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How Billionaires Became an Endangered Species in Norway

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Commentary

In June 2023, I wrote about the exodus of entrepreneurs from Norway after Kjell Inge Røkke, a fishing magnate turned industrialist, announced his move to Lugano, Switzerland.

“My capital will continue working in Norway,” wrote Røkke, whose wealth was estimated at $5.1 billion.

Røkke’s departure was projected to cost the Norwegian government 175,000,000 kroner annually (roughly $16 million), and he was just one of dozens of billionaires and multimillionaires to leave Norway following passage of its wealth tax.

Critics had warned Norway’s wealth tax would “trigger capital flight and threaten job creation,” and that’s precisely what happened. Norwegian reporter Rupert Neate noted that more “super-rich people” left Norway in 2022 than “during the previous 13 years.”

A reasonable person might expect that this exodus of wealth would have prompted Norwegian lawmakers to reconsider their confiscatory tax policy, but that’s not what happened. Instead, Norwegian lawmakers decided to double down on efforts to soak the rich, passing a new law that taxed unrealized capital gains for individuals leaving the country. This so-called “exit tax” is triggered when a resident relocates from Norway. The rate is 37.84 percent and is calculated based on the unrealized gains in shares and securities. Anti-capitalists wrote approvingly of the law.

“For the Rich, One Nation Isn’t Rolling Out the Red Carpet,” declared Inequality.org.

Norwegian entrepreneurs were notably less enthused about the law.

In an article that went viral, Fredrik Haga, a co-founder of Dune.com, announced that he was one of the many people who left Norway for Switzerland, citing the country’s wealth tax, which included illiquid assets.

“It doesn’t matter if you’re running a loss-making startup with no cash flow, if your investments have tanked after the valuation date, or even if your company has gone bankrupt — you still owe the tax," he wrote. "With dividend and capital gains taxes at around 38 percent, you need to withdraw approximately 1.6 million NOK to pay a 1 million NOK wealth tax bill. You're essentially paying taxes to pay taxes, draining capital from your business without any personal financial gain."

Haga went on to compare Norway's exit tax to one of the most infamous symbols in history: the Berlin Wall.

"Instead of trying to attract and [retain] capital and talent by making Norway a better place for business the Norwegian government chose to build its very own Berlin Tax Wall with yet another tax on unrealized gains," he wrote.

Vanishing Billionaires

It's a well-known axiom in economics that if you tax something, you get less of it. And that has been the result of Norway's confiscatory tax policies on wealth. Imposing harsh, cumbersome taxes on wealthy individuals has resulted in fewer wealthier individuals to tax.

What's interesting is that many Norwegian politicians and anticapitalists are not even denying this. They are *celebrating* it.

At the offices of the Socialist Left Party, there is a "Wall of Shame" that celebrates all of the "rich people who have left Norway," a trophy shelf that includes Haga. Indeed, seeing his portrait plastered on the wall of the Socialist Left Party's wall is what prompted the Dune co-founder to speak out publicly on Norway's harmful tax policies.

It's not just the Socialist Left Party who sees the exodus of wealthy entrepreneurs from Norway as a good thing. Writing at Inequality.org, Sam Pizzigati noted with approval that just one Norwegian—Torstein Hagen, the founder of Viking Cruise Line—appeared on the Bloomberg Billionaires Index at the time.

"In a few years, who knows, you might not find any Norwegian on that list at all," wrote Pizzigati.

The phenomenon underway in Norway has a distinctly Randian quality.

In "Atlas Shrugged," Ayn Rand's dystopian epic, a small group of industrialists struggles to sustain their businesses under the crushing weight of an oppressive government and parasitic politicians. Frustrated and disillusioned, they ultimately abandon society, taking their wealth, creativity, and innovations with them.

What we're witnessing in Norway bears striking similarities. Indeed, it's clear that Fredrik Haga sees himself in some sense as a real-life John Galt (Haga refers to Norway as a "real-life Atlas Shrugged"). Galt is, of course, the mysterious, visionary entrepreneur of the book who has grown so disillusioned with society's looters that he invites the most capable minds to join his "strike" and abandon the system that exploits their talents. A portion of Galt's climactic speech encapsulates Rand's philosophy of voluntaryism, individualism, and capitalism:

"All the men who have vanished, the men you hated, yet dreaded to lose, it is I who have taken them away from you. Do not attempt to find us. We do not choose to be found. Do not cry that it is our duty to serve you. We do not recognize such duty. Do not cry that you need us. We do not consider need a claim. Do not cry that you own us. You don't. Do not beg us to return. We are on strike, we, the men of the mind. We are on strike against self-immolation."

The Lifeblood of an Economy

Rand's story is fiction, of course. But what is happening in Norway is real. Wealthy entrepreneurs are abandoning the country because they are tired of being looted by parasitic politicians.

Politicians like Kirsti Bergstø, the leader of the Socialist Left Party since early 2023, can celebrate this phenomenon and display her trophies; and writers like Pizzigati can crow that Norway may soon "be the world's most equal nation." But there will be serious costs to the outflow of capital and talent, and it will be the poorest Norwegians who are most likely to pay the price.

Entrepreneurs are the lifeblood of an economy and the source of wealth creation and economic growth, something the economist Ludwig von Mises noted in magnum opus "Human Action."

"It is impossible to eliminate the entrepreneur from the picture of a market economy. The various complementary factors of production cannot come together spontaneously," Mises wrote. "They need to be combined by the purposive efforts of men aiming at certain ends and motivated by the urge to improve their state of satisfaction. In eliminating the entrepreneur one eliminates the driving force of the whole market system."

As more and more of Norway's entrepreneurs abandon the country, Norwegians may soon realize there is a big difference between loving the poor and hating the rich.

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