royal Institution of Chartered Surveyors and business valuation service providers. It also draws heavily on international experience, particularly from Switzerland and Norway. The valuation process is neither cheap nor easy but no worse than anywhere else where wealth taxes currently exist or have existed in the past.

It consists of a mix of self-reporting and third-party validation. There are strong social incentives against underreporting one’s wealth, such as naming-and-shaming campaigns on social media and by the *Guardian* newspaper. At the same time, posting one’s wealth tax summary on social media soon becomes a status symbol for the wealthy: a way of signalling both wealth and enlightened political attitudes.

The success of their British comrades provides a boost for wealth tax campaigners elsewhere. The Dutch, German, Danish, Swedish and Austrian wealth taxes are reactivated. Several US states, including California and New York, introduce wealth taxes as well. This further reduces incentives for capital flight: the momentum around wealth taxes acts like a de facto international coordination.

The UK wealth tax soon raises more than its Spanish and its Norwegian counterparts and matches its Swiss one, at around 1% of GDP, which is split between additional public spending and tax cuts. On the spending side, rather than spreading the revenue thinly across multiple areas, it is concentrated on a small number of widely used, public-facing public services. The impact is not transformative, but some people notice some modest improvements. Similarly, tax cuts are targeted to favour the lowest earners. Again, the impact is not transformative, but some people notice a few extra pounds in their pockets.

The above scenario is very generous to wealth tax campaigners, implausibly so in the author's view, but within the boundaries of the possible. This is about as good as it can possibly get. But even under ideal conditions, a British wealth tax could not come anywhere near fulfilling the promises that its keenest campaigners are making.

A percentage point of GDP could neither transform the British state nor turn Britain into a low-tax country for low-earners. The economic side effects of a wealth tax can be minimised, but they will never be zero.

Nor could a wealth tax possibly resolve tensions around immigration. Immigration is a huge topic in its own right, which is far beyond the scope of this paper, and on which we will not express a view here. We will merely summarise the state of the current immigration debate by pointing out that in the current context, concerns around immigration are almost entirely driven by cultural factors, not economic ones.

In 2018, the National Institute for Economic and Social Research (NIESR) conducted a focus group study on attitudes towards immigration. They found:

Some have argued that anti-immigrant sentiments are driven by cultural concerns about the impact on our national identity and our traditional ‘way of life’ which is perceived to be threatened by the influx of foreigners with different cultural values and customs. Others focus on how attitudes are driven by economic concerns such as the perceived negative impact on jobs, wages and public services. [...] Our focus groups made it clear that different immigrant groups are typically associated with different concerns. This observation is in line with a few recent experimental survey studies [...] which have found that EU migrants, and particularly Eastern European migrants, are perceived as a threat in economic terms while Muslim migrants and ethnic minorities are perceived as a threat in terms of culture, security and crime³³.

A steelmanned wealth tax could alleviate some of the *economic* concerns about immigration. If people blame immigrants for long NHS waiting lists and if wealth tax revenue is used to shorten those lists, a softening of attitudes to immigration is conceivable. But there is nothing a wealth tax, even in the most solidly steelmanned version, could do to soften cultural objections, because they are objections of a qualitatively different kind. They are beyond the reach of a wealth tax, because they are beyond the reach of economic policy altogether.

In the years covered by the NIESR study, net migration into the UK used to fluctuate between 200,000 and 300,000 people per annum, more than two-thirds of which were Europeans. In the early 2020s, those net migration levels shot up to more than 800,000 people per annum, and the share of Europeans in it dropped to zero. (To well below zero, to be more precise, since in

33 NIESR (2018) ‘People’s perceptions of EU immigration: it’s the economy, stupid!’ Accessed 24 March 2026 (<https://niesr.ac.uk/blog/peoples-perceptions-eu-immigration-its-economy-stupid>).

recent years, the number of EU nationals emigrating from the UK has exceeded the number of new arrivals.) This fundamentally altered profile of the recent immigrant population has dramatically altered the nature of the immigration debate. The economic concerns which used to play an important role in the 2010s have retreated into the background. Today, immigration is almost exclusively debated in terms of its perceived impact on security, crime and socio-cultural cohesion.

Proponents of wealth taxes commit a category error of sorts by mistaking cultural concerns for economic ones and by proposing economic solutions to what is fundamentally not an economic problem.

In the above best-case scenario, we have assumed away behavioural responses. We have assumed a wealth tax which exists for the purpose of raising additional revenue for additional public spending and which does exactly that. Alternatively, we could assume a wealth tax which exists for the purpose of reducing wealth inequality. In that case, the steelman scenario would look as follows.

Steelmanning a wealth inequality-reducing wealth tax

In 2029, Chancellor Gary Stevenson introduces the UK's first wealth tax after years of careful preparation by a team of economic advisors consisting of the world's leading experts on the subject (e.g. Thomas Piketty, Gabriel Zucman, Joseph Stiglitz).

The threshold is set in such a way that it only targets the top of the top percentile of the wealth distribution, and it comes with a cast-iron guarantee, universally believed, that the threshold will always remain at that level in real terms. There is no fiscal

drag and no slippery slope. There are, therefore, no behavioural responses from anyone with wealth levels below the threshold.

There are, however, strong behavioural responses above the threshold. But it is a very particular kind of behavioural response. People do not respond by emigrating, reducing labour supply, reducing investment or reducing entrepreneurship. They respond by selling their excess assets, such as their second homes, making them available to other people, and spending the money on current consumption instead.

Even this steelmanned version of a wealth tax could only make an imperceptibly small contribution to easing Britain's housing crisis, because the whole diagnosis of the housing crisis as a distributional one is wrong. The idea that the wealthy are buying up all the housing stock is both theoretically implausible and, more importantly, empirically wrong. It is theoretically implausible for the simple reason that even the likes of Elon Musk and Jeff Bezos can only be in one place at one time and have no need for hundreds of properties, even if they could afford them. Beyond a certain point, property wealth is no longer sensibly scalable in proportion with overall wealth.

If we look at the composition of wealth at different parts of the wealth distribution, this is exactly what we see. For people in the sixth decile of the wealth distribution (i.e. the decile just above the median), property wealth accounts for 48% of the total – the single biggest component. For the ninth decile, this share falls to 36%, and for the top decile, to 29% (Advani, Bangham et al. 2020). For people with wealth levels of £5 million or more, property accounts for a mere one-sixth of the total (Advani, Bangham et al. 2020: 25). We know that self-reported surveys underestimate business wealth, so the true proportion of property wealth is probably lower than that.

We can also test the claim that the super-rich are hoarding properties by simply looking at distributional figures for the housing stock. There are only 268,000 secondary properties (for own use, i.e. not counting the private rental sector) in the whole of England, which is about 1% of the housing stock (Gov.UK 2026). Let us generously assume that all of the 32,000 households who would be liable to a wealth tax are included in that figure and that each of them owns two properties other than their primary residence (which is almost certainly not the case). If they all respond to the wealth tax by selling off their secondary properties, this would lead to a one-off increase in the available housing supply by a quarter of a percentage point. This is a rounding error in the context of the housing crisis.

As already mentioned, if a wealth tax measurably affects the wealth distribution, it would most likely do that by flattening the very top. There would be less wealth inequality within the top decile but no big change in the rest of the distribution.

All in all – even the steelman version of a wealth tax is not very steely. The best-case scenarios of a wealth tax show that it is a tax with small net benefits in a small number of areas. But it remains distinctly underwhelming and certainly nowhere near what campaigners are promising. It is a measure one could support on balance, but it would be difficult to get excited about it.

Alternatives to a wealth tax

Wealth inequality fell throughout most of the 20th century. This was not achieved by a confiscation of wealth at the top. It happened because people further down the distribution managed to build up wealth at a faster pace than those at the top, especially pension and property wealth.

This trend came to an end in the 1990s. It could be revived.

Pension wealth

In the postwar decades, the UK developed an interesting pension system, which set it apart from most of its European peers (Booth and Niemietz 2014). The basic idea was that people were given a right to opt out of a substantial part of the state pension system and pay contributions into a private pension fund instead. In this way, millions of people were able to build up modest amounts of wealth. Between the 1950s and the 1990s, the number of people enrolled in such schemes more than doubled.

From the 1990s onwards, these opt-out rights were curtailed and eventually abolished. Consequently, the number of people with private pension wealth stalled and then fell. In the meantime, auto-enrolment has improved matters somewhat again, but while the UK was once in the top group internationally when it comes to private pension wealth, it clearly no longer is today.

British pension savers have accumulated assets worth around 80% of GDP in pension funds. That is much more than the large

EU economies, but it is below the OECD average of 95% and far behind the top group (Australia, Canada, Denmark, the Netherlands, Switzerland and the US), where the equivalent figure is more than 130% of GDP (OECD 2025b). A little under 60% of the British working-age population have a pension fund of some sort, which is, again, not bad compared to some of the European neighbours but well below the top group (Australia, Denmark, Finland, the Netherlands and Switzerland), where that figure is close to 80% or above.

Savings-based pension systems, beyond other advantages (see Niemietz 2016), have one feature which should appeal specifically to supporters of wealth taxes, namely the fact that they enable even low-income earners to build up substantial amounts of wealth over time. We are not claiming that transitioning to a savings-based pension system would lead to an egalitarian distribution of wealth: pension wealth can itself be highly unequally distributed, and countries with private pension systems can have high levels of wealth inequality. However, the wealthy always have access to private pension funds. What makes savings-based pension systems different is that they extend those opportunities to the vast majority of the population.

It is not the purpose of this paper to describe a new pension system in detail, but suffice it to say that transitions from pay-as-you-go to savings-based systems have been successfully managed before, and under much more difficult starting conditions (Niemietz 2007). The basic idea is to convert a major part of what are currently national insurance contributions into old-age savings, deposited in individual pension funds. Each individual payment may be small, but over time, they will benefit from the power of compound interest.

Property wealth

Home ownership rates among people in their early 30s used to grow steadily throughout the postwar period and peaked in the early 1990s at just over 60% (Corlett & Odamtten 2021). By the late 2010s, they had fallen back below 40%, and they have probably fallen further since.

As we have seen, this is not, as wealth tax campaigners claim, a distributional matter. It is a problem of overall supply. Britain has fewer housing units per 1,000 people than most developed countries, and those housing units are also, on average, smaller than their counterparts elsewhere (Niemietz 2024). If we measure housing supply as total residential floorspace per capita, Britain is at the bottom end of the OECD ranking.

This is not a paper on housing, a topic which we have extensively covered elsewhere. All we need to know for now is that Britain's constraints on housing supply are entirely self-imposed and, at least in economic terms, very easy to solve. The problem has always been the politics of housing, not the economics.

The alternative to a wealth tax is an agenda of supply-side liberalisation of the land and housing market, or 'YIMBYism'. There is no economic reason why Britain should not be able to reproduce a building boom of the scale seen in the 1930s, when the housing stock was growing at a rate not far below 3% per annum. Such a boom would decrease the value of an individual housing unit, but it would increase the total property wealth in the country by increasing the total number of properties. Property wealth would also be far more equally distributed than it is now. We could describe YIMBYism as a free-market redistribution policy.

Even Thomas Piketty has made some concessions to YIMBYism:

As I look back at my discussion of future policy proposals in the book [*Capital in the Twenty-First Century*], I may have devoted too much attention to progressive capital taxation and too little attention to a number of institutional evolutions that could prove equally important. [...] [C]apital taxation needs to be supplemented with other asset-specific policies and regulations, including, for instance, land use and housing policies and intellectual property right laws. [...] Given the central role played by changing real estate values and rent levels in the aggregate evolution of capital-income ratios and capital shares in recent decades, it is clear that land use and housing policies potentially have a critical role to play, in particular to regulate and expand access to property (Piketty 2015).

Piketty could nonetheless not bring himself to go all the way, dropping his wealth tax plan altogether and endorsing YIMBYism instead. So, he caveated the above passage, rather unconvincingly, by saying that YIMBY reforms are 'difficult to implement' (are wealth taxes not?) and that they 'have not always been successful in the past' (have wealth taxes?). He ended up with a halfway house, in which YIMBY-style reforms are 'a complement rather than as a substitute to progressive taxation'. But while YIMBY reforms are indeed politically difficult to implement, this is not an intrinsic feature of them. They are politically difficult, because, unlike the wealth tax, they do not have rockstar economists and social media stars on their side.

Conclusion

Until quite recently, wealth taxes seemed like an idea of the past, which had almost faded into economic history. In the early 1990s, half of Western Europe still had wealth taxes. By the late 2010s, only three of those remained, and one of them can be considered largely symbolic.

Over the past few years, though, the wealth tax has made a spectacular comeback, not as an actual policy but certainly as an idea dominating public policy debates. A real hype has developed around them.

Today's wealth tax campaigners are promising things that no actually existing wealth tax has ever achieved anywhere. The hype around the wealth tax as an idea is completely disconnected from the historical track record of the wealth tax as an actual policy.

Wealth taxes have never raised much revenue anywhere. No government has ever been able to either fund major expansions of public services in this way or decrease the tax burden on the non-wealthy. Nor have wealth taxes ever brought about an egalitarian distribution of wealth.

But while the benefits of wealth taxes have proved largely elusive, their downsides, which were already anticipated over a hundred years ago, have turned out to be very real indeed. Since many assets are intrinsically difficult to value, wealth taxes require an enormous valuation bureaucracy, imposing high administrative and compliance costs. Wealth taxes are more distortionary than

most other taxes, suppressing investment and capital formation. At the margin, they act as an incentive to relocate, or at the very least, they repel wealthy people from moving to a jurisdiction in the first place.

Recent empirical research has largely confirmed these points, even if the magnitude of these responses has sometimes been exaggerated by critics of wealth taxes. The best way to read the empirical literature on responses to wealth taxes is this:

People can respond to wealth taxes in a variety of ways, and in isolation, no single response needs to be huge on its own. There is not going to be a sudden mass exodus of millionaires, there is not going to be a sudden mass capital flight and there is not going to be a sudden collapse in investment or entrepreneurship. But different responses keep adding up, and they grow in magnitude over time.

The only way to minimise the side effects of wealth taxes is to hollow them out, undermining their entire purpose. The least harmful wealth taxes are simply those that are easiest to avoid, but these are also the ones that raise the least revenue. It is not the case that all wealth taxes everywhere have come at a terrible economic cost, but it is fair to say that the economic cost of wealth taxes rises with the extent to which these taxes are binding and develop a 'bite'.

In this paper, we have largely relied on literature from economists who are broadly sympathetic to wealth taxes and who do not come from a place of ideological hostility. Fair-minded and well-informed observers acknowledge these drawbacks, even if they like the idea of a wealth tax in principle. For some of them, this is enough to withdraw their support; others will remain supporters overall but lose their enthusiasm. The claim of this

paper is not that everyone who has seriously looked into this issue agrees with the author. There are economists who have seriously considered the drawbacks of wealth taxes and who still consider them a net improvement overall. But these economists would make the worst ‘brand ambassadors’ for a wealth tax, because their support is so heavily caveated and unenthusiastic.

If wealth taxes are a bad idea in general, Britain is a particularly unsuitable place for them – while also being a place where the need for a wealth tax is far less apparent than elsewhere, even if we accept the general argument of their supporters.

For a start, while Britain does not have a tax which meets the textbook definition of a wealth tax, it does have plenty of taxes which can be considered partial substitutes, if not in isolation, then certainly as a package. The OECD argues that the case for a wealth tax is strongest in jurisdictions where wealth is not already taxed in other ways. From that perspective, British wealth tax supporters would have to explain why a country which already levies property taxes, inheritance taxes, capital gains taxes, dividend taxes and corporation tax also needs a wealth tax on top of all that.

Wealth inequality, at least if we zoom in on the top percentile of the wealth distribution, is lower in Britain than in most of the rest of the world, and it is lower today than it was throughout most of the 20th century, despite a small uptick in the 1990s. But even if it turned out that the wealthiest are simply hiding their wealth, and that the true level of wealth inequality is vastly greater, this would still not be the kind of inequality a wealth tax would solve. At most, a wealth tax could flatten the very top end of the wealth distribution, leading to some redistribution from the top percentile to the percentiles just below them.

Compared to other countries which currently have wealth taxes (especially Norway) or have had them in the recent past, Britain is unusual in that the top ends of both income and wealth distributions are far more diverse than elsewhere, containing a high proportion of foreign-born people. A Norwegian multimillionaire, who has spent their whole life in Norway and built their entire wealth there, is not going to emigrate because of a wealth tax unless it becomes truly punitive. For a foreign-born British multimillionaire, who may already have dual citizenship and/or a secondary residence abroad, that calculation looks very different. For people in that position, 'emigrating' does not mean what it means for most of us, namely, a life-changing decision, which involves starting afresh elsewhere. It may just mean swapping a primary and a secondary residence, rebalancing rather than uprooting one's life.

Perhaps the worst aspect of a wealth tax, though, is its opportunity cost. It crowds out vastly superior policy agendas that would also end up decreasing wealth inequality, not through redistribution but by enabling people in the bottom half of the wealth distribution to build up wealth of their own.

Even wealth inequality guru Thomas Piketty made a belated and half-hearted concession to such wealth-building alternatives. These alternatives are not intrinsically more difficult than wealth taxes: they just lack supporters with cultural clout. If one tenth of all the political energy and enthusiasm that currently goes into promoting wealth taxes went into promoting wealth-building alternatives instead, Britain would be in a much better place.

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The Institute of Economic Affairs
2 Lord North Street
London SW1P 3LB
Tel 020 7799 8900
email iea@iea.org.uk



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