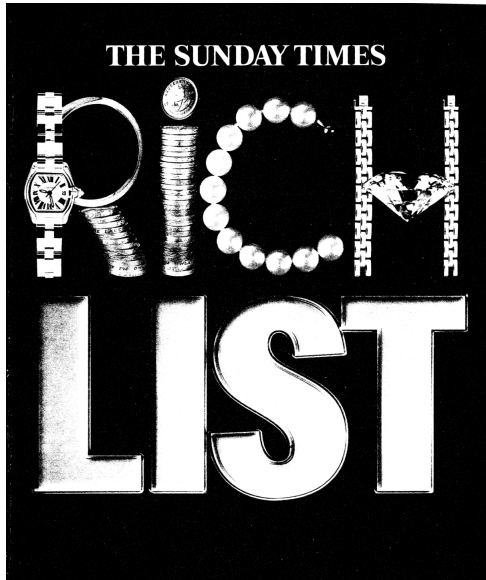


Mobility vs nobility: decomposing the returns to wealth of the UK super-rich using a novel longitudinal dataset

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Motivation



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- ▶ Mobility vs nobility: is wealth concentration driven by new incumbents (mobility) or high returns to old money (nobility)? (Fernholz and Hagler, 2023; Gomez, 2023)
- ▶ Mobility vs nobility matters for wealth taxation
 - ▶ High mobility reduces the mechanical impact of wealth taxes on top wealth shares
- ▶ Need a longitudinal dataset on super-rich in the UK!

Contribution

- ▶ Build a novel longitudinal dataset of the super-rich from archives of The Sunday Times Rich List 1994 to 2023
- ▶ Use Gomez (2023) to decompose growth in top 0.001% wealth share into growth of within, between and population and compare to USA
- ▶ Apply a simple billionaire wealth tax simulation

Results

- ▶ Both the UK and the USA saw a rise in top 0.001% wealth share
 - ▶ USA: driven by rise in wealth of people already in the rich list (within) and by new incumbents (between)
 - ▶ UK: only driven by new incumbents (between) - the within component is negative on average.
 - ▶ More mobility of the super-rich in the UK
- ▶ Implications for wealth taxes
 - ▶ Mobility means UK could have higher wealth tax rates without eroding tax base over time
 - ▶ Top 0.001% wealth share would still have increased from 1994 to 2023 with a 10% wealth tax (ignoring behavioural responses)

What is the Sunday Times Rich List (STRL)?



- ▶ Published by The Sunday Times every year since 1989.
- ▶ Estimates net wealth of super rich in UK:
 - ▶ 500 families from 1989 to 1997
 - ▶ 1000 families from 1998 to 2020
 - ▶ 350 families 2020 to 2023
 - ▶ 200 in 2024
- ▶ Based on identifiable wealth, such as land, property, shares in public and private companies (excludes bank accounts and small shareholdings)

New Longitudinal STRL Dataset

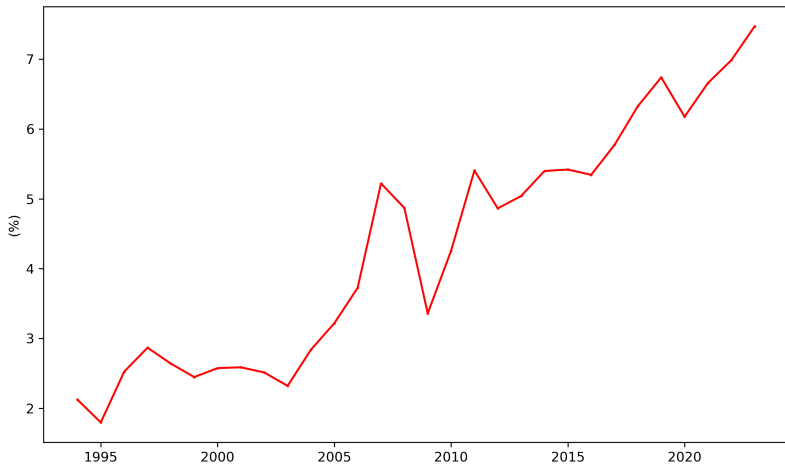
- ▶ Focus on 1994 to 2023
- ▶ Link families over time using their names
 - ▶ Multiple Anthony Todd, Peter Jones, Simon Clarke, Peter Dawson, Chris Evans, Andrew Page and John Reeves!
- ▶ Linearly impute missing wealth
- ▶ Limitations:
 - ▶ Lack of transparency leads to questions of accuracy and reliability (Capehart, 2014; Alvaredo, 2016)
 - ▶ Currently no data on reasons for entry and exit - next stage of the project!



New Longitudinal STRL Dataset

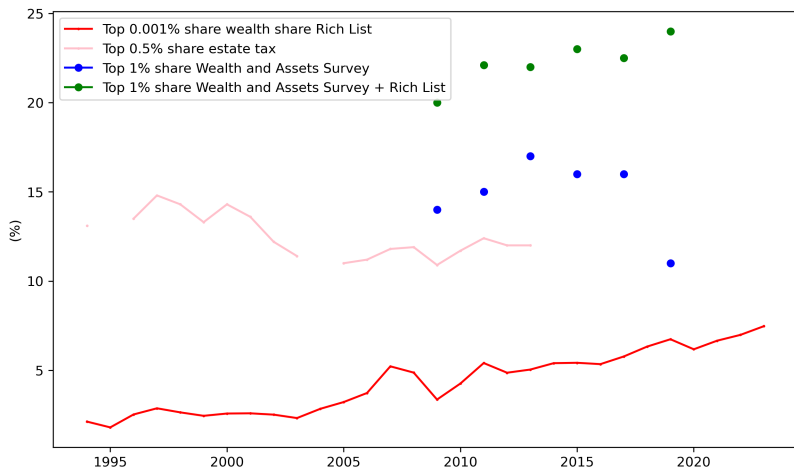
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Top 0.001% Share of Wealth UK using STRL



Rich list in 2023 represents the top 0.001% share (350/28,358,000)

Top UK Wealth Shares Different Sources



What explains this rise?

- ▶ Mobility vs nobility: is wealth concentration driven by new incumbents (mobility) or high returns to old money (nobility)?
- ▶ Can answer this question with longitudinal data!
- ▶ Use decomposition method outlined by Gomez (2023)

Gomez (2023) Decomposition of top wealth shares

- ▶ w_{it} is the wealth of an individual at time t
- ▶ $\mathcal{P}$ denote the subset of individuals who are in the top percentile at time t
- ▶ Over time the individuals in the top typically changes over time $\mathcal{P}_0 \neq \mathcal{P}_1$
- ▶ $\mathcal{O}$ - set of individuals who get out of top percentile
- ▶ $\mathcal{I}$ - individuals who come in
- ▶ How do we know wealth of those who drop out ($\sum_{i \in \mathcal{O}_1}$)?
 - ▶ Many stay in the rich list but not top 0.001% (70%)
 - ▶ Use Kaplan and Meier (1958) estimator to obtain an estimate for the average wealth conditioning on exiting STRL for remaining (30%)

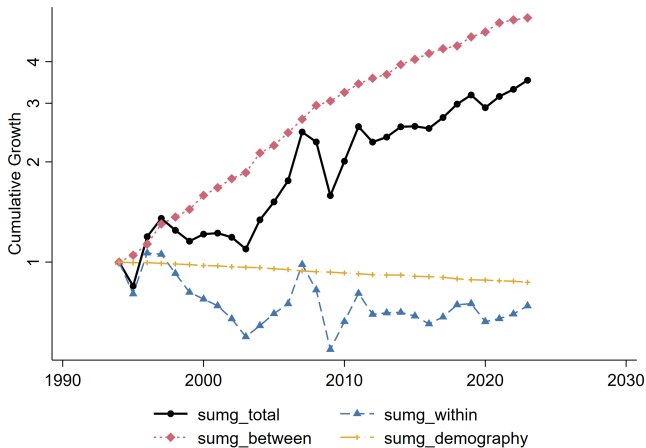
Decomposition of top share total wealth

$$\begin{aligned} \frac{\sum_{i \in \mathcal{P}_1} w_{i1} - \sum_{i \in \mathcal{P}_0} w_{i0}}{\sum_{i \in \mathcal{P}_0} w_{i0}} &= \underbrace{\frac{\sum_{i \in \mathcal{P}_0} w_{i1} - \sum_{i \in \mathcal{P}_0} w_{i0}}{\sum_{i \in \mathcal{P}_0} w_{i0}}}_{\text{Within}} \\ &+ \underbrace{\frac{\sum_{i \in \mathcal{I}} w_{i1} - \sum_{i \in \mathcal{O}} w_{i1}}{\sum_{i \in \mathcal{P}_0} w_{i0}}}_{\text{Between}} \\ &- \underbrace{(1 - n_{\mathcal{P}_0}) \frac{w\mathcal{P}_{0,0} - q_1}{w\mathcal{P}_{0,0}}}_{\text{Population Growth}} \end{aligned}$$

Decomposing the growth of the STRL (1994 to 2023)

Period	g_total	g_within	g_between	g_demography
All Years	4.4	-1.0	6.0	-0.5
1994-2003	1.0	-5.6	7.1	-0.4
2004-2013	8.0	1.7	7.0	-0.5
2014-2023	4.0	0.5	4.0	-0.5

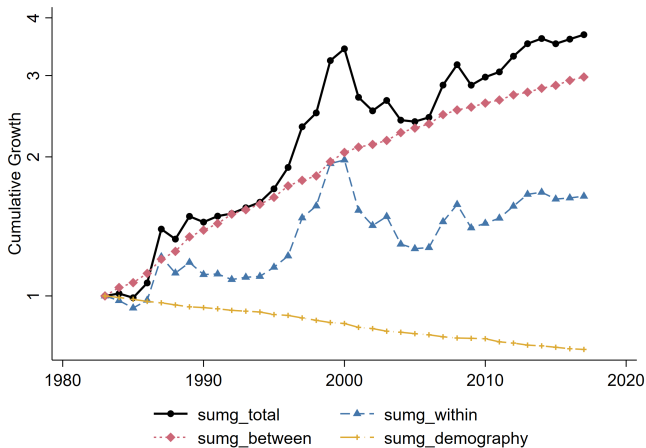
Decomposing the growth of the STRL wealth share: cumulative growth rates



Decomposing the growth of Forbes (1982 to 2017)

Period	g_total	g_within	g_between	g_demography
All Years	3.9	1.5	3.3	-0.8
1983-1994	4.3	0.9	4.2	-0.7
1994-2005	3.7	1.3	3.5	-1.0
2005-2017	3.7	2.2	2.1	-0.7

Decomposing the growth of the Forbes 400 wealth share: cumulative growth rates



Gomez Results for the UK

- ▶ In the UK, growth at the top (4.4%) is driven primarily by between (6%) rather than within (-1%)
- ▶ The within term in the UK is actually negative! (-1% mean growth)
- ▶ Why is within term negative? average growth at the top is negative g_{top} is smaller (0.5) than growth of wealth in the economy (1.6)
- ▶ Within term made of average growth of top (0.5) relative to growth of average wealth (1.6)

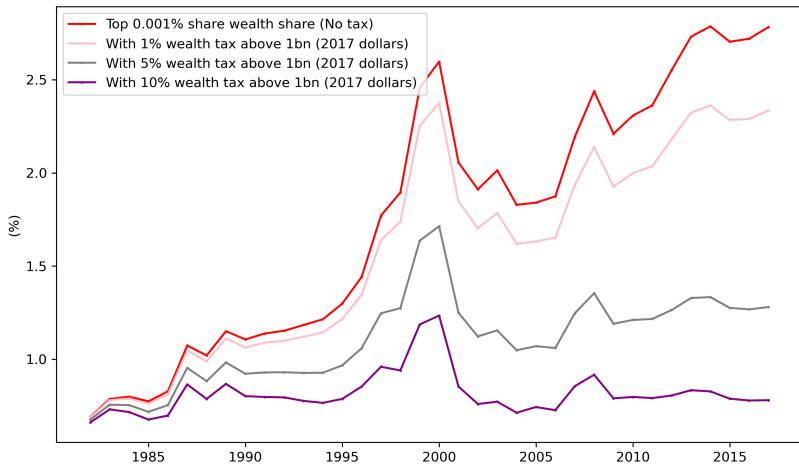
Wealth Tax Simulations

- ▶ Tax wealth above £1bn (in 2023 £s) at three different rates
 - ▶ 1%
 - ▶ 5%
 - ▶ 10%
- ▶ Estimate just the mechanical effect on top 0.001% share
- ▶ Assume no behavioural changes (big assumption!)
- ▶ Not everyone on the STRL is a tax resident

The effects of wealth taxation on top 0.001% UK wealth share STRL



The effects of wealth taxation on top 0.001% USA wealth share Forbes



The effects of wealth taxation on top 10 richest families in 2023

First Name	Last Name	Net Worth	After 1% tax	After 5% tax	After 10% tax
Gopi	Hinduja	35000	25890	8324	1832
Sir Jim	Ratcliffe	29688	25278	13754	6792
Sir Leonard	Blavatnik	28625	23649	10802	3867
David Simon	Reuben	24399	19757	8309	2670
Sir James	Dyson	23000	18624	9136	3452
Lakshmi	Mittal	16000	12197	4006	1149
Guy et al	Weston	14500	11741	5198	2176
Charlene Michel	De Carvalho-Heineken	13122	10519	4245	1292
Kirsten John	Rausing	12000	9428	3688	1064
Michael	Platt	11500	10296	6541	3609

Conclusion

- ▶ Created a novel longitudinal dataset of the super-rich from The Sunday Times Rich List archives (1994-2023)
- ▶ Both the UK and the USA experienced a rise in the top 0.001% wealth share:
 - ▶ In the USA, driven by increases within the existing rich list and new entrants
 - ▶ In the UK, driven solely by new entrants, with the within component being negative on average
- ▶ The UK shows greater mobility among the super-rich
 - ▶ The top 0.001% wealth share would have still increased from 1994 to 2023 with a 10% wealth tax, assuming no behavioral changes
- ▶ Next steps: reasons for exit, sources of wealth, gender, linking to business accounts

APPENDIX

Decomposing the growth of the STRL (1994 to 2023): Within

Period	g_total	g_top	mg_economy
All Years	-1.0	0.5	-1.6
1994-2003	-5.6	-1.7	-4.1
2004-2013	1.7	2.1	-0.4
2014-2023	0.5	0.9	-0.4

Decomposing the growth of the STRL (1994 to 2023): Between

Period	g_between	g_inflow	sl	rl	g_outflow	sO	rO
All Years	6.0	4.9	13.4	37	1.1	12.8	9
1994-2003	7.1	5.6	18.1	30	1.5	17.5	9
2004-2013	7.0	5.9	13.3	44	1.1	12.6	9
2014-2023	4.0	3.3	9.3	36	0.7	8.7	9

Decomposing the growth of the STRL (1994 to 2023): Demography

Period	Total	$(1 - n_{\mathcal{P}_0})$	$\frac{q_1 - w\mathcal{P}_{0,0}}{w\mathcal{P}_{0,0}}$
All Years	-0.5	0.6	-74
1994-2003	-0.4	0.6	-64
2004-2013	-0.5	0.7	-77
2014-2023	-0.5	0.6	-81

Decomposing the growth of the Forbes (1994 to 2023): Within

Period	g_total	g_top	mg_economy
All Years	1.5	4.1	-2.6
1983-1994	0.9	3.1	-2.2
1994-2005	1.3	5.4	-4.1
2005-2017	2.2	3.8	-1.5

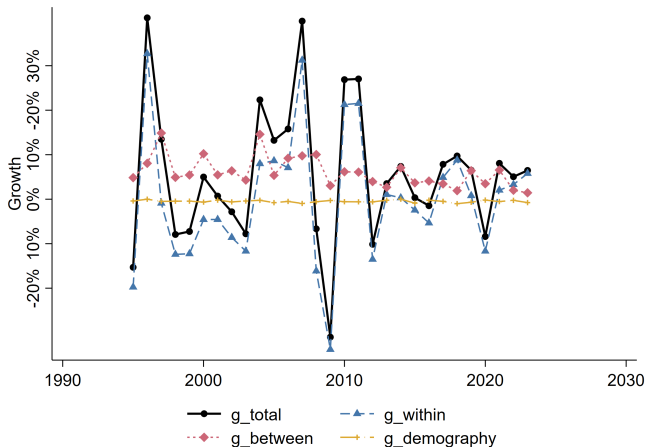
Decomposing the growth of the Forbes (1994 to 2023): Between

Period	g_between	g_inflow	sl	rl	g_outflow	sO	rO
All Years	3.3	2.2	13.1	17	1.0	11.9	8
1983-1994	4.2	2.8	16.5	17	1.4	15.2	10
1994-2005	3.5	2.5	13.7	18	1.0	12.3	8
2005-2017	2.1	1.5	9.5	16	0.6	8.6	7

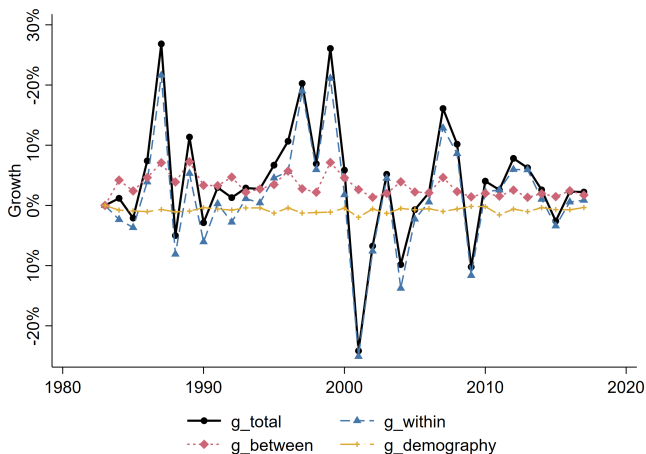
Decomposing the growth of the Forbes (1994 to 2023): Demography

Period	Total	$(1 - n_{\mathcal{P}_0})$	$\frac{q_1 - w\mathcal{P}_{0,0}}{w\mathcal{P}_{0,0}}$
All Years	-0.8	1.2	-67
1983-1994	-0.7	1.3	-57
1994-2005	-1.0	1.4	-71
2005-2017	-0.7	0.9	-71

Decomposing the growth of the STRL wealth share: annual growth rates



Decomposing the growth of the Forbes 400 wealth share: annual growth rates



Gomez: Consequences ignoring births and deaths

- ▶ Population growth: since a top percentile contains a constant fraction of the population, an increase in population size increases the number of individuals in the top percentile. This decreases the average wealth in the top percentile by the difference between the average wealth in the top percentile and the wealth at the percentile threshold.
- ▶ Ignore deaths and births
- ▶ If someone joins the rich list due to entering the economy (birth or migration), this will be counted in the between rather than the demography