

Rich people shrink the economy

<https://www.taxresearch.org.uk/Blog/2025/01/13/rich-people-shrink-the-economy/>

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Most of any country's saving is done by its wealthiest people. But because the rich are obsessed with staying rich they save in ways that are unproductive. The result is they drain economies of productive spending and so shrink them. The answer? Tax them more.

https://www.youtube.com/watch?v=D7uZrF_hqE0?si=9ko5cOXUgpn84BME

This is the audio version:

https://www.podbean.com/player-v2/?i=zz3pd-17aa9e2-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Rich people shrink the economy. That is a statement of fact. The rich people in the world actually do their best to reduce the size of the world economy because of their own actions.

That is not what you would believe if you were to hear the praise thrown at people like Elon Musk and the other tech billionaires, and, of course, those who are incredibly wealthy in the UK.

So, if you believe the popular narratives, these are the entrepreneurs who are driving growth around the world, but that's not true.

The wealthy now are wealthy in the way that they always once were. By that I mean they extract rents from the rest of the population. This was true during the feudal era when we had lords, ladies and kings and queens and others who lived off the back of a population who serfed for them.

Now, we have a new type of feudal entrepreneur who extracts value from us. We just pay rents for our use of Microsoft Office products, or for the use of Twitter or whatever it might be, or because we absorb the adverts that are sent to us in exchange for use of those platforms. Whatever it is, these people are out there to extract value from us.

But that's not why they shrink the size of the world economy. The rich shrink the world economy partly because they absorb too much from us in the way of rent, and that includes what we pay in excess interest charges on our mortgages or literally on the rents that younger people, in particular, have to pay on the properties in which they live, the price of which are inflated by those equivalent mortgage costs.

But they shrink the economy for another reason as well. And that is that the rich are rich because they don't spend.

They don't spend, and that's why they're wealthy.

But their lack of spending means there isn't money circulating within the economy once it reaches them.

This contrasts with the likes of you and me. When we're paid, by and large, we use most of the money that we're paid. Eighty per cent of the UK population virtually live pay-cheque to pay-cheque. That's survival.

Some, in the top 20%, do have the capacity to save some money.

But the wealthy are totally different. They save very large amounts of money. And they do so on the basis of extracting that money from the people who do not have the means to literally go from month-to-month without worrying how they will pay the bills. The very wealthy get their money by charging rents, or by living off investment income, or by living off interest. And all of those are extracted out of the value created by the rest of the population.

But they don't return that money to the rest of the population by spending it. Instead, they hoard it. And by hoarding it, they prevent there being growth in the economy.

And that's for one very good reason. When you're very wealthy - and I have met a few very wealthy people - there is one thing about which you are utterly obsessed. It is about the risk of not being very wealthy.

Once you get to be very wealthy, you live by a very silly rule, which is you must never lose money and, therefore, lose your status in the pecking order of wealth. You need to keep up with the Joneses, or whoever it might be, and you are so desperate to do so, not only by your conspicuous consumption - the stupid goods and services that you buy, the ridiculous holidays that you pay for, the absurd parties that you host, and the ridiculous cars in which you drive around the world - but you also want to be on the pecking order of wealth.

And the pecking order you want to be on most of all is the Sunday Times Rich List. But even if you don't qualify for that, you want to be able to brag about how much you have. This is what really motivates these people. And when it comes down to it, that motivation is simply fear.

When we talk about class warfare in the UK, it is not from those without against those who have. It is from those who have against those without. Because what petrifies those who have wealth? Is that they might lose it. And therefore, they actually do everything they can to prevent others getting to the point where they are. And one of the ways they do that is by not spending. And if they don't spend, money disappears into a black hole, and money in a black hole does nothing productive.

It might buy shares, but so what? They don't promote new investment.

It might be stored in cash, but storing it in cash does not result in new loans being made because banks do not need depositors' money to make loans, and therefore, it is dead.

And economically dead activity, promoted by wealthy people, is what is preventing growth in a country like the UK, which is obsessed with hierarchies of wealth.

The rich are holding this country back by trying to maintain their wealth but by doing so in a way that never generates new wealth.

This is utterly economically destructive, and it is the precise reason why we need to tax those people and more. They aren't using their wealth for productive purposes, and so the state has to redistribute their wealth so that others have the chance to do so. It is as simple and straightforward as that.

It's not that we're depriving them of anything. After all, they will, if the taxes are fairly imposed, they remain in the same order in the pecking list of hierarchy of wealth. They'll just have less overall wealth, and the rest of us will be better off.

We need to tax the wealthy because they are destroying our wealth, and that is the true agenda that a future government of the UK should pursue if it wants to deliver prosperity for everyone and to maintain the wealth of the wealthy.