Written by **Selwyn Duke** on July 1, 2023

Soak the Rich? Or Should Wealth-tax Advocates Soak Their Heads?

It's a seductive appeal: "Soak the rich!"

"Make them pay their fair share!"

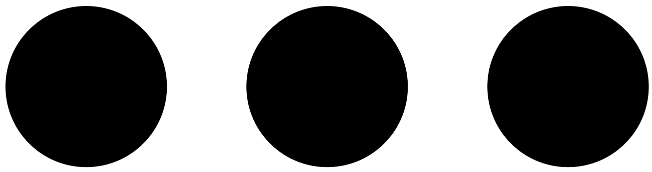
"Get your piece of the pie!"

As Norway is proving with its "wealth tax," however, there's a simple reason why this doesn't work:

The rich will simply take their pie to greener (and less meaner) pastures.

In fact, ever since Norway's Labor Party won power in 2021 and kept its promise to increase the nation's wealth tax, the Scandinavian country's rich have been leaving — taking tens of billions of dollars with them. The result?

While the raised wealth tax was projected to increase revenue steeply, it's now on track to generate 40 percent less revenue than it does currently.



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As the American Institute for Economic Research (AIER) reports:

> Norway is one of just a handful of OECD [Organization for Economic Cooperation and Development] countries that still taxes net wealth, and the Labor Party increased the country's wealth tax to 1.1 percent despite warnings that such a move would "trigger capital flight and threaten job creation."
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> Capital flight is exactly what happened, and it has left the Norwegian government with less revenue.
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> Norwegian Business School professor emeritus Ole Gjems-Onstad estimated that the wealthy Norwegians took with them a total fortune of $54 billion when they left. This means that the wealth tax, which was projected to increase revenue by nearly $150 million annually, will result in about 40 percent less revenue than it currently generates. Luca Dellanna, a management advisor and author, points out that Norway collected about $1.46 billion on its wealth tax in 2019. But the exodus of the wealthy will result in an estimated $594 million in lost revenue.

The AIER then proceeds to use economics-speak — citing an analysis called the Lucas Critique — to explain what, as it states later, is just common sense. And instructive here is the old joke, "The rich aren't like you and me — they have more money."

As with any other human being, why would the wealthy sit around and be fleeced when they can simply change their financial situation by changing location?

This is, in fact, far easier for the rich, too. Lower- and middle-class people may have to stay put despite their city having, let's say, sub-par conditions (e.g., high crime, poor schools); it may be where their job is, for example. But those with vast resources — who usually already have multiple homes (even Bernie Sanders has three) in different countries — can change locations like clothes.

As to this, the AIER points out that Norway forgot a simple principle. "As early as the 17th century, Jean-Baptiste Colbert, the finance minister to France's Louis XIV, observed the delicate nature of taxation," the site writes.

"'The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing,' wrote Colbert."

And now all Norway can do is embrace the suck. The nation could, of course, rescind its wealth tax increase, but how many rich expats would return? There are many beautiful locales in this world (most far warmer than Scandinavia), and once comfortably ensconced elsewhere, the golden geese just may be "once bitten, twice shy."

The wider problem, however, is that what happens in Norway doesn't stay in Norway. In fact, never missing a chance to replicate a dumb idea, many American statists are now wealth-tax crazy. As the Tax Foundation wrote in January:

> In a coordinated effort, lawmakers in seven states that collectively house about 60 percent of the nation's wealth—California, Connecticut, Hawaii, Illinois, Maryland, New York, and Washington—are introducing wealth tax legislation.…
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> The campaign is part of a broader national focus on new taxes on investment, entrepreneurship, and wealth. For instance, a pending proposal in New York would yield a nearly 30 percent tax on wealthy New York City residents' capital gains income, about 50 percent higher than the 20 percent federal tax on long-term capital gains. Elsewhere, lower estate tax thresholds would impose the tax on the upper middle class and not just the very wealthy—including the small businesses and farms policymakers have long worked to protect from estate taxes to avoid forcing them to break up to pay the tax. And the wealth taxes themselves would vary across the seven states, partly due to differing state constitutional constraints.

Early this year, the Biden administration also proposed higher wealth taxes, "at least 20% on Americans who bring in at least $100 million per year," reported ABC News, with a tax rate applying to "both to income and unrealized gains." What's more, four states are also "attempting to tax unrealized capital gains, including a California proposal that would impose a 1.5 percent wealth tax (even higher than Norway's)," the AIER relates.

The ostensible justification for all this is destructive Equality Dogma. As ABC wrote, stoking envy's fires, "The wealth of the top 1% increased by $6.5 trillion in 2021, according to a study the Federal Reserve released last year. That wealthiest sliver of Americans controls 32% of the country's wealth."

Ah, "How tragic," muses the statist, "when the top 0.01 percent in government could be controlling that 32 percent of the wealth!"

It's ironic, but these statists behave as if a Berlin Wall (designed to keep people *in*) surrounds their jurisdictions. Theirs is no captive market of producers, however.

But they won't care. Good theology defines authentic faith as "an act of the will, informed by reason." Leftists themselves operate by faith, but theirs is a dark, emotion-driven one — divorced from reason.

Moreover, when lusting after power above all else, as many statists do, reigning in Hell is more appealing than serving in Heaven. Reducing your people to penury will be of no consequence — as long as you can rule, unassailably, over the rubble.