

# Taxes Have Turned the Young Against the Rich

Retrieved Tuesday 13th of June 2017 05:45:19 PM

Revolting children.

No, this is not a critique of the parents who allow their little ones to run riot without consideration for others. That's a contentious topic.

In a political context, the word 'revolting' can take on two very different meanings.

Theresa May is probably loathing the youth of today. They turned out in record numbers to send her a not-so-subtle message in the

Whereas Jeremy Corbyn tapped into millennial discontent. The young voters responded to his 'call to arms'. Or should that be 'alms

What got them so excited?

*'Jeremy Corbyn has pledged to reduce or even write off £30billion of student debt',* reports the UK *Daily Mail*.

If you're encumbered with a student loan, this offer — on the surface — has a whole lot of appeal.

A little further into the *Daily Mail* article: *'...But the Labour leader admitted he did not have a "simple answer" for how to deal with the*

Paying for promises? Minor detail, really.

Let's not allow the truth to get in the way of a great story.

While on the subject of revolting, a reader — Michael — was far from happy with a recent article.

The 5 June 2017 edition of *Markets %26amp; Money* was titled *'Debt: The Future Cannot Afford the Past'*. It struck a nerve with Michael,

*'I read as far as I could Vern. Sickening stuff.*

*'What you avoid is a discussion of **the rich avoid[ing] their tax responsibilities.** And then there is the outrageous granting of t*

*'You need to be truthful, something you are having a real problem with. It is wrong to come after the small fish whilst the barracu*

*'Which side of town are you a part of Vern? Pretty clear.'*

The rich don't pay their fair share. This argument dates back to Adam.

What's a fair share?

Where's the tipping point between incentive and disincentive?

What constitutes avoidance and what's minimisation?

The answers to these questions, will, like beauty, be in the eye of the beholder.

'Tax the rich.'

As a catchcry, it sounds good — like Corbyn's 'write off student debt' soundbite.

In reality, it's a simplistic and populist statement.

One that's far easier to gripe about than to implement.

Wealthy individuals and corporations have access to the very best legal and taxation minds. Their capital is highly mobile.

Even the 'good guy' activist, Bono of U2, admits it.

In a Sky News interview in May 2015:

*'Members of U2 have hit back at claims they have sought to shield millions of pounds in overseas tax havens.*

*"It is just some smart people we have working for us trying to be sensible about the way we are taxed," he said.*

*"We pay a fortune in tax, a fortune, just so people know, and we're happy to pay a fortune in tax. Because you're good at philan*

There are a multitude of tax havens to choose from.

Monaco. The Bahamas. Luxembourg. The Cayman Islands. Jersey. Bermuda. Ireland. The Isle of Man. Mauritius.

These 'tax havens' are home to multinational corporations (or their subsidiaries) and rich individuals.

Monaco and the Bahamas are very popular with sporting stars — tennis players, golfers, Formula One drivers — and investment bankers.

The very wealthy end of town have no intention of subsidising (more than they have to) the pork barrelling of the political class. You may think this attitude is 'unfair', 'outrageous' or 'fraudulent'.

Well, life is not fair. Get over it.

As Bono pointed out, the wealthy are not stupid.

We have to acknowledge the reality. An egalitarian tax system is nothing more than wishful thinking.

Sovereign countries have the legal right to establish their own tax regimes. Some — labelled 'tax havens' — are more generous. Others have a ferocious appetite for tax.

Those with the means can choose to stay, go or relocate.

Surely they're entitled to exercise that right?

In February 2017, CNN reported: *'Over 12,000 millionaires left France last year, according to New World Wealth. In total, the country has experienced a net outflow of over 60,000 millionaires since 2000.'*

Terrorism fears may have been the final straw for some wealthy French. But the primary reason to say au revoir was the onerous tax regime...supporting overly generous socialist programs.

Margaret Thatcher famously said: *'The problem with socialism is that eventually you run out of other people's money.'*

A few years ago, 'the cost of dinner' story was doing the rounds. Here's a snippet from *The Globe and Mail*:

*'Each and every day, 10 men go to a restaurant for dinner together. The bill for all 10 comes to \$100 each day. If the bill were pa*



You can read the full story [here](#).

The moral of the story is you can only turn the tax vice so far before the wealthy say 'enough' and vote with their feet.

Taxing the rich is not easy.

In recent years, cash-strapped governments have made attempts to tighten the net. Their efforts have had limited success. The *barracudas* have proven to be more eel-like.

What governments have failed to address is their spending problem. A problem they're trying to 'solve' with a variety of higher taxation measures.

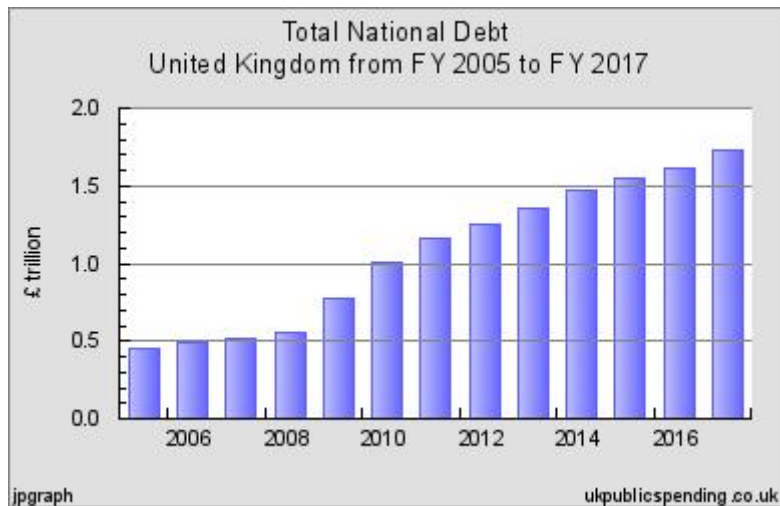
Any attempts to seriously address this thorny issue — of promising too much to too many — have been abandoned.

The ballot box backlash is not worth it.

After the UK election result, Bloomberg ran this line: *'U.K. Labour Party Leader Jeremy Corbyn said that politics has changed and that people have had enough of austerity.'*

People have had enough of austerity.

How tight have the strings on the public purse been pulled since 2008?



Source: [ukpublicspending.co.uk](http://ukpublicspending.co.uk)  
[\[Click to open in a new window\]](#)

In 2008, UK national debt was £500 billion.

Today, it's £1,700 billion...an increase of £1,200 billion (\$2,000 billion) in nine years.

Maybe I'm wrong, but it looks to me like the austerity belt has actually been loosened a notch or three.

Let's live in fantasy land for a moment. The government has managed to trap and tax the rich. Sufficient dollars are raised to put the budget back in the black. How long do you think this would last? A year — two or three at the most. Politicians would do what politicians do...promise more than can be afforded.

The Rudds and Swans of this world would have us back in the red before 'Kevin 07' can say: 'I'm an economic conservative.'

Now, let's get back to reality.

Michael advises me to be truthful. Experience tells me there's at least three sides to the truth.

Here's my simple version.

Demographics are against us.

The ratio of taxpaying workers to tax-receiving retirees is in decline.

People are living far longer than was ever expected when age pensions were introduced.

Increased longevity translates into rising healthcare costs.

Globalisation and automation are, at best, wage growth inhibitors and, at worst, job destroyers.

Global debt is the highest in recorded history...every previous debt bubble has burst.

The cost of debt is the lowest in history. What happens if interest rates rise even modestly?

The youth have been given the raw end of the deal — student debts, higher home prices, paying taxes to fund age pensions (a system they had no say in designing).

Taxing the rich — if you can — may raise some money but nowhere near enough to fix the problem.

The problem is that we've created a debt-based economic model that's a time bomb. We either diffuse it ourselves OR it'll detonate at a time of its choosing.

The lack of political and social willpower for the former is not there. And even if it was, I suspect it's too late to make any meaningful changes.

Sadly, it's going to be the latter.

Guess who'll be most affected? The small fish. They always are.

You're right...it's not fair.

Michael, I sincerely wish it could be different.

You can lament what should be happening and who should be paying more. You can shoot the messenger. But that's not going to alter the reality.

When reality does hit, it won't just be the youth who are revolting.

Social unrest, on an unprecedented scale, threatens when people realise the promises made can no longer be funded.

Difficult times lie a.

You might find my version of the truth revolting. That's fine.

However, it's this version that's guiding me in making decisions about our financial future.

If your version includes the future being a carbon copy of the past, then I hope you're right.

Because if you are, then there's minimal financial and social downside.

But if you're not, then the new revolutionary world is going to come as an unwelcome shock.

Regards,

Vern Gowdie,  
Editor, *Markets %26 Money*

- [Author](#)
- [Latest Posts](#)



Vern Gowdie Editor at Markets %26 Money

Vern Gowdie has been involved in financial planning in Australia since 1986. In 1999, *Personal Investor* magazine ranked Vern as o



Latest posts by Vern Gowdie ([see all](#))

- [The Children Are Revolting](#) - June 13, 2017
- [Our Investing Environment is One of No Gain, All Pain](#) - June 9, 2017
- [Debt: The Future Cannot Afford the Past](#) - June 5, 2017
- [The Cracks Are Starting to Appear](#) - June 2, 2017