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'If you tax me I will leave': the threat of exit in hegemonic commonsense about taxation

Abstract

In recent years the 'myth of millionaire tax flight' – the claim that if you tax the rich, they will leave – has been robustly challenged (Young, 2017). Scholars in economics and the social sciences have sought to address uncertainty about the migration responses of the very wealthy with the aim of improving policy interventions. By developing evidence that refutes or complicates the myth of tax flight, these researchers have provided campaigners and advocates for progressive taxation with a means of contesting this threat.

What this essential research does not tell us is how this myth operates: why it is persuasive and meaningful, how it is communicated, and why it resonates in popular culture and media discourse as a resource for making sense of taxation and fiscal policy. My paper will explore these questions through a focus on vocal and widely-reported threats to 'leave the country' made by celebrities and high-net-worth individuals in the context of public debate about taxation in the UK. Rhetorical interventions such as these amount to something more than the petty complaints of wealthy personalities. Elevated into a recognizable media trope and situated within a broader set of cultural anxieties about the production and mobility of wealth, they accumulate as a significant ideological force.

Drawing on research in which I analyse key imaginaries in hegemonic commonsense about taxation (Massey 2016), I will position wealthy individuals' threats to leave within a dominant 'imaginary of exit' and examine the role of this imaginary in the production of social meaning about taxation, wealth and economic inequality. The paper will explore how these threats contribute to commonsense understandings of fiscal space, how they animate tensions between globalisation and the authority of nation states, and how they confirm and consolidate ideas and assumptions about elite and capital mobility.

Introduction

The paper I'm presenting today is part of a broader project on tax imaginaries. The context and conjuncture I'm specifically interested in is the UK since the global financial crisis.

By 'imaginaries', I mean collective, common-sense understandings, or frameworks of meaning. Bob Jessop refers to imaginaries as 'semiotic systems that frame individual subjects' lived experience of an inordinately complex world and/or inform collective calculation about that world' (Jessop 2010: 344). He takes the economic field as an example of a domain of such complexity, describing how semiosis reduces complexity and enables the subject to 'go on' in the world. Similarly, I'm using the concept of imaginaries to refer to the frameworks that people draw on to navigate and make sense of the topic of taxation.

My thinking about taxation imaginaries is also informed and loosely structured around Raymond Williams's distinction between the dominant, the residual and the emergent, which help us to analyse 'internal dynamic relations' in a particular conjuncture (Williams 1977: 121). In terms of the dominant, I am working with a framework of three key imaginaries: an imaginary of *exit*, and imaginary of *economy* and an imaginary of *inheritance*. This paper is part of my working through and writing about the imaginary of exit.

I'm going to introduce this imaginary of exit by describing an exemplary discursive intervention that characterizes this broader and systematic way of making meaning about taxation.

In April 2019, John Caudwell, the billionaire founder of a mobile phone company, vowed to leave the country if the Labour Party formed the next UK government, claiming he would 'just go and live in the south of France or Monaco'. He made this statement during the Spring of the year in which Jeremy Corbyn – of the party's left, and its leader since 2015 – would lead the Labour Party into a second general election, although the timing of that election was not yet clear. Speaking to *Spear's*, a magazine for the 'ultra-high-net-worth community', Caudwell was critical of Labour's pledge to introduce a 50% tax rate for high earners. 'Corbyn would be a complete fiasco for the UK', Caudwell is quoted as saying. 'What Corbyn never seems to realise is you have got to create wealth in order to spread the wealth out. They don't seem to understand that if you tax the rich, there's a level of threshold' (Kakar 2019).

So, Caudwell makes a threat to leave the UK if the Labour Party enter Downing Street and raise the tax rate for high earners. I'm going to talk about this 'threat of exit' as an expression of the imaginary of exit. I want to let you know that I'll be discussing how Caudwell uses the language of sexual violence, in case this could be distressing for anyone.

Before we go into the detail of what Caudwell says, why does this 'threat' matter? There is really substantial research which says that the threat of 'millionaire tax flight' is a myth (Young, 2017). As Young notes, '[p]laces are sticky: when you achieve success in a place, it becomes harder to leave' (Young, 2017). We know from the work of Advani, Burgherr and Summers (2022) that reforms to the 'non-dom' (non-domiciled) tax regime in the UK, for example, led to 'very little migration'. So we know the threat is substantially empty; the super-rich don't actually 'leave', in great numbers, when governments enact progressive tax reform. And yet, it is clear that this threat is nonetheless persuasive – it is meaningful, and it goes on shaping how we think about tax and wealth. So we need understand why Caudwell's threat gets taken seriously; why it has the status of common sense.

I've organised my argument into three parts. First, I'm going to talk about how the threat of exit is articulated to ideas about wealth creation and distribution; then, how it contributes to the social production of fiscal space; and finally, how it works to support certain ideas about elite and capital mobility.

An 'exceptional minority' and 'a level of threshold'

Let's begin with a key statement from the interview:

What Corbyn never seems to realise is you have got to create wealth in order to spread the wealth out. They don't seem to understand that if you tax the rich, there's a level of threshold. (Caudwell in Kakar 2019)

We can read this statement as an assertion of hegemonic commonsense about taxation (Masse 2016). It is strongly shaped by, but not a precise reiteration of, neoliberal reasoning. We might think of it as composed of '[b]its and pieces of ideas from many sources' (Hall and O'Shea 2013: 10). We can trace, in this statement, the influence of libertarian ideas about wealth creators as an 'exceptional minority' (Rand 1967: 25); supply-side ideas of wealth 'trickling down' to the rest of us from those wealth creators; and – in Caudwell's notion of 'a level of threshold' – an echo of Laffer curve thinking, which asserts that 'if you tax something, you get less of it' (Prasad 2012: 355).

The statement *sounds* quite reasonable: it does not seem to express anti-tax sentiment. Caudwell communicates that he is in favour of raising revenue – it's just that there's a 'sensible' limit. So, we can note how, in this discursive case, the threat of exit is articulated to

dominant ideas about wealth creation and distribution, which help to rationalize the wealthy individual's position.

Safe havens

I want to move on to my second point, which concerns how the threat of exit contributes to the social production of fiscal space.

To think about this function of the threat, we need to set these broader ideological claims about wealth creation and distribution in the context of the history of global economic governance in the twentieth century and its popular articulation in the form of fears about capital flight. In the 1920s and 30s, international cooperation to address the issue of double taxation led to a network of bilateral agreements which became the foundation of the international tax governance system. In the context of increasing economic integration in the post-war period, these interventions led to competition between states to attract mobile, transnational capital, and to the rise of offshore financial centres, or tax havens (Christensen and Hearson 2019). As Will Davies explains, the risk of 'capital flight' became of increasing concern to policymakers from the mid-1980s: 'Banks and their employees might up sticks and move to Geneva; the super-rich could park their money offshore; the bond markets would grow suspicious of public spending plans, and interest rates would rise; celebrities, such as Phil Collins and Tracey Emin, threatened to leave Britain if income tax rose' (Davies 2019).

Since the global financial crisis, neoliberal austerity has heightened public interest in taxation and tax avoidance, state intervention in global markets has been revived, and the implications for fiscal sovereignty posed by the development of the offshore world have been raised by populist actors across the political spectrum (Urry 2014, Christensen and Hearson 2019). Threats by the wealthy to 'leave' have become meaningful, then, in a context of tensions between national sovereignty (and in particular tax sovereignty) and the movement of global capital that have been decades in the making. So we can say that celebrity threats to 'leave' are a discursive marker of tension between 'globalisation' and the authority of sovereign nation states.

These threats also contribute to the production of fiscal space when they describe somewhere different that the wealthy individual would like to go. Often, this is through the naming of specific place-destinations: Caudwell says that he would 'just go and live in the South of France or Monaco'. These are highly desirable locations – 'playgrounds of the super-rich' (Beaverstock et al. 2004: 405) – and some of them (like Monaco) are also notorious tax havens (or 'fiscal paradises'). The offshore world is consequently characterized, in Caudwell's threat to leave, as 'a safe haven where victims persecuted by the obsolete state system's bureaucracy may find refuge' (Oetsch 2008: 3). By contrast, the national fiscal space (where the super-rich individual is currently located) is characterized as constricting and confining: the impact of tax law is harsh, unreasonable and irrational.

Caudwell makes a distinct and unambiguously offensive remark about this national fiscal space when he adds a question to his threat to leave: 'Why would we stay and be raped?'. Something interesting going on here, again in relation to the production of fiscal space: Caudwell's choice of words posits a gendered perpetrator and victim, and maps these positions onto the state and its wealthy subjects. It is helpful to relate this analogy, I suggest, to longstanding tropes used to characterize logics of spatial domination – in particular colonialism, in which sexual violence rhetoric is used to describe the domination of colonised territories by colonial states (Ruskola 2010). In this appropriation, an analogy emerges between the wealthy/colonised peoples, and progressive taxation/colonial violence. Yet

unlike colonized peoples, Causwell is a privileged subject who has the power and agency to refuse to become the victim of the state's violence – he can simply choose to exit the scene.

So: the imaginary of exit describes a punitive primary national fiscal space and, beyond it, a complex patchwork of fiscal sanctuaries.

Elite and capital mobility

In this last section I want to focus on the way in which the imaginary of exit characterises mobility. I find useful here Castells's (2010) distinction between the 'space of flows' and the 'space of places', which is based on observations about social and spatial trends at the turn of the millennium. In the context of globalization, the 'spaces of places', which 'organizes experience and activity around the confines of locality', is in increasing tension with the 'spaces of flows', which 'links up electronically separate locations in an interactive network that connects activities and people in distinct geographical contexts' (2010: 233).

We can recognise the offshore world as belonging to the space of flows. As Ronen Palan says, it is the 'virtual character of the offshore world that is at the core of its spectacular success' (2006: 83). Rich people can stay exactly where they are and still get preferential treatment by accessing this space of flows.

But: what we've seen is that the imaginary of exit foregrounds the mobility of celebrities and wealthy elites (the 'visible wealthy') and the specific places where they would prefer to live: Monaco, the South of France, Richard Branson on Necker Island. This is the 'space of places'. In my reading, the imaginary of exit animates the mobility of the visible wealthy within the space of places rather than the mobility of capital within the space of flows.

These groups do indeed benefit from extraordinary privilege and access to mechanisms and infrastructure ('golden' passports, multiple residences, yachts, private planes) which render them 'hyper-mobile' (Beaverstock et al. 2004). It's certainly not a fiction to express that wealthy elites can and do move around the planet with more facility than the majority of us. But this focus on elite mobility works to command our attention: it is the *mobility of the visible wealthy*, and their desire to escape to the concrete places I have described and to maintain their associated lifestyles, rather than the *mobility of capital*, that the imaginary of exit foregrounds and fetishizes. The focus on this elite mobility draws attention away from capital mobility, and from the systemic quality of tax avoidance, and the imbrication of the offshore world in global cities – like London, where John Caudwell actually lives.

To summarise. I have argued that the threat of exit contributes to the social construction of fiscal space: primary national fiscal space and a complex patchwork of different fiscal spaces; it promotes the wants and needs of visible wealthy celebrities for whom 'exit' is an option; it foregrounds the highly desirable, and often offshore, 'space of places' where they would prefer to live; and it obscures the 'space of flows' which supports international capital mobility and benefits much larger constituency of the 'faceless rich' (Littler 2018: 136).

These discursive strategies give meaning to the plight of rich celebrities and their desire to exit – and have broader implications for hegemonic common sense about taxation and ideas about state sovereignty in the context of global neoliberal capitalism. The imaginary of exit provides a framework for making sense of the possibility of exit, which seems to be viable for these elite individuals, even if it's apparently impossible for the rest of us – and in that sense, it becomes an ideological resource for the elaboration of exit as a site of fantasy.

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