

The rich don't change their behaviour because of a bit ...

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As the [Guardian has noted](#) this morning:

Predictions that adding VAT to private school fees would set off a wave of parents moving children to the state sector have been proved wrong at their first key test, according to figures from councils in England.

While critics including the former chancellor Jeremy Hunt had [predicted that up to 90,000 children](#) could flood the state sector if VAT of 20% was charged, most councils say they have seen no impact from the policy in applications to start at state secondary schools later this year.

Let me be clear, I am not suggesting based on this one article that there will be no behavioural response to this tax change. There is bound to be some. It would be absurd to pretend otherwise. What I will, however, confidently predict is that the behavioural change will be vastly smaller than was claimed by the likes of Jeremy Hunt. It will be almost insignificant.

There is very good reason for that. Private school fees are very obvious [conspicuous consumption](#).

Most parents do not pay them because they think their child will necessarily get a better education. After all, many children from state schools get to our best universities. State schools are capable of educating children to the highest standards. Private school fees are, instead, paid to indicate status and privilege, and so opportunity, and there is no doubt that they succeed for some in delivering all those things.

In that case, parents who have committed to this route will do everything they can to avoid taking their children out of private schools. To do so would crush their sense of identity, and maybe that of the child that they have imbued with a sense of their superiority, as well as a fear of state-school children. Of course those parents will hang on for as long as possible without changing their behaviour. Their bizarre sense of shame if forced to do so will mean they will hang on with making payments until long

after it is wise.

There is, another important dimension to this, though. Most of the critics of the [Taxing Wealth Report](#) that I published last year said that the proposals I made would have massive behavioural consequences, and that the economy would essentially collapse as a result as all the highest paid and wealthy people left the UK as a consequence of being asked to pay a bit more in tax. I did suggest this change to VAT in that report. I am unrepentant for doing so.

I am equally unrepentant for suggesting that the overall behavioural response to imposing more tax on the wealthy will be minimal. What matters to the rich is their status as wealthy people within the communities within which they live. Class warfare is alive, well, and rampant amongst those who consume conspicuously. A bit of tax will not change that, and nor will these people move. If they did, they would not understand the subtle rules of wealth display and signalling likely to exist in the communities to which they would move, leaving much of their reason d'etre so displaced that the cost of moving is never worth considering.

Income and wealth are for the rich all about status, not money. A bit of extra tax will not change that, but it could make the world a much better place.

So, let me offer a slightly unusual thought. Should we tax status and privilege more, because people are willing to pay tax to keep it?