

Billionaires won't leave if we tax them

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We're repeatedly told that raising taxes on extreme wealth will drive billionaires and millionaires out of the UK and that the economy will collapse as a result.

That story is economic mythology. In this video, I explain why the very wealthy are not as "highly mobile" as politicians claim, why money doesn't "disappear" when someone changes residency, why businesses and jobs don't pack up with the owner, and why a modest fall in sterling would not be the catastrophe we're warned about.

The conclusion is simple: we should design tax policy around justice and economic need, and not fear and bluff.

<https://www.youtube.com/watch?v=XW0TQjabXNA?si=HWeWB80VMlrQNK0v>

This is the audio version:

https://www.podbean.com/player-v2/?i=nxn75-1a6093b-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

We keep being told the same thing. We're told that if taxes are increased, billionaires will leave the UK.

Now, as a matter of fact, we don't have that many billionaires in the UK, so we're told that millionaires will leave the UK. We've got lots of them, and the threat is always the same. It's said that they will leave, that they'll take their wealth with them and investment in jobs and, what is more their money will disappear, as a consequence of which the UK economy will collapse.

But this claim is complete and utter economic mythology.

It's nonsense, rubbish, whatever other word you want to use.

The fact is that billionaires almost never leave, and even if they do, there can, in fact, be beneficial economic consequences and not harmful ones. So this issue needs to be explored. Let me deal with it.

The myth that politicians repeat is that the wealthy are "highly mobile". That's the term they use. As a consequence, they can, if they decide to do so, pick up sticks, leave the UK, go somewhere else, and apparently that will cause us untold harm.

We are told that they will move instantly to tax havens, and Britain will lose investment, jobs and tax revenue as a result, and this argument is used repeatedly to block any form of tax on wealth. And not just a wealth tax, let me be clear. Any form of tax on income from wealth, and as we should all know, taxes on income from wealth are now levied at very much lower rates than are taxes on income from work, and that makes no sense at all when, of course, we need people to go to work to create the wealth in the economy, not least for the wealthy.

So, all of this claim is based upon assumptions that simply aren't true.

Let's start with the first thing that is untrue.

When you are a billionaire, one of the things that happens is you stop being a slave to money. You've got so much of it, you can make up your own mind what you want to do. You do not literally have to chase the last pound, and that means that life choices are, in the case of a billionaire, no longer dominated by income. Instead, other things matter.

- * Where do you want to live?
- * Where does your family want to live?
- * Where are your friends and social networks?
- * Where do your children want to go to school?
- * Where do you want them to go to school?
- * And where do you want your home, your hobbies, your lifestyle, and everything else?

The fact is, those things become immensely more important when you are freed from the constraint of worrying about money because, well, basically, you can decide what you want with regard to those things. Billionaires can literally live where they want and can afford to live wherever they wish, and if they do, why would they choose to leave the UK?

In fact, of course, what we do know is that many people choose to come to the UK, partly because we're tax-friendly, but not just because we're tax-friendly, of course.

- * People can speak English.
- * People like London.
- * People like the social life.
- * People like being seen here.
- * They like being in the epicentre of the world, and London is, to some degree, the epicentre of the world. Why? Because it's in the middle of time zones between the USA and the Far East.
- * It is the place in Europe which is coolest of all. I know, sorry, Paris, Frankfurt, wherever else you want to think of, you might believe you are, but you are wrong.
- * And the fact is that people also just like the fact that there is an equitable climate in the UK. Yes, I know you believe it rains all the time, but it doesn't really. There are many worse places to live.

The UK has so much going for it, and that is what ties people to this country.

Real life is why people are in the UK, and once they're here, and either because they're born here or because they've chosen to be here and have been here for a long time, they tend to want to stay.

- * Their partners may not want to move.
- * Their children's schools do determine where they live.
- * Their parents or in-laws are nearby, and they don't want to be too far away as they age.
- * Their social lives, their golf clubs and everything else are established here.
- * And the horses matter. I know this sounds ridiculous, but I've heard the excuse time and again, we can't leave because we couldn't take the horses to wherever we want to go.
- * And actually, they just like their homes. People, even billionaires, rarely uproot their lives.

The people who do that are, of course, those who arrive here because they're desperate, because they have no livelihood at all, or who reach retirement age, and need to move to the sun, not really because they want the sun, but because they can't afford to retire in the UK and are looking for somewhere cheaper to live.

People don't move abroad because they're wealthy.

People come here because they have no income at all, and they leave here because they can't afford to live on the limited income they've got left.

That's the real reason why people move.

But billionaires, they can have a holiday home wherever they like, but they don't need to leave the UK for that reason. They can stay here and have the holiday home, and there are good reasons as well why they don't leave.

Have you ever been to a tax haven? It has been my misfortune to do so, to quite a lot of them, in fact. And they are, almost universally, small, isolated, and often, and let's be blunt about this, extremely boring. In my opinion, the most boring city on earth is Geneva, right in the middle of the Swiss tax haven. It literally goes to sleep at five o'clock at night, and I'm no clubber or party goer, but even I want a bit more life than that, and frankly, finding it is almost impossible in Geneva.

So, let's be clear, these are not places for socialites.

These are not places for people who want to be seen.

These are not places where you're going to get well, all the buzz that you get by living in the UK.

So people don't want to go there, to be blunt, and actually, if you really go to a tax haven, you've just got to be a very, very boring person, and thankfully, even amongst the wealthy, there aren't that many of them.

So these places might be financial services outposts, but they are not destinations for people who have all the money and all the choices available to them that billionaires have.

So let's just look at the evidence as to whether people do move. That's important as well. Now, there isn't that much research done on people who leave the UK. Hands up, we don't know the answer to that because there just aren't enough of them to actually be able to survey. But, in around 2010, when it was said that if taxes were raised, then lots of people would leave the UK, and there was some move around that by Alistair Darling at the time, there was a quick survey done. The check was whether there had been a decline or an increase in the number of children registered at the English-speaking school in Geneva, which was the chosen destination, supposedly,

when a wealth tax was threatened at that time. Do you know what happened? Actually, the threat of an increase in tax in the UK resulted in a reduction in the number of children who were registered for school in Geneva. In the English-speaking school, that is.

So, therefore, there was no sign of people moving, but it's even more extreme in the USA, where data has been researched. Why? Because the USA has lots of states. We might have one federal government, but do remember there are 50 states, and in many cases, those states create significant tax boundaries around their perimeter. Somebody who lives in one state where there is income tax could very often save money by moving only a few miles over the border into the neighbouring state where there is no income tax. There might be a sales tax, but overall, the tax burden is lower.

And the fact is that the evidence suggests people will not move more than about 20 miles to save tax. Why? Because they don't want to leave their parents behind. They don't want to leave their children's school behind, and all those other things I've already mentioned.

Tax is just not that important to people. Even large tax differences rarely trigger migration. As I say, the absence of income does. The desire to actually eke out your savings in retirement does. But when you're really wealthy, those things don't matter. You've already got plenty, and way beyond plenty enough to live on. So, people do not move their lives to save tax is the conclusion.

But just suppose I'm wrong. Just imagine that all my research on this issue is completely incorrect, and in fact, millionaires and billionaires do move. Let's assume the worst case and suppose that some billionaires actually left the UK, like, oh, the chap who owns Ineos did, who also owns Manchester United and who I can't be bothered to name. The point is, what happens then?

First, they cannot take the economy with them, and I chose the word economy there very deliberately.

Their houses remain here just because they go; they don't pick up the bricks and mortar or the land: it's still here; someone will buy it. If they don't want to live in it, or don't want to retain it, it will be lived in by somebody else. So let's not pretend that this is a cause for the economy to get weaker. Somebody who buys the property will, in fact, still maintain it, probably spend on it to adapt it to their use, and so on. In other words, there will not be a crisis amongst the plumbers, the electricians, and everybody else who supposedly will suffer if the billionaires leave. It might be an advantage to them if they do.

What is more, the businesses of these people, if they are located in the UK, will remain here. Why? Because it takes a lot of effort to relocate a business because you need to entirely relocate everybody, or you need to retrain everybody to learn the systems that

made the business work in the first place, and that is incredibly difficult and probably not worthwhile. So whilst the owner may go, the business remains; the economic value is still created here. And of course, owners don't own their businesses directly. They own them through companies, and those companies will remain taxable here as a result. And of course, their employees will then remain here, still paying tax.

So the economic activity that billionaires supposedly give rise to doesn't disappear if they go. In fact, it makes no difference. All that we see is maybe at some point a change of ownership of some of these things, but the economy will continue.

What is more, there's something else that most people don't understand, and that is that the money doesn't go with them either. If a billionaire leaves and wants to move to somewhere that uses, let's say, the US dollar instead of the UK pound, they have to sell their UK pounds to buy the dollars they now want. But the point is this, they don't get rid of those pounds. They sell them. Somebody buys them. The pound does not disappear. It's still in existence. It's just owned by somebody else. So money doesn't leave the economy either as a consequence of billionaires going.

Now, I do accept, and this is important, if lots and lots and lots of billionaires and millionaires left, we might get a dip in the value of the pound, that is possible. But before you think that's some sign of the failure of the UK as a consequence, just think about this. We may actually be seriously better off with a lower exchange rate in the UK.

We are suffering the finance curse. The finance curse drags hot money from around the globe into the City of London by offering interest rates which are far too high in this country, and that's why the money comes here. The fact that hot money comes here indicates two things: one, we have lots of people buying sterling, keeping the exchange rate up, and purely to get the high interest rates that we have on offer. And two, that means that we are actually importing our goods and services too cheaply, because the pound is overvalued, but also our exports are unattractive because they are too expensive.

Suppose those hot money flows into the UK ceased, or suppose that people left the UK and were selling sterling for that reason. In either case, we would see a fall in the value of the pound. But if that were the case, we would see something really useful. Our exports would become more competitive in world markets. Therefore, we would create employment in the UK. What is more, whilst our imports will be more expensive, British-made goods will relatively be cheaper. Therefore, we will buy British. There is no problem then in seeing the value of the pound move a bit, and at most any such move of people out of the UK would only change the value of the pound a bit, not by nearly as much as Nigel Farage managed by doing Brexit. Therefore, we don't need to worry about that issue either.

So what if a few billionaires do leave? Let's be blunt, if a few billionaires leave the UK,

as they say they will, even though there is no evidence over a long period of time, and I've been looking at this issue since the 1980s, that they actually leave in any significant numbers:

- * Some houses will be sold in the UK to someone else. Whoopee.
- * Businesses in the UK would continue. They would just have a foreign owner. Whoopee. Large numbers of businesses in the UK already have a foreign owner.
- * Workers will keep working, yippee. No problem.

We are fine. Nothing would change. In fact, the macroeconomic impact of a few billionaires leaving would be so negligible that, well, we wouldn't notice.

The functioning of the economy would remain the same. The value of the pound would change only minusculely, if at all, and there would be no financial collapse.

Nor would we have a problem with tax revenues because, remember, tax revenues do not fund public services. So there will be no reason for the government to, in any way, change the level of services it supplies. We do not require billionaires to pay nurses. If that's what you believe, you are wrong; we don't.

The fact is, we might be better off politically by the billionaires leaving as well.

They would lose their hold over British politics, which is designed to make sure that wealth is undertaxed and you, as a working person, are overtaxed.

They would lose their holdover democracy itself because we may not have as many corrosive donations to British political parties as we have, and that would be a great thing.

What is more, our economic decision-making would get better because we wouldn't spend all our time trying to think about how we can appease the so-called wealthy who are demanding that they be taken into account in every policy that is created to ensure that those with real needs do not have those needs met.

In other words, if some billionaires left, we might move closer and quicker towards a politics of care and towards a politics that serves people instead of wealth. I think that could be a good thing.

Do we therefore need to worry about billionaires leaving? No, of course we don't. Not least because the threat that billionaires will leave is largely bluff. They won't leave because they want to be here, and that means what we should be doing is designing tax policy based upon justice and economic need, and not on fear.

If that means taxing extreme wealth more effectively, well then, so we should, but a

long time before we get to that point, we should be putting into place all the things I talk about in the [Taxing Wealth Report](#), which include things like:

- * equalising income tax and capital gains tax rates,
- * applying VAT to the supply of financial services, which are only bought by the wealthy,
- * and imposing an investment income surcharge, which is the equivalent of National Insurance on all those sources of income which do not suffer National Insurance now, giving the wealthy a massively unfair tax advantage.

Do all that, and I could raise much more money than any wealth tax could. That's my point. We do not need to live in fear. The wealthy want to be here; a few will move, and my answer is, so what? The fact is, we could tax wealth, and we could have a better country with lower inequality and better facilities for everyone else. That's what I want.

What do you think? There's a poll down below.

Poll

[poll id="340"]