

[Wealth taxes are immoral and counterproductive](#) [1]

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The Deputy Prime Minister Nick Clegg says we need a wealth tax. No we don't. A wealth tax is immoral and counterproductive.

Right now, Mr Clegg and his government should be focusing on creating wealth, not shuffling it around. We need a growth agenda of lower taxes and less red tape in order to get businesses expanding and employing people. A wealth tax, like any other kind of tax, simply shifts potentially productive resources from the private sector to the government. And governments are not usually thought of as being productive? or as wealth creators?, are they?

Mr Clegg is talking about a wealth tax partly because he has a party conference coming soon and wants to give his left-of-centre members some red meat. And partly because his government can't balance its books.

But the wealthiest 1% already contribute 30% of tax receipts: just how much of their flesh does he want? And the national debt is rising ? it will rise another 40% by 2016, to £1.5trillion, at which point we will be spending around £70 billion on interest payments alone ? not because the 'rich' don't pay enough, but because the government spends too much. Indeed, it spends £700 billion a year, compared to just £450 billion (inflation adjusted) back in 2000. What is that extra £250 billion buying us, except waste and inefficiency?

Brains and money flee high tax countries. I know. When I graduated, the top rate of income tax was 98%, and other rates were teeth-grittingly high too. So like many others of my generation, I upped sticks and emigrated. Eventually I came back, but many others did not. And those are bright, productive people who were lost to the UK. And the effect continues. When US taxes in New York were significantly higher than those in London, thousands of US high-flyers came to London. After the Brown-Osborne 'expat tax', many have gone home again. A lot of them could afford the tax, but say they just don't feel welcome any longer. And now, mobile French businesspeople are buying properties in London to escape M Hollande's tax hikes on 'the rich'.

We want more productive capital in the UK, not to tax it out of existence. It is immoral to tax people on their accumulated wealth anyway ? and remember that most of those in the 'Rich List' have made their own money, and have not inherited it. Taxing income is one thing: people have money coming in to pay it. But if you tax the value of a house, say, the family living in it might not actually have enough income to meet the bill. You can't pay your tax bill in old masters, town houses, or share certificates. So you have to sell them. But who are the buyers? Not the rest of the population who by definition are too poor to own such wealth. So the price of assets drops. With all 'the rich' trying to sell at the same time, asset prices tumble. They have to sell even more to raise the cash, and prices tumble again. It becomes a fire sale. But it is not actually the rich who suffer most. As asset prices slide, and share prices decline, the value of people's pension funds shrinks. A wealth tax actually robs everyone of their savings, not just the wealthy.

As people's savings shrink and they feel poorer, they are less likely to go out and spend, which the

politicians want us to do in order to revive the economy. They are less likely to give to good causes and help build the Big Society. The tax is simply counterproductive. So what is in this idea, other than stupidity? The politics of envy, perhaps. As Conservative MP Bernard Jenkin put it, ?If envy taxes made us rich, we would be a very rich country indeed.?

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