



Zanetti Monday Missive 2023.07.03

Norway

**“What is the difference between a taxidermist and a tax collector? The taxidermist takes only your skin.”
~ Mark Twain**

Hello Everyone,

Let me tell you about Kjell Inge Røkke. Kjell is from Norway. And, like many Norwegians, he had a lifelong passion for fishing.



When he was 23 years old, he moved to Alaska and started fishing for money. He saved every dime he was paid. Just one year later, he bought a boat---a trawler actually. He started a business.

Since he was good at fishing, his business grew---along with his income. So did his dreams.

He took risks. He raised money. He took on debt. He bought more trawlers. Eventually, he owned American Seafoods Group out of Seattle. Soon, he took control of Resource Group International (RGI) which included Brooks Sports and Helly Hansen.

But he missed his native Norway.

In 1996, he returned to his homeland and orchestrated a merger between RGI and Aker ASA. Aker ASA was a Norwegian conglomerate which concentrated in oil, gas, maritime assets, and biotech.

Today he is a multi-billionaire and the third richest man in Norway.

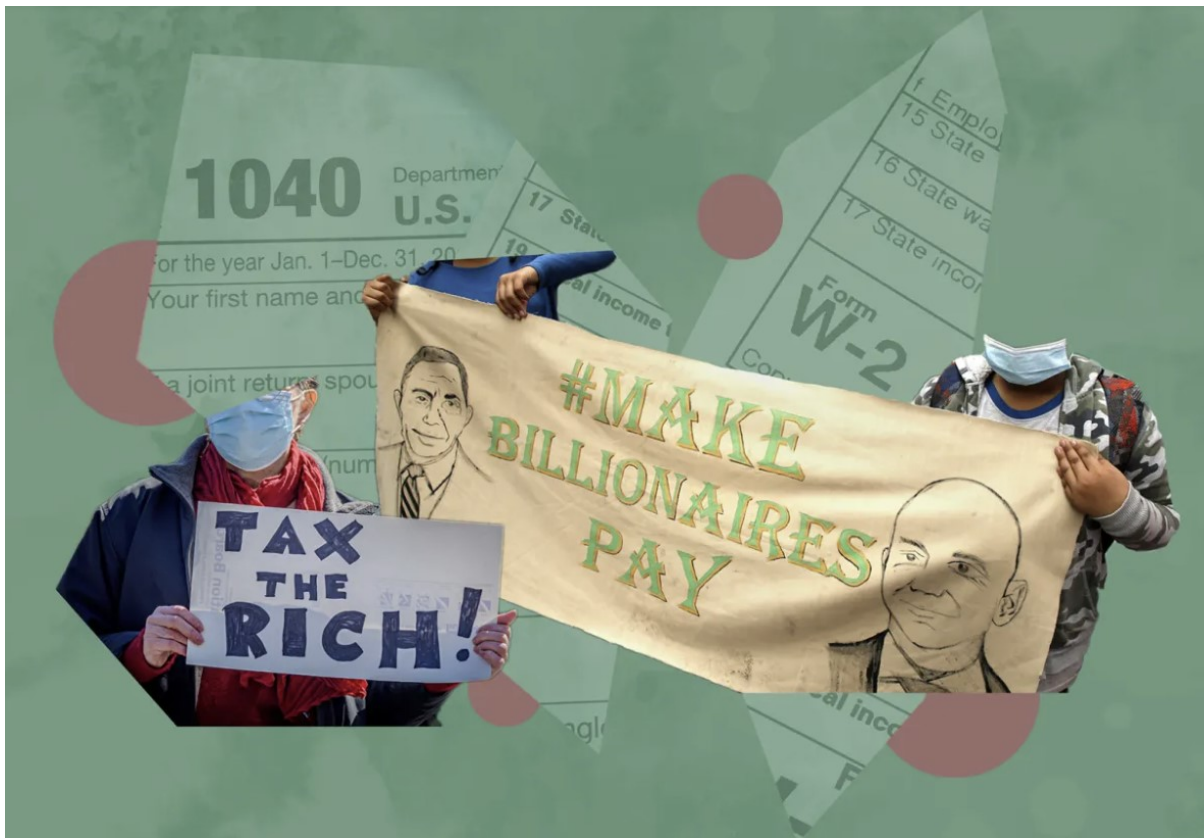
Now, here is where the story turns...

Though he loves his country, he is leaving. In an open letter to shareholders, he announced he was moving to Lugano, Switzerland.

Why?

He is leaving for the same reason 30 other Norwegian billionaires and multimillionaires have left over the past year. Confiscatory taxes. More wealthy Norwegians have left their native land in the past year than in the previous 13 years combined. A mass migration of wealth is underway.

What tax law change was so egregious, that it scared away Norway's most successful producers? A wealth tax.



Here is my imaginary dialogue inside Norway's tax offices:

Johansen: We need more money for the government.

Olav: I have an idea. Let's impose a wealth tax of 1.1% on the rich guys.

Johansen: What is a wealth tax?

Olav: We estimate what the rich people are worth and then send them a bill for 1.1% of it.

Johansen: So, if Billionaire Gustav is worth \$5 billion, we can send him a bill every year for \$55 million?! Brilliant! Think of all the money we will raise.

That conversation may be simplistic (and even a bit silly), but this is essentially what Norway did. They imposed a wealth tax assuming patriotic, Norway-loving, rich people would gladly write huge checks every year.

It didn't happen. Norwegian Business School professor emeritus, Ole Gjems-Orstad, estimated wealthy Norwegians fled "the realm of the polar bears" with an estimated \$54

billion of capital.

Rather than raising more money for government, tax revenues fell (!) \$594 million.

And, yes, the billionaires can afford it. But, to them, it feels like legalized theft. That they cannot abide.

So, what can we learn from this story?

First, it is a good lesson in micro-economics. We at Zanetti Financial have the tendency to talk about macro-economics--the "big-picture." Fed policy. Ukraine. Political fights.

But often it is collective individual actions that move an economy.

Individual actions by "big-guys" can make a difference...just ask Norway. But history is clear, the micro-world of individual actions by the "little guy" has a far bigger impact.

For example, when the "free Covid money" flowed like water, a lot of regular Americans stayed home and rethought their lives. Why work so hard? Is my job worth the stress?

Hmmm, why not learn other ways to get money from the government? And so on.

That change of heart at the individual level (for better or worse) distorted the work force in ways Washington, DC never could have imagined.

Attitudes and priorities changed.... for millions of people!
Since Covid, the workplace is not remotely the same. Just ask workers and employers.

So, while the “free money” is long gone, its effects will be with us for years to come.

So, why bring this up now?

Well, I recently watched a YouTube video where US Senator, John Kennedy, from Texas was questioning Dr. Danny Yagan from the Office of Management and Budget over tax policy.

Dr. Yagan was advocating that Americans should be “pre-paying” their taxes.

In other words, let’s say you bought stocks, or a house, or a business for \$200,000 and (on paper) your investment is now valued at \$500,000. Dr. Yagan believes you should pay taxes on the \$300,000 today.

“But wait!” you say. “All that gain is on paper. I haven’t made a dime until I sell it. Things can change. What if my house, stocks, or business goes down in value later? Do, I get pre-paid taxes back?”

I think you can see the problem.

Dr. Yagan is advocating a wealth tax. And, if imposed as he proposes, the results will likely be the same as Norway. Capital will flee to where it is treated best.



And if you think a tax revolt over a mere 1-3% tax on "the rich guys" couldn't happen here, remember it was a mere 2% tea tax that helped launch the Boston Tea Party and the American Revolution.

Happy Independence Day!

Signed, Your I-Was-Born-And-Identify-As-A-Male-But-Stouffer's-Lasagne-Says-I'm-A-Family-Of-Four Financial Advisor,
Greg

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