

Hedge Fund Veteran Warns UK Trapped in 'Debt Doom Loop'

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The United Kingdom is facing a worsening financial cycle of rising taxes, mounting debt, and sluggish economic growth, according to hedge fund founder Ray Dalio. The billionaire investor warned that without decisive action to control spending and reform taxation, the country risks driving away its top earners and losing vital revenue.

Dalio, who established Bridgewater Associates in 1975 and is widely regarded as one of the world's most influential investors, told the Master Investor podcast that warning signs over government debt in Western economies were “beginning to flash and flicker.” He cautioned that tax increases intended to bolster public finances could prompt wealthy individuals to move their capital and residency elsewhere.

“The debt doom loop also is affecting capital flows,” Dalio explained, noting that higher taxes often push high-income residents to seek more favourable jurisdictions. He added that in countries like the United Kingdom, about 75 per cent of income tax revenue comes from the top 10 per cent of earners. “If you lose 5 per cent of that group, you could lose more than a third of the tax base,” he warned.

This comes amid speculation that the government may consider further tax hikes in the autumn budget, with potential targets including inheritance taxes. Analysts caution that these moves could amplify the effects of previous changes to non-domiciled, or “non-dom,” tax rules regulations that once allowed wealthy foreign nationals to shield overseas earnings and certain global assets from taxation in the United Kingdom.

Reports suggesting a recent exodus of millionaires have been met with skepticism. The *Financial Times* noted that a widely cited Wealth Migration Report, published alongside Henley & Partners a consultancy specializing in citizenship-by-investment programs relied heavily on LinkedIn data to determine residency. Dan Neidle, founder of the think tank Tax Policy Associates, criticized the report, stating it should be viewed as marketing material rather than concrete evidence until independently verified.

Dalio, who stepped down from leadership roles at Bridgewater in 2021, believes the solution lies in reducing the central government's budget deficit to a sustainable level of around 3 per cent of GDP through a balanced mix of spending cuts and fair tax increases. “No one approach alone will work,” he said. “If balanced measures are implemented, interest rates will stabilize, and economic confidence can be restored.”