

GREY RIVER ASSOCIATES

THE FRACTURING OF THE WESTERN FISCAL CONTRACT

*How Asymmetric Mobility Is Reshaping Taxation,
Citizenship, and the Social Contract*

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2025 Edition | greyriverassociates.com

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THE CORE THESIS

The modern state was built on a geographic wager: that territory could contain economic activity, and that containment could sustain taxation. That wager is losing.

For most of the twentieth century, the social contract worked because everyone was stuck in the same place. Factory owners and factory workers, financiers and clerks, were bound within the same national container. Capital could move, but it moved with difficulty, constrained by capital controls, tethered to physical assets, hampered by the sheer friction of distance. The wealthy could not simply leave. They had to stay and bargain. This containment underwrote the fiscal revolutions of the modern era. Progressive taxation, expansive welfare states, Social Security, national health systems: all of it was funded on the assumption that the taxable population would remain more or less captive. The implicit deal was straightforward. Citizens surrender a portion of their income, with the highest earners paying the most, in exchange for collective security and shared prosperity.

That deal is fracturing.

We have entered an era of jurisdictional mobility unprecedented in human history. Financial assets move at the speed of digital transmission. Remote work has untethered knowledge workers from any fixed location. And the proliferation of world-class amenities in formerly peripheral cities (Dubai, Singapore, Lisbon, Panama City) has eliminated the historical penalty of relocation. A generation ago, leaving London or New York meant sacrificing access to the best hospitals, schools, and professional networks. Today, departure often means superior infrastructure at a fraction of the tax burden.

The question this paper addresses is simple but consequential: What happens to democratic fiscal systems when the ability to leave is distributed unequally across classes?

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I. THE RISE OF THE MOBILE ELITE

A new figure has emerged in the global economy. Call them the Mobile Elite: individuals and families possessing sufficient wealth, portable assets, professional flexibility, and advisory infrastructure to treat national tax systems as menus rather than mandates.

The Mobile Elite often hold multiple residencies or citizenships, structure assets across jurisdictions, and retain the credible threat of departure as leverage against any single state's fiscal claims. For this class, the social contract is no longer a binding obligation but a negotiable term.

The Swiss wealth management firm UBS has coined the term "NIMPs" (Non-Indigenous Millionaire Populations) to describe the millionaires residing in London, Paris, New York, and Toronto who were not born there and could easily leave, taking their tax revenues with them. But it is not only the NIMPs. Increasing numbers of native-born citizens of these same countries are choosing to leave for more favorable tax regimes.

The defining inequality of the twenty-first century is not between those who own capital and those who sell labor. It is between those who can move and those who must stay.

Meanwhile, the middle class remains anchored. Mortgage obligations. Employment dependencies. Occupational licensing that does not transfer across borders. Family ties. The young are captive by a different mechanism entirely: they have not yet accumulated the assets or networks that confer mobility, and they sit too far from retirement to benefit from the entitlement programs their taxes sustain.

These populations possess voice but not exit. They can vote, protest, and organize. They cannot leave.

II. FIVE PRINCIPLES OF ASYMMETRIC MOBILITY

These principles describe the structural dynamics reshaping fiscal systems worldwide. Understanding them is essential for anyone whose wealth, career, or family planning intersects with the tax policies of Western democracies.

Principle 1: Mutual Exposure Has Collapsed

In 1950, the industrialist and the factory worker breathed the same air, drank the same water, and sent their children to the same regional schools. The elite's fate was tied, to a meaningful degree, to the fate of the society they inhabited. That bond has dissolved. A high-net-worth individual today can structure life to be largely independent of any single state. Assets sit in a Cook Islands trust. A digital business is domiciled in Delaware or Estonia. Banking occurs in Singapore. Residence is in Dubai. A backup citizenship provides optionality in Malta or St. Kitts. If the National Health Service collapses, the mobile elite fly to Singapore for private care. If crime rises in San Francisco, they relocate to a gated community in Portugal or the UAE. When the cost of exit falls below the cost of voice, exit becomes the rational strategy.

Principle 2: Sovereignty Has Become a Menu

Mobility has evolved from a passive freedom (the right to travel) into an active wealth management strategy: jurisdictional arbitrage. This means unbundling the traditional functions of the state and sourcing them from different jurisdictions to optimize cost, regulation, and lifestyle. The mobile individual treats the state not as a sovereign entity to which one belongs by birth, but as a service provider with whom one contracts. Physical residence sourced from one jurisdiction for quality of life. Citizenship sourced from another for travel documents and legal rights. Asset domicile structured in a third for confidentiality and protection. Business

registration in a fourth for regulatory flexibility. When sovereignty is treated as a menu, the state’s capacity to impose progressive taxation or redistributive policy is fundamentally constrained.

Principle 3: Class Is Now Defined by Mobility Potential

The old class distinctions (ownership of capital versus sale of labor, income level, social status) are being superseded by a more fundamental divide. On one side: the Mobile Sovereign, possessing multiple passports, portable skills in finance, technology, or consulting, and highly liquid assets. Their effective tax rate approaches whatever level they are willing to accept. On the other side: the Captive Majority, possessing a single citizenship, non-portable credentials in law, medicine, skilled trades, or education, and illiquid assets concentrated primarily in local real estate. As the tax base narrows due to elite exit, the state extracts more from this group to fund its obligations. The captive population becomes the guarantor of last resort for public debts it can neither vote down effectively nor escape.

Principle 4: Policy Signals Matter More Than Absolute Rates

Across every jurisdiction we studied, the trigger for exit was not the absolute level of taxation but the signal value of policy changes. France’s millionaire exodus accelerated not when rates were highest, but when the 75% supertax signaled hostility to wealth. Canada’s 2024 capital gains inclusion increase triggered exit planning not because the effective rate was unaffordable, but because it confirmed that capital accumulation would be progressively targeted. Wealthy individuals and their advisors are forward-looking. They respond to trajectories, not snapshots. A country that raises taxes once will raise them again. The decision to leave is made years before the moving van arrives.

Principle 5: The Captive Subsidize the Mobile

In every case we examined (the UK, the US, Canada, France, Germany, Australia, Japan), those who cannot exit bear increasing shares of the fiscal burden as mobile capital relocates. The Canadian software engineer. The German Mittelstand employee. The Japanese salaryman. The British solicitor. All face effective rates approaching or exceeding 40 to 50% while possessing no realistic exit options. Their immobility is the condition of possibility for the state’s continued revenue extraction. The progressive tax system, designed to extract proportionally more from those with greater capacity, inverts in practice: those with the greatest capacity leave, while those with moderate capacity bear the effective burden.

III. THE SENDING STATES: WHERE WEALTH IS LEAVING

Eight major economies illustrate this pattern. Together, they account for approximately 3.3 billion people, generate roughly \$71 to 73 trillion in nominal GDP, and run combined annual fiscal deficits of \$3 to 4 trillion, even outside crisis conditions. These are wealthy, developed states with entrenched expenditure obligations, aging populations, and limited political capacity to cut spending.

Jurisdiction	Key Pressure Point	Net HNWI Flow (2025 est.)
United Kingdom	Abolition of non-dom regime; highest projected global outflow	-16,500
China	Regulatory unpredictability; capital controls; Common Prosperity campaign	-7,800
India	Domestic factors driving elite relocation	-3,500
France	Legacy wealth tax hostility; broken trust in fiscal stability	-800

United States	Citizenship-based taxation; severe internal state-to-state migration	Net inflows masked by internal fracturing
Canada	Capital gains inclusion increase; housing crisis; youth brain drain	Growing outflows
Australia	Proposed superannuation tax on unrealized gains; collapsing net inflows	Declined from 5,000+/yr to ~1,000
Germany	Combined marginal rates exceeding 50%; 37% of millionaires considering emigration	Gradual erosion
Japan	55%+ income and inheritance taxes driving relocation to Singapore/HK	Accelerating

Source: Henley & Partners Global Wealth Migration Review 2025; New World Wealth; OECD; author analysis.

Case in Point: The Revolut Story

Perhaps no single example captures the asymmetry more clearly than the case of Revolut, the digital banking platform valued at \$75 billion in late 2025, the most valuable private company in Europe.

Nikolay Storonsky, Revolut's co-founder and CEO, relocated his tax residency from the UK to Dubai in October 2024, just as the government finalized the abolition of the non-dom regime. As a UAE resident, Storonsky now pays zero personal income tax, zero capital gains tax, and zero dividend tax. When Revolut eventually lists publicly or he sells shares, he will owe nothing to the UK Exchequer on gains that could exceed £10 billion. Had he remained UK-resident, his capital gains tax liability alone could have approached £3 billion. Storonsky built Revolut in London. He employed 1,300 staff in Canary Wharf. He will profit from British consumers, British infrastructure, and British talent. He will not contribute to British public finances.

Meanwhile, dozens of early Revolut employees who accepted below-market salaries in exchange for stock options now face unexpected tax bills at combined rates approaching 47%, nearly double what they anticipated, due to incorrect company guidance. The employees who took the greatest risk are taxed at the highest rate. The founder who reaped the greatest reward pays nothing.

This is what exit capacity looks like in practice.

The Captive Professional

Consider a City solicitor in London. After seven years of university and professional training and a decade of seventy-hour weeks, a successful equity partner at a Magic Circle firm might earn £500,000 per year. Of this, approximately £236,000 (forty-seven percent) goes to income tax and National Insurance. After factoring in VAT, council tax, stamp duty on housing, and private school fees for those who have lost confidence in the state system, the effective rate climbs higher still.

Yet this solicitor cannot easily leave. English legal qualifications do not transfer to UAE courts. Client relationships are built around English law expertise. The partnership itself is an illiquid asset, subject to clawback provisions and non-compete agreements.

This is the definition of a captive high earner: taxed as if mobile, but credentialed into immobility.

The burden is not limited to the wealthy. A mid-career professional earning £80,000 in London (a senior accountant, an NHS hospital manager, a marketing director) takes home roughly £4,800 per month. A modest flat in Zone 3 costs £2,000 in rent. After council tax, transport, and basic living expenses, little remains. This worker pays a higher effective tax rate than many multinational corporations operating in the UK, funds

services stretched to breaking point, and faces the near-certainty of never owning property in the city where they work.

IV. THE RECEIVING STATES: WHERE WEALTH IS GOING

The receiving states are not passive beneficiaries. They are state-entrepreneurs that have deliberately redesigned their legal, fiscal, and regulatory operating systems to attract mobile capital departing higher-friction jurisdictions. They offer what many Western democracies increasingly struggle to provide: fiscal certainty, administrative simplicity, personal safety, and a transactional relationship with their residents.

Receiving states are defined less by their headline tax rates than by their ability to convert mobility into fiscal advantage for targeted groups, through what might be called "selective sovereignty."

Jurisdiction	Core Proposition	Tax Architecture	Net HNWI Inflow (2025 est.)
UAE (Dubai)	Zero income, capital gains, and inheritance tax. Golden Visa. DIFC with English common law.	Zero / Zero / Zero	+9,800
Singapore	Extreme stability, family office incentives (13O/13U), neutral geopolitical positioning.	Territorial + incentives	+1,600
Switzerland	Forfait fiscal (lump-sum taxation), cantonal competition, institutional stability.	Negotiated flat fee	+3,000
Panama	Territorial tax system, accessible residency (Friendly Nations Visa, Pensionado).	Territorial (foreign income untaxed)	Growing
Hong Kong	Pure territorial taxation, no capital gains, deep financial infrastructure.	Territorial	Stable
Italy	€200K flat tax on foreign income for new residents; 70% employment income exemption.	Dual: high domestic / preferential for mobile	+3,600
Portugal	NHR regime (reformed): flat rate for designated professions, zero on foreign-sourced income.	Targeted preferential	+1,400
Caribbean	Zero-tax, citizenship-by-investment, digital nomad visas, lifestyle positioning.	Zero / Zero / Zero	Growing

Source: Henley & Partners 2025; government publications; author analysis.

The Dual Fiscal Architecture

Perhaps the most striking development is the rise of internal tax havens within the high-tax European Union itself. Italy, Portugal, Spain, Greece, Malta, and Cyprus have all created targeted carve-outs for mobile foreigners while maintaining high taxes for their own immobile citizens.

Italy provides the clearest illustration. For most Italian citizens and long-term residents, Italy remains a high-tax Western welfare state. At the same time, qualifying new residents can pay a flat €200,000 per year on all foreign-sourced income regardless of amount. Italy simultaneously operates as a sending state for domestically rooted labor and a receiving state for internationally mobile capital. This dual architecture (high taxes for the immobile, preferential treatment for the mobile) is the fiscal equivalent of two-tier citizenship.

V. THE SYSTEMIC CONSEQUENCES

The ability of capital and elites to exit does not merely change tax receipts. It fundamentally alters the structure of the state, the nature of citizenship, and the cohesion of society.

The Redistribution Toward the Immobile

As corporate and high-income tax bases erode, Western states face a widening fiscal gap. They cannot easily cut spending: entitlement obligations to aging populations are politically and legally rigid. So they find revenue elsewhere. Consumption taxes, payroll taxes, property taxes. OECD data shows VAT revenues now account for over 20% of total tax revenue, up from 14% in 1985. The burden falls hardest on those substantial enough to pay significant taxes but not wealthy enough to restructure affairs offshore.

This creates a self-reinforcing cycle. As taxes rise, the calculus for mobile capital shifts toward exit. As exit accelerates, the tax base narrows, concentrating burden on the immobile. As the immobile bear increasing shares, political pressure for higher taxes on the wealthy intensifies, but the wealthy who remain are increasingly those who cannot leave, while those who could have paid most have already departed.

At the terminal point of this logic, the state's primary fiscal relationship is no longer with its most productive citizens but with its most captive ones.

The Bifurcation of the Social Contract

We are witnessing the emergence of two distinct social contracts. The elite contract is negotiated, flexible, and transactional: the state approaches the mobile as a vendor, offering tax caps, preferential visas, and bespoke residency regimes. The mass contract is imposed, rigid, and coercive: the immobile majority faces automatic payroll deductions, rising VAT, and deteriorating services. They possess no negotiation power because they have no credible threat of exit.

When the law applies differently to those with exit capacity than to those who must stay, the rule of law degrades into a rule of leverage.

The Erosion of Legitimacy

The progressive tax system was designed to extract proportionally more from those with greater capacity. In practice, it inverts: those with the greatest capacity leave, while those with moderate capacity bear the effective burden. The political consequences are already visible: declining institutional trust, collapsing birth rates, delayed household formation, and the rise of movements that frame their appeals explicitly in terms of generational and class betrayal.

Tax morale research establishes that compliance depends significantly on perceptions of fairness, reciprocity, and trust. When immobile populations observe that mobile elites can effectively opt out of the fiscal contract while they cannot, intrinsic motivation for compliance erodes. The state must then substitute enforcement for consent.

The Nordic Boundary Condition

The Nordic countries appear to contradict this pattern, maintaining high marginal rates with historically lower outflows. Exceptional institutional trust, high-quality universal services, and cultural norms help explain this. But the exception is eroding. Following Norway's 2022 wealth tax increase, more than 100 of its wealthiest individuals departed within two years, more than in the previous thirteen years combined, taking approximately \$54 billion in wealth. The tax was projected to raise \$146 million annually; it instead produced a net revenue loss exceeding \$448 million. Sweden abolished its wealth tax in 2007 for the same reason.

The Nordic model represents a boundary condition, not a refutation. It shows the highest sustainable taxation achieved through uniquely favorable conditions that may not endure.

VI. WHAT THIS MEANS FOR YOU

If you are a high-earning professional, business owner, investor, or retiree in a Western democracy, the dynamics described in this paper are not abstract. They directly affect your effective tax rate, your wealth trajectory, your retirement security, and the options available to your family.

The Arithmetic of Inaction

The cost of remaining in a high-tax jurisdiction is not simply the tax rate itself. It is the compounding effect of that rate over time. A professional earning \$500,000 annually and paying an effective rate of 45% retains \$275,000. The same professional in a territorial tax jurisdiction, legally restructured, might retain \$425,000 or more. Over twenty years, compounded at a modest rate, the difference in accumulated wealth exceeds several million dollars.

This is not tax evasion. It is legal jurisdictional planning, precisely the same optimization that every major corporation and ultra-high-net-worth individual already practices. The question is whether this toolkit remains available only to the billionaire class, or whether professionals, entrepreneurs, and retirees of more modest means can access it as well.

The Decision Framework

For individuals and families considering their options, the relevant variables are:

Exit capacity. Can you relocate? Are your income sources portable? Are your professional credentials transferable? Do you have family obligations that anchor you?

Policy trajectory. Is your jurisdiction raising or lowering the fiscal burden? What signals are being sent about future tax policy? Are exit barriers (exit taxes, extended liability periods) being tightened?

Timing. Jurisdictional planning is most effective when done in advance of liquidity events, succession events, or policy changes. The decision to restructure should be made years before the triggering event.

Legal architecture. Which combination of residency, corporate domicile, asset structuring, and tax treaty access optimizes your position? This analysis is jurisdiction-specific and requires professional guidance.

Lifestyle and values. Not every decision is financial. Quality of life, family considerations, cultural fit, safety, climate, schooling, and healthcare all matter. The best jurisdictional strategy is one that aligns fiscal optimization with personal fulfillment.

VII. HOW TO THINK ABOUT THIS

The postwar fiscal state rested on mutual captivity: citizens could not easily leave, and states could not easily exclude. That symmetry permitted high taxation, generous redistribution, and welfare systems binding populations in mutual obligation. The foundation has eroded. Capital moves at electronic speed. Talent relocates with minimal institutional friction. The technological and institutional changes enabling this asymmetry cannot be reversed.

States that assume twentieth-century tools will function in a twenty-first-century environment will find themselves progressively hollowed out, losing mobile citizens to competitors while extracting ever more from those who remain.

Four policy responses exist, though none fully resolves the underlying asymmetry. Global coordination (exemplified by the OECD's minimum corporate tax) is significant but applies primarily to corporate profits, not individual income. Exit barriers (citizenship-based taxation, exit taxes) preserve fiscal capacity but raise

uncomfortable questions about freedom of movement. A state that must wall its citizens in to tax them has conceded a certain loss of legitimacy. Base-shifting toward immobile factors (land value taxation, consumption taxes) offers theoretical elegance but faces intense political resistance. Improving the quality of the fiscal bargain through high-quality services may prove most sustainable, but requires sustained investment over decades.

For individuals navigating this landscape, the imperative is clarity. Understand the structure. Understand the trajectory. And position yourself and your family accordingly.

The era of assumed captivity is over.

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Nathan Elliott Shantz is Founder and Managing Partner of Grey River Associates. He has over a decade of experience in the capital markets, wealth management, and global tax and structuring. Prior to Grey River, he worked on two global ventures that each raised over \$50M of capital and went public on the Toronto Stock Exchange. Previously, he worked in investment banking in Toronto, Canada.

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Our expertise lies in working with clients on bespoke plans tailored to their unique circumstances. This includes restructuring companies for tax efficiency and operational flexibility, estate planning and offshore trust work to preserve wealth across generations, managing trading positions and providing comprehensive wealth management, structuring exits from businesses or investments, and providing advice on important legal matters where there may be a gap left by current counsel. We often serve as the connective tissue between lawyers, accountants, and investment managers, ensuring that all pieces work together toward a coherent strategy.

If the themes in this letter resonate with your situation, we welcome a confidential conversation to explore whether we might be of service.

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