November – December 2024

Kankee Briefs

Resolved: The United States ought to adopt a wealth tax.

## Letter From The Editor

Worthwhile topic research is a hefty task for the experienced debaters and coaches – this is why many debate organizations have consolidated topic research in the form of briefs. However, debate briefs cost hundreds of dollars over the course of a year of topics, which can add up quickly, especially for smaller programs just starting off. Some of the best debaters in the country often spend thousands of dollars debate briefs and private coaches who’ve competed and coached debate for decades, who will strategize and research for them (in comparison to a small school which doesn’t even have a full-time debate coach). Debate is expensive enough without trying to outcompete the best and brightest minds money can buy.

Money should never be the reason why someone’s debate career isn't successful. Kankee Briefs hopes to eliminate those financial inequities as much we can by removing the research gap between those who can afford private coaching, and those who can’t. For the past 3 years, we’ve released debate briefs for every NSDA topic, at no charge to debaters.

Every two months during the school year, the most recent Kankee Brief can be sent directly to your email inbox if you sign up for our email list by filling out the Google Form linked below with your name and email.

Email List: https://docs.google.com/forms/d/e/1FAIpQLScgb24XvQe1SAQb4med2NkCEqD6BIsO3K7ERbuoCUGdjSKVBg/viewform

Kankee Briefs will always remain free for everyone, but we have a small favor to ask. If you found any value in what we do, please support us via Patreon. Your support helps free up our time for higher quality evidence and topic analyses where we otherwise would put hours at the office. Your support is entirely optional, but is still exceptionally appreciated by our volunteers. If you’d so like, you can also be recognized by name in every new Kankee Brief release in the list of our supporters.

Please email me at karkingkankee@gmail.com if you have any questions, comments, or concerns.

## Supporters

#### Crystal Huddleston

#### Danielle Jones

#### Devyn (Toby) Blaylock ❤

#### Hannah

#### Hector Vela

#### Jordan Hart

#### Julie Larnard-Newbury

#### Manan Kothari

#### Sanjeev Kumar

#### Scott Brown

## Volunteers

#### Brett Boelkens – Director

#### George Shubitidze

## Topic Analysis

### 1.1 Introduction

#### Introduction

Resolved: The United States ought to adopt a wealth tax.

While researching this brief, a dear friend showcased [this](https://youtu.be/X6Xe3SGUH6A?si=i3iPmHE7j9Lj1c0-) video to me, not knowing hours of research into wealth taxes were on my agenda. Upon learning this, he requested I include a link to the video out of the irony of the situation. Based on your reading this, you realize now that I have indulged him (enjoy Mike). Irrespective of the questionable strawmen characterizations of wealth tax proponents, the YouTube video somewhat helps iterate the sheer economic issues of wealth tax, and potential obstacles affirmatives must overcome. Prior experience with wealth taxes abroad hasn’t been spectacular, with most countries having formerly implemented wealth taxes have since repealed them, citing issues including valuation difficulties, capital flight, illiquid assets, etc. However, many were implemented many decades ago without modern tax compliance tools. They were also implemented mostly in Europe, which has high investor and capital mobility given the European Unions free trade rules. Regardless, the question posed by this topic is whether this time be different?

This topic is, above all else, an economics topic, and has similar antecedent topics, such as the 2020 NSDA Nationals topic regarding limitations on intergenerational wealth accumulation. The 2024 Sept-Oct living wage topic additionally covers similar literature in relation to economic inequality, with a particular focus on wealth inequality over income inequality.

#### What does the topic and common terms in topic literature mean?

The question of the hour is how a wealth tax ought to be defined.

For instance, there are somewhat old, fringe definitions from the Australian Captain America that define taxes on wealth as a wealth tax, including wealth transfer taxes (gift, inheritance, and estate), capital gains taxes, and capital income taxes (note that the Captain Australia card shown below is a generally useful PDCP interpretation card for CP debates).

#### Wealth taxes are taxes on wealth

Chatalova and Evans 13 [Natalia Chatalova, Associate Director of Transactions at the Abacus Property Group working on a Master of Taxation program at The University of New South Wales, and Chris Evans, Professor of Taxation at the School of Taxation and Business Law at the Australian School of Business, 2013, “Too rich to rein in? The under-utilised wealth tax base,” eJournal of Tax Research https://www8.austlii.edu.au/au/journals/eJTR/2013/21.pdf

2.1 Forms of Wealth Taxation If wealth is not easily measured, it is certainly well understood by those who enjoy it and those who do not. The essential characteristic of a capital or wealth tax is that, in principle, it relates to the whole range or genus of assets, whether tangible or intangible: cash and bank balances; real property such as houses; personal property such as jewellery, pictures, furniture, cars and boats; stocks and shares; and business assets. All these assets, taken together, comprise the tax base of any form of wealth tax, unless expressly excluded.5 To try to encapsulate the taxpayer’s wealth for tax purposes, a taxpayer’s net wealth is usually relevant. This ‘net wealth’ is typically computed by subtracting a taxpayer’s total liabilities from total assets. 6 Wealth taxes can be grouped into three major categories: taxes on the holding or stock of wealth; on the transfer of wealth; and on wealth appreciation.7 The first category comprises the taxes levied periodically on a taxpayer’s aggregate net wealth.8 These taxes can be ongoing annual wealth taxes (‘AWT’), such as those currently levied on individuals in France, Norway, Switzerland and India and on corporate entities in Luxembourg; or they may be sporadic capital levies, typically imposed at a time of national crisis or in the aftermath of a major disaster or upheaval, such as was the case in Japan after the Second World War. Both AWTs and once-off capital levies are relatively uncommon in both developed and developing tax systems. 9 The second category of wealth taxes comprises those taxes levied on the recipient or the transferor of net wealth, whether inter vivos or at death. These wealth transfer taxes therefore include gift taxes, inheritance taxes (when imposed on the recipient of wealth on the death of the transferor) and estate taxes (when the tax is levied on the estate of the deceased). 10 Typically these taxes are imposed at the time of the wealth transfer. Most OECD countries currently have such transfer taxes.11 The third category comprises taxes on net wealth appreciation. These are taxes such as the capital gains tax (‘CGT’). These taxes are typically imposed when the asset sale or another realisation event takes place and there is a realised increase in the net wealth of the taxpayer. Again, most OECD (and, indeed, most non-OECD) countries have forms of CGT currently in operation.12 Arguably, however, such taxes on the appreciation of capital can be considered as part of the income base (effectively capital income, not dissimilar to dividends, rental returns, interest income and other forms of capital return). Moreover, there are significant difficulties in comparing CGT regimes due to vast differences in their detail and practical application.13 For these reasons, and because there is generally a lack of directly comparable data which would allow more robust analysis, CGT regimes (or other taxes on wealth appreciation) are not discussed further in the following sections. In addition to the obvious distinctions in the form of wealth taxes already identified, there can also be significant variations in the nature of the tax base, in the tax units upon which the taxes are levied, and in the tax rates that are imposed upon the base and unit. 2.2 The Tax Base for Wealth Taxes

However, there is more nuance to the actual substance of what a wealth tax is beyond a tax that relates to decreasing wealth. The topic wording likely does not want justification for an existing tax, like estate or gift taxes; rather it wants to adopt a new policy. To adopt something implies that it is new, and topics generally advocate for doing new things as opposed to justifying existing things.

Broadly speaking, topic literature describes a wealth tax as an annual tax on the value of someone’s net worth and it is only applicable to those with extreme wealth (which is different than those with extreme income).

#### Wealth taxes tax net worth, not capital gains, who rely on realization to be taxed

Pomerleau 21 [Kyle Pomerleau, senior fellow at the American Enterprise Institute and former chief economist and vice president of economic analysis at the Tax Foundation with a MPP in economic and social policy from Georgetown University’s McCourt School of Public Policy and a BA in history and political science from the University of Southern Maine, 10-28-2021, "The 'billionaire Tax' and a Wealth Tax Are Not the Same", American Enterprise Institute, https://www.aei.org/economics/the-billionaire-tax-and-a-wealth-tax-are-not-the-same/]/Kankee

The Wall Street Journal reports that lawmakers are considering a tax on billionaires’ unrealized capital gains to pay for parts of Joe Biden’s “Build Back Better” agenda. Several commentators have incorrectly described this “billionaire tax” (also referred to as “mark-to-market” income taxation of capital gains) as a wealth tax. On CNN, Speaker of the House Nancy Pelosi said, “we will probably have a wealth tax,” while discussing this policy. Likewise, the Wall Street Journal Editorial Board called it a “de facto wealth tax, which would be levied on property rather than income.” Others have said the proposal is “definitely a wealth tax.” Although the proposal to tax billionaires on their unrealized capital gains and a wealth tax share similar features, there are important differences between the two policies. Under current law, capital gains are taxed based on the realization principle: Capital gains are only added to taxable income when assets are sold for a profit. The mark-to-market proposal would deviate from this principle and require taxpayers with either $1 billion in net assets or $100 million in income (on average over three years) to add the value of unrealized capital gains to their taxable income each year. A wealth tax, in contrast, would tax the value of a taxpayer’s net wealth (assets minus liabilities) each year. In 2020, Senator Elizabeth Warren (D-MA) proposed a progressive net wealth tax under which assets between $50 million and $1 billion would be taxed each year at 2 percent, and assets over $1 billion would be taxed at 6 percent. Senator Bernie Sanders (I-VT) proposed a similar tax with rates ranging from 1 percent to as high as 8 percent. A mark-to-market income tax on capital gains and a wealth tax do have similarities. For example, both taxes fall on the owners of wealth and would require taxpayers to value assets each year. As a result, both policies face similar administrative challenges related to valuation. Assets would need to be valued each year, and while this may be straightforward for publicly traded securities, it is significantly more difficult for assets like real estate, unique artwork, and closely-held businesses. However, there are significant differences between these policies. One difference involves the breadth of the two policies. The mark-to-market income tax only applies to assets that generate income through capital gains. A wealth tax, on the other hand, would fall on assets that generate capital gains and on other forms of capital income such as dividends, rents, and royalties. Both taxes also differ in their treatment of negative returns. Under a mark-to-market income tax, taxpayers would only face additional tax if the value of their wealth increased during the year. A reduction in wealth would result in a rebate or a loss carryforward that would offset positive taxable income in the future. A wealth tax, however, would apply regardless of whether the wealth nets income or not. Importantly, a taxpayer would still face a positive wealth tax burden even if the value of their wealth declined in a given year. In addition, these policies differ in their treatment of assets when rates of return vary. A wealth tax applies to the value of an asset each year. As a result, it reduces the rate of return on an asset by the wealth tax rate. For example, a 1 percent wealth tax on an asset that appreciates by 5 percent would reduce the asset’s rate of return by 1 percent. This is equivalent to a 20 percent income tax on the same asset. However, the same 1 percent wealth tax could place a burden equivalent to a 50 percent income tax on an asset that only earns a 2 percent pre-tax return or what’s equivalent to a 5 percent income tax on an asset that earns a 20 percent pre-tax return. In contrast, under a mark-to-market income tax, the effective tax rate on returns is fixed at the statutory tax rate. Therefore, taxpayers earning extraordinary returns on their assets would face lighter taxation under a wealth tax than under a mark-to-market income tax. Several commentators have conflated the proposal to tax billionaires on their unrealized capital gains with a wealth tax. A wealth tax and a mark-to-market income tax have similarities, but they are two different policies.

Normally, taxes on assets/investment apply after an event has occurred, such as selling the asset (often referred to as realizing capital gains), which usually applies capital gains tax, or receiving dividends or rent income, which usually applies capital income taxes. Perhaps the sole exception are property taxes, which are increased year by year irrespective of whether the property is sold. Wealth taxes are similar to property taxes, as the IRS evaluates the value of your net worth, and indicates taxes owed based on the increase in your net worth – it does not require any assets to be sold. The card below explains how property taxes are taxes on unrealized capital gains, similar to wealth taxes.

#### Property taxes showcase how unrealized capital gains taxes function.

Marr and Jacoby 24 [Chuck Marr, Vice President for Federal Tax Policy at the Center on Budget and Policy Priorities with a BA in Economics from the University of Rochester and an MBA in Finance from Columbia Business School, and Samantha Jacoby, Deputy Director of Federal Tax Policy at the Center on Budget and Policy Priorities with a M.P.P. in public finance from American University and a B.A. in political science from the University of the Incarnate Word, 9-11-2024, "Arguments Against Taxing Unrealized Capital Gains of Very Wealthy Fall Flat", Center on Budget and Policy Priorities, https://www.cbpp.org/research/federal-tax/arguments-against-taxing-unrealized-capital-gains-of-very-wealthy-fall-flat]/Kankee

Middle-Class People Often Taxed on Unrealized Gains or Required to Realize Gains Critics of proposals to tax unrealized gains of wealthy people fail to acknowledge that two of the primary assets owned by non-wealthy people — their homes and defined-contribution retirement accounts like 401(k)s — are already taxed in ways that resemble the capital gains proposals. To be sure, there are important differences between the taxation of these types of assets and capital assets like directly held corporate stock; for example, property taxes are not income taxes and are applied by state and local governments, not the federal government.[18] But as explained below, the reality is that in certain long-standing and uncontroversial contexts, asset owners pay tax as their assets gain value over time or are required to realize gains at a certain age. This fact contradicts critics’ claim that taxing unrealized capital gains would be novel or untested. Property Taxes Apply to Unrealized Gains From Increases in Home Values Corporate stocks and privately held businesses are the largest appreciable assets for the wealthiest people, but for the middle class, the biggest asset by far is their home.[19] These homes are subject to annual state and local property taxes across the country. The methods of assessing property values and calculating taxes differ, but generally the tax is calculated by multiplying the assessed value of the property (minus any exemptions) by the local property tax rate.[20] When a family buys a house, the property’s initial assessed value may be based on the purchase price of the house, and jurisdictions typically reassess the home’s value (based on what the house would sell for in a third-party transaction, for example) at specified intervals. As officials from the state of Illinois explained in a recent Q & A for residents: Your property’s value is determined by many factors. Your assessment can increase because your neighborhood is improving, the sales prices of homes in your area are increasing, and inflation. The value that the assessor assigns to your property is the amount that the assessor determines your property would sell for in today’s market.[21] In a recent example from the end of last year, the state of Maryland announced that assessments for a segment of properties would rise 23.4 percent from the last assessment three years prior.[22] A home’s assessed value often increases over time due to market factors, and if it does, the property tax is partially a tax on the home’s increase in value, or an unrealized gain. This is the case even though no sale has occurred, and no cash has flowed to the homeowner. Yet the taxation of the portion of a property’s value that represents unrealized gains is a relatively uncontroversial aspect of a tax that accounts for over 15 percent of state and local general revenue, helping to fund public schools, for example.[23] If middle-income homeowners can pay taxes that in part reflect the increase in value of their primary asset, very wealthy households can pay income tax on the increase in value of their primary assets: corporate stocks. Retirement Account Holders Must Pay Income Tax on Accrued Gains

This is the chief advantage of a wealth tax vis à vis other taxes; they do not require an asset’s capital gains to be realized for taxes to be owed. The super-wealthy strategically circumvent taxes using a variety of means, but the main methods include avoiding income and capital gains taxes by having low incomes and not selling assets. Instead, they borrow against the value of their asset to have spendable “income” that is not taxable, as the super-rich effectively are taking out a big loan for the entirety of their living expenses, sometimes known as the “buy, borrow, die” strategy. The card below explains more on how billionaire’s avoid taxes by not realizing capital gains or earning income from a paycheck.

#### The super-rich circumvent income taxes and capital gains taxes, instead borrowing

Kim 24 [Whizy Kim, Senior Reporter at Vox with a BA from NYU, 3-13-2024, "The billionaire’s guide to doing taxes", Vox, https://www.vox.com/money/2024/3/13/24086102/billionaires-wealthy-tax-avoidance-loopholes]/Kankee

Don’t take a paycheck If your income is earned through wages paid to you by an employer, chances are your taxes are on the simpler side of the spectrum. Not as simple as it is for wage earners in other countries, where the government simply tells you how much you owe, but getting a paycheck from your boss means your taxes are automatically withheld each pay period. Filing your tax return might be as easy as filling out one form. You can pick and choose which deductions to take (like for student loan interest, or for having a home office), but the vast majority of households take the simpler standard deduction, which this year erases $14,600 from your tax bill. For tax year 2024, you’ll pay a 37 percent tax on any income you rake in over $609,350. That sounds like it would add up to a sizable amount for multimillionaires and billionaires — unless that income is just a minuscule share of their increasing wealth. Jeff Bezos, when he was still Amazon CEO, had a base salary of around $80,000 a year. Elon Musk doesn’t take a salary at all at Tesla. Apple CEO Tim Cook does get a $3 million salary, but it’s a small slice of the $63 million he received overall last year. Most wealthy entrepreneurs are paid in bountiful stock rewards; Musk is currently fighting to keep his record-breaking Tesla pay package, made up of a bunch of stock options and now valued at almost $56 billion. ProPublica found that, because their income fell below the threshold, at least 18 billionaires got a Covid-19 stimulus check. Paul Kiel, a ProPublica reporter who was an integral part of the newsroom’s billionaire tax return stories, says the income versus wealth divide was crucial in helping the public understand how differently the wealthy operate. “If you can avoid income as it’s defined in our system, and still get richer, that’s the best route,” he tells Vox. Stocks aren’t taxed until they’re sold — and even then, what’s taxed is the profit on the sale, called a capital gains tax. Billionaires (usually) don’t sell valuable stock. So how do they afford the daily expenses of life, whether it’s a new pleasure boat or a social media company? They borrow against their stock. This revolving door of credit allows them to buy what they want without incurring a capital gains tax. Though the “buy, borrow, die” strategy isn’t quite as sweet right now because interest rates are high, a Wall Street Journal piece from 2021 notes that those with $100 million or more could get interest rates as low as 0.87 percent at Merrill Lynch. The taxable value of a stock also resets when it’s passed on to an heir, so that if a wealthy scion chooses to sell their inherited stock, they’d only pay a tax on the increase in value since the original owner’s death. Plan on losing money

Tax loopholes like “buy, borrow, die” are big reasons why cries to increase taxes on the rich fail, as unimaginably huge income and capital gains taxes don’t fix anything if the rich avoid the tax in the first place. The big metric for the quality of a good counterplan on this topic is whether they can sufficiently solve tax loophole issues iterated above.

Note that the avoidance of the realization principle is also the cause for many issues related to wealth taxes, as the realization of an asset makes money, freeing up otherwise illiquid funds to pay taxes. Unrealized assets can be sold at a time most convenient for the asset, such as finding a potential buyer for your business, while wealth taxes are applicable on Tax Day, which could cause a rush to sell your business to pay taxes. Additionally, wealth taxes may discourage investment and make entrepreneurship harder.

### 1.2 Affirmative Topic Analysis

#### 1.2.1 Carbon Wealth Taxes

Contention 1 is Carbon Wealth Taxes. The uber-wealthy have outsized consumption level, substantially higher than millions of individuals. Their behavior is also emulated by those less well off, as copying rich behaviors enhances your perceived status in society, “cascading” lower down the economic ladder. This concept is often known as “conspicuous consumption.” Undergirding all the wealth enabling this polluting behavior is fossil fuel assets.

The aff adopts a progressive tax on wealth to target uber-wealthy consumption, limiting stupid expenditures on spaceship joyrides, ~10 airplane trips, mega-yachts, etc., and limiting expenditures by everyone else who would’ve otherwise copied them to the greatest extent possible.

There are many preemptive answers to the non-wealth oriented, normal carbon tax CP, as it’s obvious to inquire why carbon *wealth* taxes are key instead of merely carbon taxes. The key reason is that traditional carbon pricing is regressive, in that it taxes everyone equally, adversely harming poor folk and not changing rich behavior (as they can obviously afford a tiny tax that ought to be affordable to everyone). A carbon tax is progressive, in that it targets those most responsible and most able to afford some hefty taxes.

Some of these carbon tax answers are worthwhile to include in the 1AC to answer the CP. They can also be offense if the 1AC argues that regressive carbon pricing is inevitable in the status quo, causing the negative impacts the CP would otherwise cause.

#### 1.2.2 Democracy/Inequality

Contention 2 is Democracy/Inequality. The outsized economic power of the super-rich allows the socio-economic domination of those without means. Dystopian fiction abound, such as Altered Carbon, have quite unequal societies where the opinions and lives of the poor mean *nothing*, as the oligarchs have power beyond comprehension, and bend society to their wills. Inequality now is not quite at the same levels, but it goes to show that disparities in power are fundamentally opposed to democratic governance. Wealth taxes absolve these issues by limiting the power of the ultra-wealthy to equalize the playing field for everyone else.

Additionally, there are several arguments against regressive taxation and tax evasion, in that billionaire’s not equitably paying their fair share undermines faith in democracy, taxing the streets to fund the elites (which is a half-remembered quote of a Harris ad I repeatedly saw while watching Parks and Rec).

#### 1.2.3 Racial Wealth Gap

Inheritance presupposes an original acquisition made without a previous inheritance. … One may congratulate an American citizen for all the advantages to which he is born; but what of the nasty necessities that prepared this inheritance—the British expelled, Indians defrauded, blacks enslaved? —Harvey C. Mansfield

Contention 3 is the Racial Wealth Gap. The overwhelming majority of wealth in the US is owned by white folk, with even black billionaire’s wealth being small potatoes compared to the wealthiest white billionaires. This contention argues that taxation on wealth has both a redistribution and reparations function, in that in targets white elites to the benefit of underprivileged minorities, and funds raised by a wealth tax can help black communities recover from centuries of oppression and non-existent wealth accumulation. Whites had a structural advantage in wealth generation, whether it be chattel slavery increasing white wealth under black labor, or Jim Crow, redlining, etc. limiting black wealth generation opportunities, the injustice of whom the aff helps rectify.

#### 1.2.4 Economy

Contention 4 is the Economy. Lower classes have little access to money to spend, arbitrarily stifling demand for goods and services alongside decreasing economic growth. There is also an argument that investments with lower returns under wealth taxes are not profitable, encouraging more risky investments in startups with higher returns, which increases innovation and entrepreneurship.

#### 1.2.5 Charity Bad

I sit on a man’s back choking him and making him carry me, and yet assure myself and others that I am sorry for him and wish to lighten his load by all means possible… except by getting off his back. — Leo Tolstoy

Contention 5 is Charity Bad. This contention argues that wealth taxes minimize charitable donations to elite charities that launder the reputations of the uber-wealthy and deify them as “gods amongst men” for their ultra-generosity. Warren Buffet and Bill Gates are seen as charitable, good (albeit perhaps quirky) individuals worthy of emulation, not oligarchs commandeering the political system to exploit for their own gain. Mega-gifting helps explain why Russian oligarchs are despised, while Buffet gets fun, humanizing [stories](https://fortune.com/well/article/warren-buffett-birthday-longevity-habits/) about his god awful diet of daily McDonalds and Dairy Queen (ignoring his funding of fossil fuels or monopolistic control of industries via Berkshire Hathaway). Mega-gifting helps justify massive inequality and the capitalist abuses of the masses to the benefit of the uber-rich, as they’re great people who apparently can do no harm.

There is also a critique of elite charities writ large in that they endorse colonial agendas, are anti-democratic, and that public usage of funds is comparatively better then whatever some rich shmuck dictates.

#### 1.2.6 One-Off Tax Solvency Mechanism

Contention 6 is One-Off Tax Solvency Mechanism. This contention is not an offensive position, but more so a method of reframing the aff to solve common problems associated with wealth taxes, in that they do not change investor behavior and are hard to implement. One-off taxes done once, and only once, avoid annual tax burdens and are not something constantly included in investment calculations.

The main potential issues related to this contention related to the “one-off-ness,” and secrecy failures. If people believe one-off taxes are not one-off, and will be repeated, investors will be quite scared of massive drops in wealth based on political whims. Additionally, random, seemingly spontaneous tax burdens not publicly argued or agreed upon could heavily increase the incentives to leave the US, as usually tax burdens are not secretly added and are often known about with several years of advanced notice. In terms of secrecy, if the tax is publicly revealed, it might cause massive preemptive measures to maximize tax evasion, which harms the effectiveness of the tax.

### 1.3 Negative Topic Analysis

#### 1.3.1 Economy

 Contention 1 is the Economy. This is the meat and potatoes of negative ground against wealth taxes (so much so that it likely includes side dishes, desert, and an appetizer). Every traditional round, almost without exception, ought to include the economy DA, as there are no other core generics (at most, given this being the Nov-Dec topic, the election DA could be applicable for a grand total for five days).

Major negative economic issues with wealth taxes include, but are not limited to the following:

* Capital Flight – wealth taxes encourage businesses/billionaires to leave the US for the purpose of avoiding wealth taxes (European examples are particularly helpful to cite here).
* Innovation/Startups – investment in entrepreneurship is highly risky, and with higher risks of wealth taxes decreasing billionaire wealth, they may be more incentivized to stay safe then risk higher wealth taxes. Many researchers also cite the potential for great wealth being a key incentive for people to innovate and start new businesses, which the aff limits.
* Illiquid Assets – much billionaire net worth is in illiquid assets, such as businesses, which cannot easily be sold without major consequences to the business or investment. Wealth taxes are owed irrespective of whether your net worth is in easily sellable assets, such as stocks and bonds, or you are “asset-rich, cash-poor.” Standard tax policy mostly does not have this issue, as taxes are only owed when an investment is realized, as opposed to tax day where money may not be available.
* Investment Incentives – billionaires are less likely to reinvest and grow their businesses when there is a lower marginal return, and are consumption is likely to be less valuable.

It is well advised to include a variety of links, as the economy is highly likely to be core offense in the 2NR, and clearly differentiated links from multiple angles make the 1AR all that much harder. Extraneous links can also be run as case turns when answering case arguments.

#### 1.3.2 Charity Good

"The government is a greedy piglet that suckles on the taxpayer's teat until they have sore, chapped nipples." — Ron Swanson

 Contention 2 is Charity Good. This contention is effectively the libertarian manifesto of Ron Swanson, in that it critiques government usage of taxpayer funds and prefers philanthropy and private actors to solve societal problems over bureaucrats. Many of the links on reductions in charity in the charity bad aff contention can also be used here. Additional research could be added in terms of charity’s impact on international development and global health, such as through the Bill and Melinda Gates Foundation (soon to be renamed to the Gates Foundation given Bill’s sexual impropriety and association with Jeffery Epstein, which is a particularly bad thing to mention when arguing charity is good).

#### 1.3.3 Circumvention

 Contention 3 is Circumvention. This contention focuses on the major implementation issues related to valuation (net worth is hard to calculate), the IRS is underfunded/understaffed, or that wealth taxes cause tax evasion/avoidance that limits the aff’s potential impact. Most, if not all, of this contention can be treated as defense towards the aff as opposed to an offensive reason to vote neg, but implementation issues are so often cited in literature (especially in examples in Europe), that it is a core negative argument against wealth taxes.

Implementation issues are so strong that it can be advantageous for negative teams can argue for presumption theory, in that the aff has not proved wealth taxes sufficiently solve problems to justify voting aff (even if there is not major offense against the aff in the 2NR). This is not an ideal position, as offense is inherently better, but many judges will buy that the failures in wealth taxes in 12+ European countries over decades of history is sufficient to prove the aff has not met their burden of proof.

Note that there is significant overlap between this contention and cards in the economy contention, as many cards often overlap (and can be recut for the purpose of being a circumvention/implementation fails argument).

#### 1.3.4 Campaign Finance CP

 Contention 4 is Campaign Finance CP. This contention addresses the principle method for the ultra-wealthy to convert their economic power (their extreme wealth) into political power, which is through virtually unregulated campaign contributions. Evidence often cites the 2010 Citizens United Supreme Court decision, which substantially increased the capacity for wealthy individuals to donate to campaigns. The problem is not wealth, rather, the ills that is done with the wealth. The CP argues governments ought not ban the means/capabilities of committing a bad action, but regulate the bad behavior.

Regulating campaign contributions heavily solves contentions related to inequality and democracy, as it removes the ability to use economic power as political power. Virtually all standard topic disadvantages apply as net benefits (i.e. economy, charitable donations, etc.) apply here, as the CP does NOT fundamentally restructure the economy. That, however, is also its weakness vis à vis contentions related to wealth gaps, economic growth, or elite charity, as it does not change the economic structures that allows those problems to exist

There also is a DA implicit in several cards in regard to how wealth taxes encourage election chicanery and lobbying. This is more so an independent reason to vote neg, and ought not be the net benefit to the counterplan, as the permutation would solve by banning the election rigging the aff would cause.

## Affirmative

### Contention 1: Carbon Wealth Taxes

#### Carbon wealth taxes depreciate fossil fuels and subsidize green energy – traditional carbon taxes fail

Neves and Semmler 21 [Jose Pedro Bastos Neves, General Coordinator of Sustainable Finance for the Brazilian finance ministry, and Willi Semmler, Arnhold Professor of International Cooperation and Development at the New School with a Ph.D. from the Free University of Berlin, 2021, “A Proposal for a Carbon Wealth Tax: Modelling, Empirics, and Policy,” Forum for Macroeconomics and Macroeconomic Policies, https://www.boeckler.de/pdf/v\_2022\_10\_21\_semmler.pdf]/Kankee

While mitigation efforts have gained momentum, meeting the climate challenge at this stage will require not only intensifying current solutions but also implementing new and innovative ones1 . Even if all the national plans (Intended Nationally Determined Contributions, or INDC) for CO2 reductions submitted to the Paris Agreement are fully implemented, there would be an additional 14Gt CO2 reduction required to meet the least-cost path goal (Fawcett et al., 2015; Masson-Delmotte et al., 2018; Rogelj et al., 2016). To fill this gap, we propose a Carbon Wealth Tax (CWT) to complement current carbon pricing efforts and accelerate the green transition. Our work discusses how a tax scheme such as CWT could be implemented by governments, addressing its tax base, incidence, and efficiency. Moreover, to investigate the effects of the proposed taxation on consumption and asset allocation patterns, we set up a dynamic portfolio model incorporating alternative tax regimes in asset returns, thus impacting the investor’s decisions. We use it to compare the wealth, consumption, and allocation trajectories under alternative tax scheme specifications. We expect that the CWT will decelerate the accumulation of carbon-intensive assets in favor of green ones, contributing thus to the green transition. Moreover, we also investigate the case where the revenues raised with the proposed tax can be further recycled into subsidies to green capital. Empirically, we calibrate our model with low-frequency returns estimated from SP 500 companies’ stock prices. Moreover, the differentiation of green from carbon-intensive companies is a crucial element of our empirical strategy. In this paper, we rely on ESG firm-level data on carbon emissions, and we justify our choice by comparing it to the alternatives in the literature, particularly the carbon disclosure efforts from Central Banks and the private sector. Overall, our results show the feasibility and relevancy of the CWT as a climate policy instrument. The fundamental rationale for a CWT is derived from the public finance literature. The proportionality principle in taxation, revived by the work of Richard Musgrave (Musgrave, 1973), maintains that those who enjoy a higher proportion of public goods need to pay higher taxes. Viewed in reverse, this means that those who create a higher proportion of ”public bads” (Beckerman & Markandya, 1974)— meaning negative externalities— need to pay a higher tax. Brown capital stock locks the economy in an unsustainable path from which no individual can exclude themself. In other words, it implies non-excludability, and, in that sense, it can be thought of as a public bad. The idea of “public bads” is also related to the joint production system where there are non-zero disposal costs (Hinrichsen & Krause, 1981). In this case, the unwanted products – in our case, carbon emissions – entail a cost that is not acknowledged in the price system, making a case for taxation. The CWT can accelerate the green transition because it directly tackles the polluting asset, whereas the classic carbon tax targets the flow of emissions associated with the consumption or production of carbon-intensive goods, hence basically an excise tax. In this respect, recent work has shed light on the relevancy of brown capital (carbon-intensive industries and firms, power plants, transportation infrastructure, etc.) to carbon emission dynamics. First, the emerging economies that are still building up their capital stock are likely to contribute to higher emissions quite soon (Semieniuk, Taylor, Rezai, & Foley, 2021). Secondly, those industries with a long life cycle lock the economy into a carbon-intensive path: investments in brown capital today imply emissions for a long time in the future (Luderer et al., 2018; Pfeiffer, Millar, Hepburn, & Beinhocker, 2016). Some authors, thus, refer to the Committed Cumulative Emission (CCE), a type of carbon budget associated with energy and transport investment projects (Pfeiffer et al., 2016). In some calculations, these locked-in emissions already fill up most of the carbon budget (Davis & Caldeira, 2010). In this context, policies incentivizing disinvestment and rapid depreciation in installed capacity in dirty sectors are pivotal for the green transition. Furthermore, by explicitly tackling production factors so far missing from climate policymaking, namely, carbon-based wealth and capital return, the CWT echoes a growing public (and academic) concern with low levels of corporate taxation. The recent debate on wealth taxation (Guvenen, Kambourov, Kuruscu, Ocampo-Diaz, & Chen, 2019; Saez & Zucman, 2019) suggests that such a tax can have meaningful consequences on the dynamics of capital. In economic theory, more recent studies have shown that finite-lived agents (Golosov, Tsyvinski, Werning, Diamond, & Judd, 2006), heterogeneity in asset’s returns (Guvenen et al., 2019), and the introduction of a wealth motive in the utility function (Saez & Stantcheva, 2018) undermine the classic capital taxation results from the 1970s and 1980s (Atkinson & Stiglitz, 1976; Chamley, 1986; Judd, 1985). Empirically, Piketty (2013) demonstrated that wealth is highly concentrated, much more than income, and follow-up works have associated the recent trend in inequality with the decrease in corporate taxation. Following this introduction, Section 2 is concerned with the literature on carbon emissions, particularly with the carbon taxation schemes that have been discussed and implemented so far, and on the debate on wealth taxation. We aim to highlight how insights from wealth taxation can be used in carbon taxation. In Section 3, we introduce our theoretical model to investigate the dynamics of such a proposal. Section 4 discusses our estimations and results, and finally, Section 5 concludes. 2 Literature Review

#### Attacking capital via a carbon wealth tax is key – carbon pricing can’t pressure investments

Neves and Semmler 21 [Jose Pedro Bastos Neves, General Coordinator of Sustainable Finance for the Brazilian finance ministry, and Willi Semmler, Arnhold Professor of International Cooperation and Development at the New School with a Ph.D. from the Free University of Berlin, 2021, “A Proposal for a Carbon Wealth Tax: Modelling, Empirics, and Policy,” Forum for Macroeconomics and Macroeconomic Policies, https://www.boeckler.de/pdf/v\_2022\_10\_21\_semmler.pdf]/Kankee

5 Conclusion Recent environmental reports have shown that the world continues to follow a rapid warming path, despite the increase in the adoption of carbon pricing mechanisms in recent years. This suggests the need for additional and innovative measures to curb CO2 emitting activities. Our proposal for a carbon wealth tax fills this gap at the same time that it echoes recent theoretical research that shows the desirability of capital tax. In the form of a tax on carbon-intensive assets, it aims to reduce capital flows to carbon-intensive companies in favor of investment in green companies. Our results indicate that a carbon wealth tax is likely to generate such a result. In a dynamic portfolio optimization model, we show that a 40% tax rate is effective enough to alter portfolio allocation choices in favor of green capital in the medium run. This is of particular relevance for a green transition, where carbon de-investment is crucial to attaining the Paris Agreement goals. Moreover, as a nascent industry, green energy technology should be allowed to benefit from subsidies now. Secondly, we find that brown asset taxation and green subsidies alter wealth trajectories because of their capacity to change asset return dynamics. Their most substantial effects happen in the medium run period when the taxation ensures a greater allocation to green assets. Nonetheless, one of the consequences of the dynamic setup of our model is that this transitory feature carries on also for the long run, improving the wealth path respectively to the BAU scenario. Thirdly, we find that this contrasts with the classic excise taxation argument. Such mechanisms that increase product prices are negligible in a portfolio optimization context because investors would simply adjust their consumption level according to the higher price. Wealth allocation, particularly investment patterns, remains unchanged, and that suggests that a carbon wealth tax is indeed an innovative instrument in addressing climate change. Finally, our approach also addresses the wealth inequality issue from a different perspective. Wealth taxes in general have a long history and are often criticized for not having — as sometimes argued — a good welfare foundation and not being very practical in terms of the measurement of the stock of wealth. We refer to another dimension of a welfare and fairness perspective, namely the greater burden-sharing of the cost of public ”bads” by holders of carbon-intensive wealth that causes the public ”bads”.

#### High inequality causes follow-on carbon emissions – non-wealthy emulate rich behavior

Welton and Wallace 24 [Shelley Welton, Presidential Distinguished Professor of Law & Energy Policy at the University of Pennsylvania Carey Law School and Kleinman Center for Energy Policy, and Clint Wallace, Associate Professor of Law at University of South Carolina School of Law, “Taxing Luxury Emissions,” Penn Carey Law, https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=1451&context=faculty\_articles]/Kankee

\*note: some words missing letters “I” or “L”

B. Social Ramifications of Luxury Emissions Socially, luxury-carbon emissions have reverberating effects that extend beyond their immediate material contribution to climate change or their direct immorality. Colloquially, we might explain the problem as one of high-end “influencers” whose luxury, carbon-intensive habits “trickle down” to the masses. Research backs up this intuition: scholars link high inequality to an increase in competitive “status-based consumption” in what is often called the “Veblen effect,” after the late-nineteenth-century sociologist Thorstein Veblen.122 Writing in 1899, Thorstein Veblen argued that in stratified societies, people establish their social position via their spending by using conspicuous displays of wealth and leisure to convey their status to others.123 Recent research has established the persistence of conspicuous consumption trends.124 Researchers have also confirmed Veblen’s instinct that these patterns are socially pernicious, creating what Robert H. Frank has termed a consumption “arms race” in which all classes strive to consume more without actually advancing either their social positioning or ultimate life satisfaction.125 As we trace below, the Veblen effect creates a particular challenge in the climatechange and social-media eras—and a compelling reason to focus policy attention on luxury emissions. Economists call the kinds of goods that are most useful in conveying status and wealth “positional goods.”126 In 1899, Veblen identified housing and transportation as core areas of status competition.127 Little has changed in this regard: today, they remain sectors in which the ultra-wealthy compete for status: car brands, for example, send a highly visible and legible message about the wealth of their driver,128 as does housing and yacht size. A 2022 New Yorker article, The Haves and Have-Yachts, captures this grotesque competition in the rarified world of yachting. As the article describes, yacht size has become a billionaires’ pissing contest: “in the end, nothing says as much about a yacht, or its owner, as the delicate matter of L.O.A.— length over all.”129 The article quotes one Silicon Valley CEO who explains that until recently, “a fifty-met[er] boat was considered a good-sized boat. Now that would be a little bit embarrassing.”130 Consequently, average yacht size has tripled in the last 30 years—even though by law, none of these pleasure boats can hold more than 12 passengers at a time.131 A recent analysis of carbon emissions by billionaires found that the “typical” billionaire-owned superyacht emits over 7,000 tons of carbon each year.132 Clearly, those engaging in positional displays of wealth believe themselves to derive some benefit from it. Research confirms, for example, that individuals who wear luxury brands are presumed more competent and are sought out for association and cooperation.133 And perhaps a yacht with a dedicated ski storage room and a helicopter to take one from the Mediterranean to the Alps has its charms.134 But at a societal level, conspicuous consumption has corrosive effects. As Robert Frank, Adam Seth Levine, and Oege Dijk have traced, “rapid income growth concentrated among top earners in recent decades has stimulated a cascade of additional expenditure by those with lower earnings” in what they term an “expenditure cascade.”135 As Frank explains, this cascade emerges from the relative nature of affluence: [T]he people just below the top are influenced by the new houses that the people at the top build. Maybe they need to have their daughter’s wedding reception at home now too. So they build bigger. And then the group that they rub elbows with one level down, they build bigger too. That continues in a cascade all the way down the ladder, and now it is much more expensive than it used to be for middle-income families to meet the standards set by the spending of their peers.136 Frank elsewhere describes this type of consumption as “pollution” because no one in the middle or upper classes really benefits much from houses all expanding.137 Instead, as Andrea Gallice explains, individual investments “cancel out: agents are not able to change their initial position and basically ‘run to keep in the same place.’”138 Moreover, because growing inequality means that middle-class incomes have not grown apace with those of the extremely wealthy, this cascade actively harms those outside the elite, making it “more costly for middle-income families to achieve basic goals.”139 These dynamics render conspicuous consumption socially harmful even before climate change impacts are taken into account.140 But climate change adds an underappreciated layer to this analysis because housing and transportation are not only central positional goods but also key drivers of climate emissions.141 There is thus a vicious linkage between increasing inequality, conspicuous consumption of positional goods, and runaway carbon emissions. High-income individuals’ housing and transportation choices not only emit morally reprehensible quantities of carbon. They also create what we might call an “emissions cascade,” driving society’s consumption-related emissions higher than they otherwise would have been—and higher than is necessary for wellbeing. Social media amplifies and morphs these trends in two relevant ways. First, social media amplifies the trend of “upscale emulation,” in the lexicon of sociologist Juliet Schor.142 As Schor explains, whereas people used to take their relative consumption cues from those in their neighborhood, “the lifestyles of the upper middle class and the rich have become a more salient point of reference for people throughout the income distribution. Luxury, rather than mere comfort, is a widespread aspiration.”143 Second, social media may also be shifting the nature of what counts as a positional good. Until recently, “experiential” purchases such as vacations had limited signaling effects—you might show your photos to close friends, but travel’s ephemerality precluded it becoming a more widely conveyed status marker.144 However, social-network users now frequently post images and stories about their traveling experiences, thereby empowering a new era of travel as conspicuous consumption.145 This development is particularly troubling from a climate-policy angle, as elite travel habits include particularly egregious activities from a climate perspective, such as the use of superyachts and private jets.146 Further, airline fights remain one of the quickest growing and most difficult to tackle categories of emissions.147 The social implications of luxury emissions amplify the case for policy interventions. If such interventions are effective in shifting patterns in ultra-high-end, carbon-intensive consumption, these shifts will have effects that cascade beyond direct emissions reductions.148 Putting a figure on these cascading reductions is nearly impossible149—but if sufficient stigma could be attached to, say, frequent flights, the effect might be substantial.150 Indeed, one recent survey found that knowledge that a high-profile person had eliminated flying caused between one-half and three-quarters of people to change their attitudes or behaviors towards flying.151 Substantial improvements might also result from any movement at the top towards preferring cleaner, smaller automobiles.152 And housing and lifestyle shifts also hold considerable potential, given that household consumption comprises around two-thirds of total global emissions.153 Fortunately, because consumption of such items is largely positional (beyond a base level), these changes should be possible without negatively affecting wellbeing.154 Regardless of whether policies targeting luxury emissions produce dramatic behavioral shifts among luxury consumers,155 they may still induce broader shifts. There is a “signaling” or “expressive” effect to government regulation that exists beyond its direct effects: as Licari and Meier explain, “governments rarely regulate without sending signals about why the regulation is necessary.”156 Their research finds that if government widely publicizes the existence and reasons for an excise tax, it may send signals beyond direct monetary effects.157 In other words, the very act of publicly condemning particular types of emissions may change broader views about the desirability of high-carbon positional goods.158 Thus, just as government dissemination of information about the health effects of smoking has enhanced the effectiveness of taxes on tobacco, a welldesigned regulatory scheme for luxury emissions might help shift broader patterns of consumption. We are certainly not the first to note the potential power of harnessing social signaling and influencing norms to combat climate change. A recent UN report identified that “lifestyle change . . . by one person, household or community . . . can act as a catalyst to promote wider change, spreading behavio[]rs through peer influence and reconfiguring what is typical or expected.”160 Numerous studies, cited by the UN, have found that social influence has already increased adoption of rooftop solar panels, lower-carbon transportation options, and energy-efficient appliances.161 Focusing on luxury emissions can combine these kinds of effects on tastes with a focus on trendsetters. To be sure, there may be latent risks in parsing luxury emissions and targeting them separately. It is possible that those targeted by a luxury-emissions policy might interpret its existence as tacit approval of the behavior. This effect was documented in the oft-discussed Haifa daycare study, in which a fine was imposed on parents who picked up their children late.162 When the fine was introduced, tardy pickups increased substantially, and when the fine was revoked, the late pickups did not return to their prior low levels.163 Researchers suggested that one reason for this seemingly irrational result is that piling economic incentives onto something that is already seen as a moral obligation might weaken the moral case for the desired behavior.164 In the daycare-study context, an economic penalty essentially “crowded out” parents’ intrinsic motivations to not stick daycare employees with after-hours care of their children.165 Other studies, however, have found such crowding-out effects lacking (including in another simulated daycare context)166—suggesting that the behavioral implications of a luxury-emissions tax are indeterminate. One way to frame the potential risk is to consider whether luxury emitters have significant intrinsic motivation to reduce emissions that a luxury-emissions tax would crowd out.167 Further empirical work would be necessary to know the answer to this query, but let’s just say: we harbor doubts. Indeed, divergent patterns between high-end emissions and other consumer emissions in the U.S. could be evidence that luxury emitters feel less compunction about their carbon emissions than others. C The Political Economy of Combatting Carbon and Inequality Together

#### Wealth taxes lower rich consumption, fund green investment, and devalue fossil fuels

Mager and Chaparro 23 [Franziska Mager, Senior Researcher and Advocacy Lead for Climate & Inequalities at the Tax Justice Network with degrees from the Free University of Berlin and University of Oxford, and Sergio Chaparro, International Policy and Advocacy Lead of the Tax Justice Network with a MSc in Inequalities and Social Science from the London School of Economics and a MA in Law from the National University of Colombia, 06-2023, “Delivering climate justice using the principles of tax justice A guide for climate justice advocates,” Tax Justice Network, https://taxjustice.net/wp-content/uploads/2023/06/Policy-brief-climate-justice\_2206.pdf]/Kankee

Generally, the more purchasing power there is, the higher carbon emissions will be. The distributions of wealth and emissions closely correlate and are often mirror images of each other. Since 1990, the bottom 50 per cent of the world population has been responsible for only 16 per cent of all emissions. By contrast, the top 1 per cent is responsible for 23 per cent of the total43 . Total carbon emissions by the top 1 per cent or global polluter elite exceed emissions by the entire bottom half of the global population44. The bulk of total emissions from this group is estimated to come from their investments rather than from their consumption45 (and so individual and corporate level emissions intermesh). What is needed now are policies that actively redistribute away from the top end of the economic distribution of people – and the companies and assets they control – to both tackle extreme economic and emissions inequality. The Global Green New Deal is explicitly built on redistributive principles, since a transfer of power between privileged and excluded groups is essential to its decolonial, intersectional spirit. But beyond those general principles, tax justice offers some specific policies to help mainstream what the Climate Inequality Report calls a necessary “inequality check” for all decarbonisation policies, meaning analyses of the effects on different groups. These tools are based on the second ‘R’ of tax justice, redistribution, which aims to curb inequality between individuals and between groups. Without wide-reaching redistribution, the promise of green jobs and net-zero infrastructure runs the risk of perpetuating a pattern – still exposing the millions of communities facing overlapping inequalities to the worst consequences of polluters. Therefore, climate justice advocates should promote good taxes that not only collect revenue, but double down on both carbon emissions and inequality. Redistributive tax justice policies include:  • Taxes targeted at consumption linked to extreme wealth, as well as financial assets, for which feasibility will hinge on coordinated and thoughtful policy design, including exit taxes to prevent capital flight. Progressive wealth taxes on investments can penalise carbon intensive portfolios, especially those that “lock in” emissions for years to come, like energy and transport projects. Advocates should push for a carbon wealth tax46 that curtails investments in high carbon financial assets in dirty sectors and instead incentivise more sustainable portfolios, while also reducing extreme wealth inequality. Various proposals for carbon wealth taxes are already underway47 . • Progressive wealth taxes to curtail the purchasing power and thus harmful consumption and lifestyle habits of the richest in conjunction with targeted measures such as a frequent flyer levy. The latter could for example progressively tax flights, where the more an individual flies each year, the more they pay in taxes. • Introducing new taxes on luxury modes of transport, specifically, private jets and superyachts. New taxes could include a higher rate of air passenger duty and a tax on superyacht ownership. The 300 biggest boats alone emit 315,000 tons of carbon dioxide each year, about as much as Burundi’s 10 million inhabitants.48 • Pushing for beneficial ownership transparency on carbon-intensive companies and dispel the financial secrecy and layers of anonymity protecting those owning high carbon investments from accountability and targeted policies.

#### Limiting wealth of the uber-rich is key – they are the number one polluters

Lynch et al. 19 [Michael J. Lynch, Researcher at the University of South Florida, Michael A. Long, researcher at Oklahoma State University, Paul B. Stretesky, researcher at Northumbria University, and Kimberly L. Barrett, researcher at Eastern Michigan University, 2019, “Measuring the Ecological Impact of the Wealthy: Excessive Consumption, Ecological Disorganization, Green Crime, and Justice,” Social Currents, https://sci-hub.se/https://journals.sagepub.com/doi/10.1177/2329496519847491]/Kankee

In How the Rich are Destroying the Earth, Herve Kempf suggests that a portion of the current ecological crisis stems from excessive consumption by the rich (see also Bollier 2013; Di Muzio 2015). Reinforcing that point, studying household incomes, and carbon footprints, Kennedy, Krahn, and Krogman (2014) refer to the wealthiest income group (quintile) as “egregious emitters” due to their much higher level of consumption. As Rees and Westra (2003) note, “Since the wealthy fifth or so of humanity consumes 80+ per cent [sic] of global economic output, the rich alone effectively ‘appropriate’ the entire capacity of Earth in important dimensions” (p. 112). In contrast to these arguments, business and economics researchers often describe luxury item consumption as ecologically sustainable because luxury commodities last longer (Amatulli et al. 2017). It is widely accepted across nations that one perk of being wealthy is to consume as one pleases. Such pleasures can promote excessive consumption which uses up natural resources, causing ecological disorganization—disruptions in the normal functioning of the ecosystem in ways that prohibit its regeneration/ reproduction, causing increasing ecosystem instability (Lynch et al. 2016, chp. 3; Schnaiberg 1980; Stretesky, Long, and Lynch 2013b). Under the influence of contemporary post–WWII capitalism, new wants were stimulated to enhance profit making, increasing a new form of excessive consumption Migone (2007) calls “hedonistic consumption.” Kempf suggests that excessive consumption by the wealthy has relatively old roots, best described by Thorsten Veblen’s ([1899] 1934) theory of conspicuous consumption. In Veblen’s view, the wealthy purposefully consume luxury items publicly and to excess to elevate or maintain their social status (for a validating empirical test see Heffetz 2011). Kempf, in turn, argues that modern conspicuous consumption by the wealthy generates extensive ecological harms and that the wealthy generate disproportionately more ecological harm than the poor or middle classes. Other views support this contention at different scales of analysis. This idea is also expressed in aggregate patterns of ecological consumption across nations measured using ecological footprints (Jorgenson 2003, 2012; Jorgenson and Clark 2011; Knight, Schor, and Jorgenson 2017; York, Rosa, and Dietz 2003). For example, controlling for trade relations between nations, footprint analysis indicates an association between cross-national ecological consumption and national income levels, meaning citizens consume more in wealthier nations (Prell 2016; Prell and Sun 2015; Weinzettel et al. 2013). Such analyses indicate that wealthier (also called “advanced” or “developed”) economies have much larger ecological footprints than less-developed nations. In advanced economies, there is a greater tendency for consumption in general, and perhaps some tendency for all classes to mimic the conspicuous consumption habits of the wealthy (Podoshen and Andrzejewski 2012). Across nations, these consumption patterns can be understood relative to the global capitalist economy in relation to theories such as metabolic rift (Foster 2011; Foster, Clark, and York 2011). In metabolic rift terms, excessive consumption in developed nations is fed by ecological withdrawals from less-developed nations, and transferring metabolic materials and natural wealth from less developed to developed nations is part of the nature of global capitalism and the process of ecological unequal exchange (Jorgenson 2006). In criminology, excessive consumption has been connected to the production of ecological disorganization and viewed as a green crime against nature (Lynch et al. 2013). Here, we argue that the wealthy’s excessive or conspicuous consumption should be conceptualized as a form of green crime within the contemporary context of global ecological collapse (Barnosky et al. 2012; Barry 2014) that generates: unnecessary ecological disorganization and consumption inequities, a decline in global ecological quality, uneven ecological access and destruction, and unequal exposure to environmental hazards across nations. Here, we examine four indicators of conspicuous consumption’s ecological impacts to illustrate the above. Where possible, we compare those outcomes to average consumption to better gauge the impact of conspicuous consumption on ecological disorganization. When such comparisons cannot be made, we refer to the “gross harm” associated with conspicuous consumption. Our four examples include the ecological impacts of (1) operating super yachts (SYs); (2) building super homes (SHs) (those greater than 25,000 square feet); (3) operating luxury cars (costing more than $42,000) in the United States; and (4) for individual and corporate operation of private jets. Background Currently, many nations have excessive ecological footprints and increased levels of ecological destruction (Foster et al. 2011). By “excessive,” we mean an unsustainable ecological footprint. Empirically, ecological footprints measure biocapacity availability against consumption/ecological withdrawals, with ecological footprints less than 1.0 defined as sustainable and those greater than 1.0 as unsustainable. The current global ecological footprint is 1.7, indicating excessive consumption relative to available and replaceable biocapacity (http://www.footprintnetwork.org/). Research indicates that controlling for trade relationship effects, a nation’s ecological footprint varies with income, so that higher income nations tend to have larger ecological footprints (Ivanova et al. 2015; Weinzettel et al. 2013). For some high consuming nations, where footprints are greater than 1.0, consumption is augmented by consuming available biocapacity in other nations as part of the global structure of capitalism (Foster et al. 2011). In this sense, excessive consumption within some nations is facilitated by the global capitalist world system, which enhances the transfer of raw materials from less-developed nations to more-developed nations as part of ecological unequal exchange (Jorgenson 2006). The organization of this system contributes to global and local ecological decline and disorganization. As Schor (2005) argues, it is now widely known that current consumption patterns fostered by the falling prices of goods in the global capitalist market place due to increased capital mobility are ecologically unsustainable (see also Alcott 2008). Coupled with changing and more positive attitudes toward conspicuous consumption among populations, such as those in China where there is now a growing class of wealthy consumers (Podoshen, Li, and Zhang 2011), local and global world capitalist markets are accelerating resource consumption with potentially disastrous ecological consequences. Ecological footprint analysis demonstrates variability in consumption behaviors and ecological impacts across nations and that “developed” or “advanced” nations have higher ecological footprints than less-developed nations (Jorgenson 2003; Jorgenson, Schor, Huang, and Fitzgerald 2016; Jorgenson, Schor, Knight, and Huang 2016; Wiedenhofer et al. 2017). Within and across developed nations, Kempf argued that the wealthy’s consumption habits cause excessive ecological harm compared to the behavior of individuals in other income classes (see also Feng, Zou, and Wei 2011; Yang, Wu, and Cheung 2016). Consistent with that argument, Oxfam International (2015) notes that while the poorest half of the world’s (3.5 billion people) population generates 10 percent of carbon emissions, the richest 10 percent produce nearly one-half of carbon dioxide emissions. As noted above, prior literature (e.g., Kempf 2008) argued that the wealthy have an excessive ecological footprint and make unequal ecological contributions to carbon footprints (Kennedy et al. 2014) and ecosystem resource consumption (Rees and Westra 2003). In this sense, excessive consumption can be linked to Veblen’s ([1899] 1934) concept of conspicuous consumption. After noting the origins of leisure, Veblen argued that the historical process of capital accumulation concentrated capital in ways that allowed the emergence of a new leisure class. The leisure class engaged in visible forms of excessive consumption as a customary basis of repute and esteem . . . [P] roperty now becomes the most easily recognised evidence of a reputable degree of success . . . [and] the conventional basis of esteem. Its possession in some amount becomes necessary. . .to any reputable standing in the community. It becomes indispensable to accumulate, to acquire property, in order to retain one’s good name. (Veblen [1899] 1934: 15) Here, acquiring property and consuming excessively become marks of distinction, and to earn those marks, the leisure class must consume. When connected to contemporary arguments in ecological Marxism concerning the contradictions between capitalism and nature (Foster 1999, 2000), one can argue that excessive consumption must result in excessive ecological disorganization or the excessive consumption of nature. This latter argument is empirically testable, and the association between various measures of ecological consumption and environmental degradation has been subjected to several empirical tests (Givens and Jorgenson 2011; Jorgenson 2003, 2006; Jorgenson and Clark 2011).

#### Traditional carbon pricing doesn’t change rich behavior – wealth taxes change political power and lifestyle patterns

Nielsen et al. 21 [Kristian S. Nielsen, assistant professor at the Department of Management, Society and Communication at the Copenhagen Business School, Kimberly A. Nicholas, Associate Professor of Sustainability Science at Lund, Felix Creutzig, Mercator Research Institute on Global Commons and Climate Change, Thomas Dietz, professor of Sociology and Environmental Science and Policy at MSU, & Paul C. Stern, president of the Social and Environmental Research Institute with a Ph.D. from Clark University, 9-29-2021, "The role of high-socioeconomic-status people in locking in or rapidly reducing energy-driven greenhouse gas emissions", Nature, https://www.nature.com/articles/s41560-021-00900-y]/Kankee

Conclusions and research directions High-SES people make a disproportionate contribution to energy-driven GHG emissions in many ways. Their influence via consumption has received the most research attention, but as Fig. 2 indicates, they can also have an outsized influence on emissions and climate change mitigation in non-consumer roles by leveraging the substantial financial and social resources associated with different components of their status. Figure 2 identifies several avenues of influence through which high-SES people, by employing these resources within these roles, can affect actions with large climate footprints. Many mitigation opportunities suggested by the figure have been insufficiently explored in research and policy. We highlight three main gaps in knowledge about climate change mitigation that can be addressed by research focused on high-SES people. One is the behavioural plasticity of their consumption, especially with regard to air travel, motor vehicles and housing. Some initiatives to reduce high-SES people’s GHG emissions can also protect vulnerable groups77,78. For example, Gössling and Humpe30 describe the current lack of markets for the negative externalities caused by air travel as a major subsidy to the most affluent, since the top 1% of the global population accounts for half of associated GHG emissions. However, a linear pricing mechanism, such as a carbon tax, may be less effective among the wealthy than a frequent flyer levy with a progressive tax on frequent air travel. The latter approach also receives more support in international polling than tax options79. Progressive taxation on high incomes or on substantial wealth may be particularly beneficial to the climate, as it reduces status consumption while keeping relative status and related subjective well-being unchanged80. Wealth taxes might also reduce inequality by reducing the influence of the most elite, who now dominate the policy system. All these possibilities warrant further analysis for their effect on GHG emissions, as does the study of non-financial behaviour change interventions to change high-emissions consumer actions specific to high-SES people4. A second research gap concerns the role of high-SES people in organizations. An important empirical question is how these people are enabled or limited in changing organizational culture and business decisions to reduce GHG emissions. A committed individual or small group can change a business culture and investments (a strategy being pursued by an activist investor on the board of Exxon). Currently, little is known about what factors support such disruptive action or about the responsiveness of private organizations to initiatives by high-SES people within and outside them (for example, major suppliers and customers, or critical employees). Such research could inform initiatives for organizational change.

#### Inequality risks civilizational collapse – the wealthy are insulated from climate consequences from extreme wealth, allowing elite regulatory capture to stymie climate change

Kenner 19 [Dario Kenner, Visiting Research Fellow (SPRU) Visiting Research Fellow (SPRU) University of Sussex with a MA from the Institute for the Study of the Americas, 2019, “Carbon inequality : the role of the richest in climate change,” Routledge Focus, https://unlv-primo.hosted.exlibrisgroup.com/permalink/f/ovttgp/01UNLV\_ALMA51366219320004081]/Kankee

3.2 Environmental injustice: why do the richest suffer less? Boyce argues that the richest have a personal interest in protecting the environment but that this is weakened by several factors.14 They realise that it is still possible for them to live in a healthy environment if they transfer their environmental costs onto others, whether that is within their countries such as the US and UK, or overall to the global south. As Chapter 4 highlights, high economic inequality reinforces political inequality. When there are high inequalities between groups the wealthiest (the winners) are able to shift environmental costs onto weaker actors in society (the losers), including future generations, because they are more powerful.15 The rich are able to continue benefiting from environmental degradation (for example, via their investment emissions). The result is that the pollution of ecosystems and the consequences of climate change are shifted onto the majority of the global population, particularly hitting people living in the global south. The greater the economic inequality the more likely this situation is to persist, with the poorest suffering more from pollution16 as the rich carry on shifting their negative environmental impact on to them and using their greater personal resources to protect themselves when they are affected.17 The examples above on how the poor were more affected by Hurricane Katrina in the US and flooding in the UK, as well as the overall air pollution, highlight that one of the key factors is to what extent someone can avoid the full consequences of pollution by living elsewhere. Under the current economic system in the US and the UK you get what you can pay for (epitomised by the concept of willingness to pay). As wealth further concentrates in the hands of the richest, they increase their ability to live in clean environments and to avoid the full impact of air pollution and extreme weather events. There are some things they cannot avoid entirely, such as floods and wildfires,18 but they can afford to escape and are more likely to have insurance. In summary, environmental injustices are part of a long-standing process of conflict and negotiation whereby people who control scarcer resources (such as wealth and power) are able to deprive others of access.19 As well as avoiding pollution and its effects, it is also the richest who profit the most from activity that harms the environment. If governments regulated to protect the environment (for example, by putting restrictions on pollution in order to have cleaner air and water), the companies the richest invest in would be less profitable because they would have to install expensive equipment and/or pay fines. This leaves them with the dilemma of protecting the environment and their objective of higher returns. The result is that at times of higher economic and political inequality, when profits are very high, the richest people push for a decision on environmental protection to be delayed .20 Research shows that in the US the richest participate more in politics and are less supportive of protecting the environment.21 As Chapter 4 documents, some sections of the polluter elite actively seek political influence to block environmental policies to maintain the high pollution status quo. When there is higher inequality the richest are more able to use their political influence to protect their economic interests that harm the environment.22 Building on Boyce’s work, Downey concludes that it is undemocratic decision-making processes (at the national and international level) that enable a rich minority to achieve socially and environmentally harmful goals, including shifting the costs on benefit financially from the exploitation of public goods and environmental resources.23 3.3 Disconnection can be fatal Due to their extreme wealth the richest people may be able to avoid experiencing the consequences of climate change and the sixth mass extinction in their daily lives. This could mean they do not see the urgency of changing their consumption habits and investments in polluting companies. Extreme inequality is leading to a situation where the richest are becoming more and more disconnected from the rest of society as they live in a bubble where they mainly come into contact with other wealthy people. Increasingly, the very richest live in exclusive residences (often gated) and some even own their own islands. They use private transport (cars, private jets, yachts, even submarines). They pay to use private healthcare, eat at exclusive restaurants and attend exclusive events such as the Davos World Economic Forum and the Singapore Yacht Show. The point is not that rich individuals have no idea about environmental issues; it is that they are less likely to face this reality in their day jobs which may contribute to them being more disconnected. When previous civilizations collapsed one common driver has been that the elite were able to insulate themselves from the impact of their decisions. Often the elite were motivated to seek personal profit even if in doing so they harmed the rest of society.24 Building on this research Mackay argues that even when societies have possessed sufficient technology and cultural knowledge, they have not used these solutions because the oligarchy has blocked them. Instead, the oligarchy has captured decision-making to enrich themselves and strengthen their own power.25 Some scholars have suggested educating the super-rich so that they understand that the multiple crises linked to climate change such as water scarcity, climate refugees and conflict will one day affect them.26 But educating the polluter elite (climate change and inequality have been on the agenda at the Davos World Economic Forum in the last few years) is unlikely to work when they profit from pollution. 3.4 Is it morally questionable to profit from pollution?

#### The aff kills political power of the wealthy to obstruct and circumvent green efforts – all CPs fail since they don’t destroy wealth, the means of blocking climate progress

Kenner 19 [Dario Kenner, Visiting Research Fellow (SPRU) Visiting Research Fellow (SPRU) University of Sussex with a MA from the Institute for the Study of the Americas, 2019, “Carbon inequality: the role of the richest in climate change,” Routledge Focus, https://unlv-primo.hosted.exlibrisgroup.com/permalink/f/ovttgp/01UNLV\_ALMA51366219320004081]/Kankee

The evidence presented above on the political power of the polluter elite demonstrates they have had a decisive effect in slowing down the transition away from fossil fuels. They have used their structural power over the state and their superior resources to counter policy measures that aimed to reduce greenhouse gas emissions. These findings confirm the growing recognition in debates on sustainability transitions of the importance of studying powerful incumbents who are blocking change because they fear they will lose out.1 This chapter will argue that to accelerate the transition the oil and gas polluter elite needs to be comprehensively destabilised. This could be done by ending fossil fuel subsidies, introducing a high carbon tax, phasing out fossil fuels and providing targeted support to renewable energy. For policymakers in the US and UK to do this, they will need to feel sufficient public pressure to force them to challenge the polluter elite. This pressure would enable them to justify deliberately destabilising the commercially viable oil and gas sector in order to rapidly reduce emissions to avoid irreversible global warming. 5.1 The case for destabilisation In 2019 the polluter elite still hold significant structural power over the state because the US and UK economies are still heavily reliant on oil and gas for economic growth. In the US, the fracking revolution has seen the country go from a net energy importer to become the largest oil and gas producer in the world. In his 2019 State of the Union speech, President Trump celebrated that, “The United States is now the number-one producer of oil and natural gas anywhere in the world. And now, for the first time in 65 years, we are a net exporter of energy”.2 In the UK, the Conservative government stresses dependence 5 Destabilising the polluter elite on oil and gas as an accepted state of affairs now and in the future. At the end of 2018, Minister of State for Energy and Clean Growth Claire Perry told the Scottish Affairs Committee that, “currently 80% of our homes are heated by gas and 65% use gas for cooking” and “every scenario we see for our cleaner future has some element of fossil fuels in the mix”. She went on to say, “I guess the view is that if we are going to be using fossil fuels, we would like to use those that are generated from our domestic assets and that employ people in the United Kingdom”.3 The polluter elite also have superior resources that they can deploy to counter attempts to accelerate the low-carbon transition. They and their companies have amassed vast amounts of wealth which they are willing to invest in donations to political parties, funding of fossil fuel lobbyists and in some cases to promote climate change denial. By paying lower tax (income and corporation) and using tax havens, the polluter elite and the companies they run are increasing the resources at their disposal. As the examples above highlight, it will take more than a set of well-intentioned policies to ensure fossil fuels are replaced by renewable energies. Even when the US has signed up to international treaties such as the Kyoto Protocol and the Paris Agreement the polluter elite have pressured for withdrawal. In the UK despite the Climate Change Act putting in place legally binding targets to reduce emissions, it did not deter or stop the Conservative government from continuing to give tax relief for fossil fuels and seeking to maximise oil and gas extraction. The situation is circular. As long as fossil fuel companies run by the polluter elite are the largest and most profitable companies, they will continue to exert structural power over the state. As long as these companies have the green light from the government to continue extracting fossil fuels, they will continue to make a profit. As long as they continue to do this, they will use some of this profit to lobby the state to maintain fossil fuels in the energy mix alongside renewable energy (Figure 5.1). The polluter elite are not going to go quietly. They have too much at stake and fear a fatal reduction in their personal net worth. They will never stop seeking political influence to deepen the dependency on fossil fuels. The incumbent regime needs to be “destabilised” so that renewable energies can replace fossil fuels (Turnheim and Geels, 2012).4 If the oil and gas companies are not destabilised, then there will be no acceleration of the low-carbon transition that is needed to ensure emissions are reduced in line with what climate science demands. Whilst the transition towards a low-carbon economy has begun, mainly propelled by technological advances in solar and wind energy, it is not happening fast enough or on a large enough scale. Renewable energy use is growing in the US and the UK, but this is alongside the continued use of fossil fuels, in particular oil and gas. Oil and gas need to be immediately destabilised to open up space for renewable energy to replace fossil fuels. Turnheim and Geels see destabilisation as crucial to accelerating the transition. Kivimaa and Kern build on this work to argue that sustainability transitions will only be achieved if policymakers push for a mix of measures which will both “destroy” the old regime as well as encourage typical policies for the “creation” of niche green technologies (Kivimaa and Kern, 2016).5 They found that these policy mixes had been effective in the UK. The removal of subsidies for coal mining had made it easier for cleaner alternatives to emerge. Policies which on paper had destabilised the fossil fuel regime included the Climate Change Act with the creation of the independent and influential Climate Change Committee identified as a positive development. However, they also observed that the lack of further destabilisation policies was probably due to resistance. This fits with the above assessment of the political power of the polluter elite. The IPCC concludes that greenhouse gas emissions need to fall rapidly by 2030 to avoid the worst impacts of climate change. There is not enough time to wait for alternatives to gradually replace fossil fuels and this is why active destabilisation is needed. Given this urgency how can the transition away from fossil fuels be accelerated? Perhaps there are lessons to learn from the experience of the destabilisation of the coal sector in both countries. 5.2 The destabilisation of coal

#### The super rich are super polluters – they’re key figures in countering climate change

Haneman 24 [Victoria J. Haneman, Frank J. Kellegher Professor of Trusts & Estates at Creighton University School of Law, 2024, “Taxing Dirty Luxuries,” Case Western Reserve Journal of International Law, https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=4838661]/Kankee

This is a crisis that is only gaining traction. Since humanity stepped from the primordial ooze, more than half of human-generated carbon emissions occurred after 1990.12 Against this background, the United Nations, in 2022, declared that everyone on the planet has a fundamental human right to a clean, healthy, and sustainable environment.13 Human rights are interrelated and mutually reinforcing, and regardless of this formal declaration, it makes sense that climate change directly impedes enjoyment of so many human rights— including, among others, the right to food, water, and sanitation.14 This important move by the U.N. pushes governments a step further, to think about the ways in which economies must be environmentally sustainable. The concern, of course, is that respecting the environment is a terribly expensive proposition,15 and taxes implemented to fund these efforts may place downward pressure on economic growth. And while there is no question that climate-related tax policy work is nuanced and complicated, and often country-specific, there is one area of climate-transition taxation that could be addressed in a globally consistent manner: the taxation of dirty luxuries.16 The ultra-wealthy comprise a climate aristocracy.17 An Oxfam research report found that the average carbon footprint of 125 billionaires was 3.1 million tons each, or more than a million times the carbon footprint of each individual in the bottom 90% (2.76 tons each).18 Although the carbon footprint of the ultra-wealthy is largely shaped by investments in high carbon infrastructures,19 dirty luxuries that include idiosyncratic expenditures “in the name of science,” such as the billionaire space race20 and longevity research to pursue immortality,21 certainly illustrate how the wealthy consume resources differently than most. Governments must tackle the complex global problem of catastrophic climate collapse through a balance of regulation and tax consequences.22 To that end, this Article considers the unpopular topic of excise taxes23 targeting dirty luxuries. The market price for the consumption of these luxuries does not reflect the actual cost of consumption because of negative externalities.24 This type of tax would be designed not to raise revenue or ameliorate a deficit but rather to stigmatize and reduce consumption. This would not be without adverse short-term impacts. If we accept that the consumption of dirty luxuries is a threat to public health, we must also prepare for the inevitability that everyone in the supply chain of dirty luxuries will be impacted by any decline in consumption. Section II of this Article explores the climate costs of so-called dirty luxuries and considers the current and proposed international efforts to address the climate impact of these luxuries. Finally, Section III proposes structures by which these luxuries may be taxed to either reduce consumption or compensate for negative externalities. II. The Climate Costs of Dirty Luxuries Elon Musk jumps on one of his four private jets, on average, every two days.25 Floyd Mayweather took a ten-minute, fifteen-mile private jet flight in 2022 from Henderson, Nevada to Las Vegas, Nevada.26 The fuel burned by David Geffen’s superyacht,27 Rising Sun, generates annual carbon emissions equivalent to 800 times what the average American generates in a year.28 In one month, Dwayne Wade and Gabrielle Union went 489,000 gallons (or 75% of an Olympic sized swimming pool) over the water limitation placed upon their California property because of drought conditions.29 Globally, the wealthiest 10% are responsible for 42% of the carbon footprint related to wearables, as compared to 2% for the bottom 10%.30 To the extent that a crisis driven by the “haves” is very severely impacting the “have nots,” the climate crisis and economic inequality are inextricably intertwined.31 And yes, the carbon aristocracy32 of the ultra-wealthy is rarely discussed.33 The carbon footprint of the richest 1% on the planet is estimated to be 175 times that of the poorest 10%.34 Section II first details the climate costs of investment in dirty luxuries and then considers international action being taken to address these costs. A. Consumption of Dirty Luxuries

#### Equitable climate policy is key to public buy-in necessary for a green transition – otherwise inequality destroys global democracy and environmental policy

Gaffney 23 [Owen Gaffney, lobal sustainability writer and analyst at Potsdam Institute for Climate Impact Research and Stockholm Resilience Centre, 3-31-2023, "Tax the Rich to Save the Planet", Project Syndicate, https://www.project-syndicate.org/commentary/ipcc-report-progressive-taxation-bolster-democracy-enable-climate-action-by-owen-gaffney-2-2023-03]/Kankee

The Intergovernmental Panel on Climate Change (IPCC) has issued a final warning to humanity: unless we halve greenhouse-gas (GHG) emissions by 2030, we will have no chance of capping global temperatures at 1.5° Celsius above pre-industrial levels. Achieving that target will be extremely challenging, but it is both possible and affordable – if we ensure that the world’s wealthiest pay their fair share. Inequality has skyrocketed in recent years. During the pandemic, as more than 160 million people were pushed into poverty, the world’s ten richest people doubled their fortunes. The wealthiest 10% of the global population now rake in 52% of global income and hold 77% of global wealth, while the poorest 50% claim just 8% and 2%, respectively. The gap continues to widen. Billions of people are suffering from rising living costs and stagnant wages, and with recession looming, prospects for achieving greater prosperity appear bleak. The world has never been so wealthy, yet most people endure chronic economic insecurity. This is a recipe for deeply polarized, dysfunctional societies, democratic decay, and a dangerously unstable world. Here, too, the gap is continuing to widen: the richest 1% – 63 million people earning at least $109,000 per year – are the fastest-growing source of carbon emissions by far. And this is happening at a time when, every month, the world is burning through more than 1% of its remaining carbon budget for limiting global warming to 1.5°C. But the discrepancy in emissions is only part of the story. As the IPCC’s new report highlights, there is overwhelming scientific evidence showing that an equitable approach to climate action, in which the benefits and burdens of the needed transformation are distributed fairly, is vital to build social trust, without which the 2030 target will be all but impossible to meet. This aligns with our assessment at Earth4All. We predict that, unless concerted action is taken, inequality will continue to grow throughout this century, leading to rising social tensions and unrest – and making it far more difficult to tackle existential crises like climate change. Concentration of wealth leads to concentration of power, with the wealthiest actors enjoying disproportionate influence over elections and public policy. This undermines trust in democracy, making it more difficult for governments to make long-term decisions that serve the common good. More egalitarian countries tend to have higher levels of trust in government, in addition to better outcomes when it comes to education, health and longevity, obesity, child mortality, crime, and the environment. As the IPCC report makes clear, averting the worst effects of climate change demands a profound economic transformation in the next decade. But that transformation can succeed only with broad public support, based on a new social contract that ensures a fairer distribution of wealth and income. Specifically, by 2030, Earth4All proposes that the wealthiest 10% in all countries should be claiming less than 40% of national incomes, with their share remaining on a downward trajectory thereafter. Past experience shows that progressive taxation on both income and wealth for individuals and corporations would be an effective means of achieving this. This means targeting the assets of the extremely wealthy wherever they are held, including in tax havens, and developing and sharing national registries of assets held in different forms. Governments should also hike taxes on luxury-related consumption that drives GHG emissions, such as the use of private jets.

#### Carbon wealth tax targeting fossil fuel investments are key – traditional carbon tax are cause inequality and don’t change behavior

Starr et al. 23 [Jared Starr, researcher at the Department of Environmental Conservation at the University of Massachusetts Amherst, Craig Nicolson, researcher at the Department of Environmental Conservation at the University of Massachusetts Amherst, , Michael Ash, researcher at the Department of Economics at University of Massachusetts Amherst, Amherst, Ezra M. Markowitz, researcher at the Department of Environmental Conservation at the University of Massachusetts Amherst, , Daniel Moran, researcher at the Programme for Industrial Ecology at the Department of Energy and Process Technology at the Norwegian University of Science and Technology, 07-13-2023, “Income-based U.S. household carbon footprints (1990–2019) offer new insights on emissions inequality and climate finance,” PLOS CLIMATE, https://ntnuopen.ntnu.no/ntnu-xmlui/bitstream/handle/11250/3101168/journal.pclm.0000190.pdf?sequence=1&isAllowed=y]/Kankee

\*adjusted for verbal clarity to say full unit tonnes (instead of t)

Policy implications Carbon pricing, either through cap-and-trade or a carbon tax, are seen by economists as an essential and cost-effective way to help decarbonize the US economy [44, 45]. Prior work has suggested this tax would need to be >$200 per t CO2e, to achieve even a 5% reduction in oil consumption, and estimates that 70–80% of this cost would be initially passed onto consumers [45]. Another paper we have published looking at consumption-based U.S. emissions suggests that a tax this high would present a significant burden to low-income families, even though they have comparatively small GHG footprints [33]. Meanwhile the tax may not be sufficient to shift behavior of high-income households, who have significant consumption-based emissions, but adequate savings rates to absorb the tax. While a carbon tax-funded dividend has been proposed to reduce financial strain on low income households [46], consumer-facing carbon taxes have not found sufficient political support, despite two decades of development. The fact that income-based footprints are more inequitable than consumption-based footprints [16, 17, 35, 47–49] suggests an alternative income-based approach to carbon pricing schemes, applied to wage earners or investors, could have equity and political advantages over consumer-facing carbon taxes. Such a tax could be calculated based on direct emissions (producer), on the supply of fossil fuels into the economy (supplier), or some split between the two. Tax revenue could be used for climate mitigation or adaptation projects either within the U.S. or to meet and increase international climate finance pledges including loss and damage funding agreed to at COP 27. While either wage or investment income could be the focus of such a tax, a wage-based tax has some drawbacks. Just like low-income consumers, low-income wage earners would have the least ability to absorb a tax. To address this, a carbon income tax could be applied progressively, to shield low-income workers. Yet the effectiveness of such a tax to shift the economy to lower GHG emissions may be insubstantial as workers generally have limited agency in shifting their industry’s emissions behavior. While a tax may generate revenue that could be invested in decarbonization or climate finance, it may be politically unpopular to create a wage-based carbon tax that would impact a wide swath of the public. Because unearned investment income and asset ownership are heavily concentrated at the top of the income distribution, limiting a carbon tax to either of these items could further focus it on those reaping the most economic benefit from GHG emissions, increase public support, and reduce GHG-intensive economic activity in a more direct way. A consideration here is that while there is some overlap of households in the top 1% or 0.1% of income earners and the top 1% or 0.1% of wealth holders there is far more annual churn among the top income group [50]. Here, households may see huge profits one year from the sale of a business or stocks, but far less income in subsequent years. In this way, an asset-based shareholder carbon tax may be more desirable than an unearned income tax because it would set a more stable annual tax rate and keep the focus on those with the most economic power. It would also be more equitable in that it accounts for the historical emissions embodied in unrealized capital gains, rather than focusing solely on present day emissions that generate unearned income. Furthermore, it concentrates behavior change incentives on the executives and large shareholders who have the most agency and power to reduce their industries’ emissions activities. At the extreme end of the income distribution, an interesting 2022 study by Oxfam International on 125 global billionaires with assets in excess of $2 trillion, estimates emissions related to their investments were over 3 million t[onnes] per person annually [51]. If these individuals were incentivized to reduce the GHG intensity of their industries or shift their investments to other industries, in response to a tax, it could meaningfully impact emissions. Indeed, they estimate the overall carbon intensity of billionaires’ emissions, in their study, could be reduced fourfold if investments were shifted to funds with stronger environmental and social standards [51]. Work by Lucas Chancel suggests that a progressive carbon tax tied to the carbon intensity of investments could be helpful to accelerate decarbonization, while having limited impact on most households [43]. Further work by Chancel, Bothe, and Voituriez [52] estimate a progressive global wealth tax starting at 1.5% for individuals with net worth’s >$100 million (~65,000 individuals or <0.001% of the global population) and going as high as 3% for individuals with assets above $100 billion could raise $300 billion annually for decarbonization, loss and damage, or other climate funding. Even if just the U.S. and European countries adopted such as tax, Chancel and colleagues estimate $175 billion could be raised annually. As they note, because wealth tends to grow 7–9% annually for extremely wealthy individuals, their overall fortunes would still increase, even in the face of these progressive climate-focused taxes [52]. Kapeller, Leitch, and Wildauer also find that a progressive European wealth tax has the potential to raise enough revenue to close the European Union’s (E.U.) several hundred billion dollar per year green investment gap [53]. If revenue from capital taxes is reinvested in public infrastructure, such as decarbonization efforts, it can also benefit wealthy countries by increasing social welfare, while reducing extreme economic inequality [54]. While it would increase the complexity of tax administration, basing such a tax on Scope 1 (or full supply chain Scope 1–3) emissions, rather than a tax based solely on net worth, would keep the tax close to the source of the emissions and encourage divestment from high emitting (highly-taxed) industries. In the U.S., new climate disclosure rules proposed by the Securities and Exchange Commission in 2022, which require Scope 1 and 2 reporting (and Scope 3 for companies with Scope 3 emissions targets) would provide company-specific emissions data that could be used for calculating an appropriate tax rate for investments in that company. In Europe, similar data will become available as the E.U.’s Corporate Sustainability Reporting directive, that came into effect in 2023, requires Scope 3 emissions reporting for E.U. based companies. At the asset manager level, interesting recent work by Zengkai Zhang and colleagues has highlighted the carbon emissions in firms’ portfolios in China [55] and emissions associated with investments for multinational enterprises [56]. Finally, while it is impractical to assume large numbers of high-income households could or would easily switch to lower GHG intensive professions, it seems reasonable that in their role as investors high-income households and their asset managers can nimbly shift to lower GHG intensive investments if the market rewards such moves. Linking the shareholder tax rate to the GHG intensity of the industry would also spur fiduciary fund managers to divest from GHG intensive industries in search of higher returns elsewhere. From an industry perspective, such a tax may also encourage firms to decarbonize their operations in order to attract investors with the promise of higher returns, via relatively lower taxes on ownership of the company’s shares. It could also encourage executives, who have seen ballooning compensation over the last several decades [57] to decarbonize their operations and supply chains to reduce taxes on the income and shares they receive. If high income households did shift their investments in response to such a tax, we would see further decoupling of the national income shares and national emission shares (Table 1) among high income households. Conclusion

#### Carbon wealth taxes avoid populist backlash that kills the green transition and guarantees climate extinction

Lawson 22 [Max Lawson, head of inequality policy at Oxfam International, 7-10-2022, "Planet Earth Can’t Afford the Rich", Tribune Magazine, https://tribunemag.co.uk/2022/10/planet-earth-cant-afford-the-rich]/Kankee

France, 2018. The country is paralysed by a huge series of protests against moves by President Macron to raise green taxation on fuel while simultaneously abolishing the wealth tax on the super-rich. The protestors become known as the ‘Gilets Jaunes’ or Yellow Vest movement. Such is the fury that the president is forced to reverse the increase in fuel duty. Climate policymaking at its most class-blind, his high-handed move spectacularly backfires. With Europe crippled by high gas and energy prices this winter, there are some who have been saying this is an opportunity to speed a green transition, a kind of shock treatment to get us all somehow ‘used’ to high energy prices and forced to consume less. Given the suffering these dramatic increases in prices are inflicting on poor people across the continent, forcing many to choose between heating and eating, such hairshirt sentiments seem brutal to me. I suspect they’re rarely made by those who themselves will struggle to pay their heating bills. They are also, I think, politically crazy. We will only be able to deliver the dramatic transformation in our economies needed to stop climate change if all of society agrees and believes it is the right thing to do. It can’t be forced onto people like a dose of cod liver oil. There’s a huge risk that climate action becomes identified with a patronising, liberal elite and is lambasted by right wing populists everywhere, speeding our planet faster towards disaster. At the root of this is the failure to properly see climate change as a class issue. Climate change is almost always seen in terms of different nations, the rich world versus the developing one. If personal emissions come into it, they are invariably per capita averages for each nation. It is true that everyone in rich countries need to reduce their carbon emissions, whether rich or poor. But national averages obscure as much as they inform. Fortunately, new analysis by a handful of actors looking at the carbon emissions of different income groups, and in particular the emissions of the top ten percent and top one percent, is gaining traction. Inequality in Emissions: What Does the Data Show? Put simply, climate crisis is being caused by the richest class in every country. They’re the ones who are recklessly driving us over the precipice of planetary breakdown. Oxfam analysis with the Stockholm Environment Institute found that globally: The per capita emissions of someone in the top one percent is 100 times higher than someone in the bottom fifty percent, and 35 times higher than the target for 2030. Since 1990, the richest five percent were responsible for over a third of the growth in total emissions. The top one percent were responsible for more than the whole of the bottom fifty percent. For about twenty percent of the human population—corresponding to the working and lower middle classes in rich countries, mainly—per capita emissions actually fell from 1990 to 2015. Lucas Chancel and Thomas Piketty carried out a similar analysis, which Diagram 1 represents. You can see the dip for those in the global distribution that correspond to the working and lower middle classes in rich nations. Their emissions remain too high to be in line with climate targets, but it’s notable that they were the only group whose emissions fell. The richest ten percent globally are mainly to be found in rich countries, but not exclusively. Yet the inequality in emissions is replicated at a national level in rich countries too. Nationally, the emissions of the richest ten percent dwarf those of the rest of the income distribution, whether you are in France or India. Other studies have also begun to look at microdata on the ‘carbon lives’ of the very richest. One study examining the emissions of twenty of the world’s richest billionaires found that each produced on average 8000 tonnes of carbon dioxide. For comparison, the average for a citizen in a rich country is around six tonnes—and the amount needed to hit the 1.5 degrees global safety target is just over two tonnes per person. New analysis of the private jet flights of the super-rich has also revealed the celebrities and billionaires emit more carbon in minutes than ordinary people do in a year. The Investments Issue Not only are the emissions of the rich incredibly high and growing, but the nature of their emissions are also completely different. For the richest people, most of their emissions—up to seventy percent—come from their investments. This mirrors inequality as a whole: for most of society, income is from work; for the richest, it’s from the return on capital. The lifestyle emissions of a billionaire might be a thousand times higher than average, but their investment emissions can be a million times higher. We’re working on a new analysis of billionaire investment emissions which will be published in November, ahead of this year’s UN Climate COP. People near the bottom of the income scale often do not have a lot of choice over their carbon emissions. They may be living in poorly insulated rental housing or have to drive to work because of inadequate public transport. As in every other aspect of life, the richer you are, the more choice you have, and the more agency to change your life—a rule that applies to lifestyle consumption emissions, but even more to investment emissions. You get to choose where you invest your money. The continued bankrolling of fossil fuels and polluting industries by the very rich, to my mind, is therefore completely indefensible. Must Billions Stay Poor to Save the World? At Oxfam, our primary concern is with those in the poorest half of society, in every county, but particularly in countries in the Global South. We want everyone on earth not just to have what it takes to survive, but what it takes to thrive. Everyone has a right to safety, a decent income, good home, free public healthcare, schools, public transport, parks. Every family should have a fridge, a television. Everyone should have access to a smartphone, a computer, and the internet. For some, the fear is that if achieve that, and enabled all eight billion of us to live a decent life, we would rapidly overshoot the natural carrying capacity of our planet, not just for carbon, but for other planetary boundaries too. This fear of growing populations in the Global South is often used to shift the blame onto developing countries: some argue that while the fault of carbon emissions may have historically been with rich nations, it’s now the billions of Chinese and Indian people we should worry about. What the analysis shows categorically is that the hundreds of millions that have escaped poverty globally in the last twenty years are only a small part of the dramatic increase in emissions. In fact, nearly half of the rapidly accelerating growth in total emissions—and the attendant rise in climate crisis risks and damage—hasn’t occurred to the benefit of the poorer half of the world’s population. It’s just allowed the already wealthy top ten percent to augment their consumption and enlarge their carbon footprints. It’s true that if we were to stay at current levels of inequality, in order to deliver a decent life for all, global GDP growth would have to increase way beyond our planet’s ability to sustain it. Over the last forty years every dollar in global GDP growth has seen 46 cents go to the top ten percent, and only around nine cents go to the bottom half of humanity. The bottom ten percent of humanity received less than one cent of every dollar in global income growth. This distribution is so unfair and inefficient that to lift all of humanity above the poverty line of $5 a day would require the global economy to be 173 times bigger than it is. That’s an environmental impossibility. Does this mean that the goals of planetary survival and a decent life for all are incompatible? That to save our planet the majority of humanity must stay forever poor and hungry? Not necessarily. Everything depends on the level of inequality. It’s been well noted that people all over the world, when asked how unequal their countries are, consistently and massively underestimate the scale of the divide. And when asked for their preferred level of ‘fair inequality’, while this differs between societies, the majority consistently want their society to be a lot more equal than it actually is. A recent study in Nature took these inequality preferences and combined them with the carbon emissions required for everyone on earth to have decent living standards. They found that if societies worldwide actually matched what their citizens felt was a level of ‘fair inequality’, it would be possible for all of humanity to have a decent living and stay within the energy limits to prevent 1.5 degrees of global heating. The evidence is clear that the richest people in our society are a huge part of the problem, through their unsustainable luxury lifestyles and their investments which bankroll a fossil fuel economy. A massive reduction in inequality is the only way that everyone on earth can live a decent life and guarantee the future of our planet. A Whole New Way to Look at Fighting Climate Breakdown Looking at the emissions of different income groups and the nature of those emissions has the potential to transform climate policy making. To maintain any level of fairness, the richest must make by far the biggest cuts to their emissions. This is true in both rich and developing countries. This means, for example, that we should have not a flat carbon tax but a progressive carbon tax: the more carbon you use, the higher the tax you pay. Polluting investments should have additional punitive taxation put on them or, better still, simply be banned. Luxury goods and private jets should be heavily taxed or heavily restricted. Each national action to tackle climate should be taken progressively, in ways that make the richest, highest emitters shoulder most of the cost and in turn contribute to increasing equality, not inequality. General increases in taxes on the richest and on wealth, as well as other moves to rapidly reduce inequality, also take on a whole new climate imperative. Our planet simply cannot afford the very rich.

#### Rich carbon emissions destroy the planet – wealth taxes are key

Oxfam 23 [Oxfam International, non-governmental organizations concerned with poverty alleviation, 11-20-2023, "Richest 1% emit as much planet-heating pollution as two-thirds of humanity", https://www.oxfam.org/en/press-releases/richest-1-emit-much-planet-heating-pollution-two-thirds-humanity]/Kankee

The richest 1 percent of the world’s population produced as much carbon pollution in 2019 than the five billion people who made up the poorest two-thirds of humanity, reveals a new Oxfam report today. It comes ahead of the UN climate summit in Dubai, amid growing fears that the 1.5°C target for curtailing rising temperatures appears increasingly unachievable. These outsized emissions of the richest 1 percent will cause 1.3 million heat-related excess deaths, roughly equivalent to the population of Dublin, Ireland. Most of these deaths will occur between 2020 and 2030. “The super-rich are plundering and polluting the planet to the point of destruction, leaving humanity choking on extreme heat, floods and drought,” said Oxfam International interim Executive Director Amitabh Behar. “For years we’ve fought to end the era of fossil fuels to save millions of lives and our planet. It’s clearer than ever this will be impossible until we, too, end the era of extreme wealth,” said Behar. “Climate Equality: A Planet for the 99%” draws on research by the Stockholm Environment Institute (SEI) and assesses the consumption emissions of different income groups in 2019, the most recent year for which data are available. The report shows the stark gap between the carbon footprints of the super-rich —whose carbon-hungry lifestyles and investments in polluting industries like fossil fuels are driving global warming— and the bulk of people across the world. The richest 1 percent (77 million people) were responsible for 16 percent of global consumption emissions in 2019 —more than all car and road transport emissions. The richest 10 percent accounted for half (50 percent) of emissions. It would take about 1,500 years for someone in the bottom 99 percent to produce as much carbon as the richest billionaires do in a year. Every year, the emissions of the richest 1 percent cancel out the carbon savings coming from nearly one million wind turbines. Since the 1990s, the richest 1 percent have used up twice as much of the carbon we have left to burn without increasing global temperatures above the safe limit of 1.5°C than the poorest half of humanity. The carbon emissions of richest 1 percent are set to be 22 times greater than the level compatible with the 1.5°C goal of the Paris Agreement in 2030. Climate breakdown and inequality are locked in a vicious cycle —Oxfam has seen first-hand how people living in poverty, women and girls, Indigenous communities and Global South countries are feeling the unequal brunt of climate impacts, which in turn increase the divide. The report finds that seven times more people die from floods in more unequal countries. Climate change is already worsening inequality both between and within countries. Governments can tackle the twin crises of inequality and climate change by targeting the excessive emissions of the super-rich, and investing in public services and meeting climate goals. Oxfam calculates that a 60 percent tax on the incomes of the richest 1 percent would cut emissions by more than the total emissions of the UK and raise $6.4 trillion a year to pay for the transition away from fossil fuels to renewable energy. “We must make the connection explicitly. Not taxing wealth allows the richest to rob from us, ruin our planet and renege on democracy. Taxing extreme wealth transforms our chances to tackle both inequality and the climate crisis. These are trillions of dollars at stake to invest in dynamic 21st century green governments, but also to re-inject into our democracies,” said Behar. Oxfam is calling on governments to: Dramatically reduce inequality. Oxfam calculates that it would be possible, through a global redistribution of incomes, to provide everyone living in poverty with a minimum daily income of $25 while still reducing global emissions by 10 percent (roughly the equivalent of the total emissions of the European Union).

#### Rich norm setting causes trickle-down aspirations towards dirty lifestyles

Paddison 21 [Laura Paddison, CNN's senior climate writer and graduate from University College London, 10-27-2021, "How the rich are driving climate change,” BBC, https://www.bbc.com/future/article/20211025-climate-how-to-make-the-rich-pay-for-their-carbon-emissions]/Kankee

The last few decades have shone a spotlight on global inequality. From the 2008 financial crisis, to the pandemic and the increasingly severe impacts of climate change – disruptive events tend to hit the poorest first and hardest. But in debates about how to solve inequality, over-consumption is often overlooked. "Each unit you overshoot means someone has to give [something] up," says Lewis Akenji, managing director of Hot or Cool Institute, a Berlin-based think tank. As a result, the outsized carbon footprints of society's richest entrench inequality and threaten the world's ability to stave off catastrophic climate change. The statistics are startling. The world's wealthiest 10% were responsible for around half of global emissions in 2015, according to a 2020 report from Oxfam and the Stockholm Environment Institute. The top 1% were responsible for 15% of emissions, nearly twice as much as the world's poorest 50%, who were responsible for just 7% and will feel the brunt of climate impacts despite bearing the least responsibility for causing them. As the rich race through the remaining "carbon budget" – the amount of greenhouse gas it's possible to emit without pushing the world beyond 1.5C of warming by the end of the century – they "aren't making the space for the bottom 50% of the population to grow their emissions to the point where they're actually getting their needs met", says Emily Ghosh, a staff scientist at the Stockholm Environment Institute. Dario Kenner, the author of Carbon Inequality: The Role of the Richest in Climate Change, coined the term "polluter elite" to describe the wealthiest in society who invest extensively in fossil fuels, as well as having a strong climate impact from their high-carbon lifestyles. But while the polluter elite have a disproportionate impact, the world's wealthiest encompasses a much broader swathe of the population (see fact box: Who is the 1%?). As things stand, most people in wealthy countries are consuming in ways that are accelerating climate catastrophe. When you take into account the emissions from imported goods, the average person in the UK emits 8.5 tonnes of carbon a year according to the Hot or Cool Institute, a figure that rises to 14.2 tonnes in Canada, the country with highest emissions among those the institute surveyed. In order to stay within 1.5C of warming, these figures need to come down dramatically to 0.7 tonnes per person by 2050. Personal consumption is a thorny topic to address. It can quickly spiral into a well-worn debate about whether tackling climate change hinges on individual actions or systemic changes from governments and corporations. "This is a false dichotomy," says Akenji. "Lifestyles don't exist in a vacuum, lifestyles are shaped by context." People live their lives within the mostly unsustainable political and economic systems that exist. But, without addressing the lifestyles of the wealthiest and most polluting in our societies, and the power they hold, we won't be able to address climate change. "Wealthy people set the tone on consumption to which everybody aspires. That's where the toxic effects are," says Halina Szejnwald Brown, professor emerita of environmental science and policy at Clark University in the US. Take aviation. "As soon as you fly, you belong to a global elite," says Gössling. More than 90% of people have never flown and just 1% of the world's population is responsible for 50% of emissions from flying. From the business elite crisscrossing the globe to the celebrities who have made travel part of their personal brands, their behaviour has helped make a high carbon lifestyle aspirational and desirable, says Gössling. The SUVs that ferry around presidents, business leaders and celebrities – and increasingly middle class families in cities – have also become a status symbol despite their environmental impact. Making up 42% of global car sales in 2019, SUVs were the only sector to see emissions rise in 2020. The increase in people buying SUVs last year effectively cancelled out the climate gains of electric cars. Bigger homes are another consumption hotspot. "Housing choices signify prestige and social status," writes Kimberley Nicholas, a sustainability scientist at Lund University, and her co-authors in a recent study on the role of wealthy people in driving climate change. In Europe, nearly 11% of emissions from housing came from the top 1% of emitters who own large – and often multiple – homes. (Read more about how gas-dependent countries are moving to zero-carbon heating)

#### Class-blind carbon policies increase inequality and cause massive backlash – fair taxation is key to public buy-in

Khalfan et al. 23 [Ashfaq Khalfan, Oxfam America's Director of Climate Justice with a doctoral degree in law from Oxford University, Astrid Nilsson Lewis, Research Associate at SEI Headquarters with a M.Sc. in Industrial and Environmental Biotechnology from KTH Royal Institute of Technology, Carlos Aguilar, Regional Coordinator LAC Climate Justice at Oxfam Latin America and the Caribbean with an international diploma from Inter-American Institute of Human Rights, Jacqueline Persson, climate researcher with a master’s degree from Utrecht University, Max Lawson, Head of Inequality Policy at Oxfam International, Nafkote Dabi, Climate, Humanitarian and Development Specialist at Oxfam with a Master of Science in Public Policy and Administration from Queens College, Ethiopia, Safa Jayoussi, Regional Climate Justice Advisor for Middle East & North Africa at Oxfam with a bachelor’s degree in water management and environment from Al Jami'at Al-Hashimiyyah, and Sunil Acharya, Regional Policy and Campaigns Coordinator - Asia at Oxfam International with a Master of Science in Environmental Management, Energy, Environment, and Natural Resources Law from Pokhara University, 2023, “Climate equality: a planet for the 99%,” Oxfam, https://policy-practice.oxfam.org/resources/climate-equality-a-planet-for-the-99-621551/]/Kankee

A fast, just transition away from fossil fuels A critical way of simultaneously stopping poverty and reducing climate breakdown is by ensuring that the clean energy transition is fair, as well as fast. Avoiding catastrophic climate breakdown requires a 48% cut in global emissions by 2030 (compared to 2019 levels) and, by 2050, emissions must fall to zero.350 But this must be done in a way that is fair and that reduces rather than entrenches existing poverty and inequality both between and within countries. In other words, we must rapidly stop using fossil fuels, in a way that is fair and that maximizes the ability of the Global South to end poverty and meet the needs of its people. Too many of the policies proposed to end fossil fuels and stop climate change fail to consider the different impacts they have on rich people versus people living in poverty – they are distribution-blind. This can both exacerbate the inequality of climate impacts and exonerate high-emitting individuals, countries and companies from their responsibilities. It can also erode trust and undermine support for the fundamental social and economic changes necessary to avoid total climate breakdown. Today, the majority of climate-mitigation policies fail to integrate justice and equity principles, and disproportionate costs are pushed onto low-income and marginalized groups. For example, workers affected by the exit from fossil fuels tend to lack voice and influence, and they do not have adequate social protection or job-related training to help them participate in the emerging green economy. In addition, efforts to curb emissions and raise climate finance, such as flat carbon taxes, blanket subsidy removals or high energy prices, have a disproportionate impact on the poorest people. Not only do unequally designed climate-mitigation policies and initiatives cause suffering for those who have done the least to cause the climate crisis, they also generate understandable public resistance to change. This leads to sensible policies to combat climate change being rejected as an imposition on ordinary people. We saw this in 2018 in France, in reaction to President Macron’s attempt to increase flat taxation on fuel while simultaneously abolishing the wealth tax on the super-rich. This sparked the ‘Gilets Jaunes’, or Yellow Vest, movement, and such was the fury at the perceived unfairness that the president was forced to reverse the increase in fuel duty. By contrast, Indonesia’s deep cuts to subsidies for fossil fuels in 2015 were matched by a substantial increase in spending in other areas (such as health and social protection), which mitigated the potential welfare losses from the removal of fuel subsidies by providing specific assistance to the poorest people.351 Preventing total climate breakdown will require transformative economic and social policies and unprecedented changes in the way we live our lives, especially in the Global North. This will only be possible with widespread public support and if people see that the costs of transformation are being shared fairly.352 Wealthy, polluting countries, which have the greatest responsibility for, and capacity to, reduce emissions, must phase out fossil fuels first, and fast. They should immediately cease from issuing any new licences or permitting the expansion of coal, oil and gas exploration, extraction or processing. The remaining global carbon budget should be prioritized for low-emitting, lowerincome countries, mainly in the Global South, to meet their pressing development needs, including the lack of access to energy. 61Climate Equality: A planet for the 99% 4. AN EQUAL TRANSFORMATION IS POSSIBLE All countries should revise their national climate-mitigation targets based on science and equity. This means rich countries must set more ambitious climate targets in line with their fair share of global mitigation – their current targets fall well below this level.353 And, most importantly, they must rework them to reflect the income inequality rather than national averages. Poor countries have limited ability to transition due to the lack of affordable finance or technical know-how. Rich countries phasing out fossil fuels first and fast is necessary to give poor countries the space to transition in a just and sustainable manner. The fossil fuel phase-out will require a dramatic move to renewable energy worldwide, which in turn requires significant levels of climate finance and investment – both public and private. It will also require concerted public action by governments on a scale unprecedented in peacetime. It will require major support from rich nations to the Global South in terms of access to not just finance, but also technology, research and know-how. Renewable energy for all

#### Inequality causes follow-on emissions from copy-cat rich lifestyles

Khalfan et al. 23 [Ashfaq Khalfan, Oxfam America's Director of Climate Justice with a doctoral degree in law from Oxford University, Astrid Nilsson Lewis, Research Associate at SEI Headquarters with a M.Sc. in Industrial and Environmental Biotechnology from KTH Royal Institute of Technology, Carlos Aguilar, Regional Coordinator LAC Climate Justice at Oxfam Latin America and the Caribbean with an international diploma from Inter-American Institute of Human Rights, Jacqueline Persson, climate researcher with a masters degree from Utrecht University, Max Lawson, Head of Inequality Policy at Oxfam International, Nafkote Dabi, Climate, Humanitarian and Development Specialist at Oxfam with a Master of Science in Public Policy and Administration from Queens College, Ethiopia, Safa Jayoussi, Regional Climate Justice Advisor for Middle East & North Africa at Oxfam with a bachelor’s degree in water management and environment from Al Jami'at Al-Hashimiyyah, and Sunil Acharya, Regional Policy and Campaigns Coordinator - Asia at Oxfam International with a Master of Science in Environmental Management, Energy, Environment, and Natural Resources Law from Pokhara University, 2023, “Climate equality: a planet for the 99%,” Oxfam, https://policy-practice.oxfam.org/resources/climate-equality-a-planet-for-the-99-621551/]/Kankee

The overconsumption of the rich Globally, the richest 10% of individuals account for a disproportionate share of today’s excessive carbon emissions: 50%. On average, they emit 24 tonnes of CO2 annually, which is 8.5 times the amount needed in 2030 to stay below the safe limit of 1.5°C. To meet global climate targets and avoid ecological collapse, the lifestyles of the richest 10% must change. Over 60% of the richest 10% are from high-income countries.144 There are pernicious and self-reinforcing influences at play. Peer pressure145 and harmful, often patriarchal, social norms are amplified through social media, marketing and advertising, driving consumption trends among the rich 10% – from owning SUVs to desiring larger houses and embarking on long-distance travel. A number of studies have shown that people in more unequal countries spend more on status goods, like designer clothing or expensive cars.146 When inequality is greater, status and economic class matter more, and people feel that they have to make more visible purchases, whether it is the latest phone or the newest car. These are often items that they cannot afford, which contributes to consumer debt being significantly higher in high-inequality countries.147 In more equal countries, where more value is put on immaterial things like family and community, advertising spending is lower.148 There are also wider social and structural drivers of people’s carbon-intensive lifestyles that go beyond personal choices. For example, a personal vehicle or access to fossil-fuel-based power are often a necessity rather than a luxury when local authorities do not offer affordable alternatives. Important systemic changes to our economies are required, such as universal and free high-quality public transport, to ensure the greening and reduction of the ever-increasing consumption of the richest 10%. The overconsumption of the super-rich The super-rich have a taste for burning carbon excessively – be it in their private jets, superyachts, mansions or spaceships. One study examining the consumption emissions of 20 billionaires found that each produced an average of over 8,000 tonnes of CO2 a year.149 The major causes are their yachts and jets (see Figure 1.4). A superyacht alone, kept on permanent standby, generates around 7,000 tonnes of CO2 a year.150 There is a clear story here about the intersection of social, gender and economic inequalities. Private jet owners are overwhelmingly white, older (over 55) men who work in banking, finance and real estate.151 The overconsumption of the super-rich also makes luxury goods and activities that fuel excessive carbon emissions desirable and aspirational to the wider population. This plays a significant role in driving superfluous consumption in the rich 10% and desires in the middle 40%, putting the future of people and the planet at even greater risk.152 It also disincentivizes the many from changing their own lifestyle choices. Why should they make sacrifices when the super-rich have free reign to live a luxury, carbon-intensive life? Super-charging emissions through investments Individual carbon emissions can be divided into personal consumption emissions, emissions through government spending, and emissions linked to investments. For the super-rich 1%, investments can account for between 50% and 70% of their emissions.153 For an even smaller group of the rich, the world’s billionaires, it is even more. An Oxfam study of 125 of the world’s billionaires found that, on average, they emit the equivalent of 3m tonnes of CO2 a year through their investments – over a million times more than someone in the bottom 90% by income.154 Only one of the billionaires in the study had invested in a renewable energy company; in contrast, the share of investments in polluting industries such as fossil fuels and cement was double that of the Standard & Poor 500 group of companies. The companies in which these billionaires invested also performed badly when it came to reporting emissions and setting sciencebased and net-zero targets. See Figure 1.4 for an example of two billionaires and their consumption and investment emissions. Large investments are intrinsically linked to power over corporations, putting the world’s richest behind the wheel of the corporate economy. In the USA, for example, the top 1% own 54% of stocks held by Americans;155 in South Africa, it is over 95%.156 This group owns a huge stake in the world’s corporations, and where it decides to invest its vast wealth shapes the future of the economy and, therefore, the planet (see Chapter 3).157 Meeting climate goals will be impossible without a rapid reduction of emissions by corporations. Currently, investments in low-carbon businesses represent less than 1% of oil and gas companies’ capital expenditure.158 One high-profile study found that, since 1988, 70% of industrial carbon emissions come from only 100 oil, coal and gas producers.159 In 2022, a charity that runs a disclosure system on environmental impacts found that, of the 13,000-plus corporations that responded in 2021 – between them accounting for 64% of global market capital – just one-third were developing a low-carbon transition plan. Less than 35% of corporations’ emission-reduction targets were considered credible, and only 1,164 organizations had set validated, science-based targets. None of the G7 countries had a corporate sector that was aligned with the Paris Agreement’s goal of limiting global warming to 1.5°C.160 2. Inequality of impact

#### Limiting the rich’s carbon emissions is key to global food security

Khalfan et al. 23 [Ashfaq Khalfan, Oxfam America's Director of Climate Justice with a doctoral degree in law from Oxford University, Astrid Nilsson Lewis, Research Associate at SEI Headquarters with a M.Sc. in Industrial and Environmental Biotechnology from KTH Royal Institute of Technology, Carlos Aguilar, Regional Coordinator LAC Climate Justice at Oxfam Latin America and the Caribbean with an international diploma from Inter-American Institute of Human Rights, Jacqueline Persson, climate researcher with a masters degree from Utrecht University, Max Lawson, Head of Inequality Policy at Oxfam International, Nafkote Dabi, Climate, Humanitarian and Development Specialist at Oxfam with a Master of Science in Public Policy and Administration from Queens College, Ethiopia, Safa Jayoussi, Regional Climate Justice Advisor for Middle East & North Africa at Oxfam with a bachelor’s degree in water management and environment from Al Jami'at Al-Hashimiyyah, and Sunil Acharya, Regional Policy and Campaigns Coordinator - Asia at Oxfam International with a Master of Science in Environmental Management, Energy, Environment, and Natural Resources Law from Pokhara University, 2023, “Climate equality: a planet for the 99%,” Oxfam, https://policy-practice.oxfam.org/resources/climate-equality-a-planet-for-the-99-621551/]/Kankee

Food and hunger The impact of the carbon emissions of the super-rich 1% over 1990 to 2019 is equivalent to wiping out the 2021 harvests of EU corn, US wheat, Bangladeshi rice and Chinese soybean. 217 Climate destruction is undermining food security and driving a food crisis that is hitting the poorest people and countries hardest. Climate change-related extreme weather events are already significantly hampering agricultural production,218 and this is likely to get much worse. For the approximately 500 million smallholder farmers worldwide – many of them women – who rely on agriculture as their main source of food and income, the impact will be nothing short of catastrophic.219 In the Horn of Africa, the unprecedented drought has already dramatically reduced the resilience and adaptive capacities of small-scale farmers.220 In both the Global South and North, the resulting soaring food prices spell out a future of hunger and malnutrition for people living in, or at risk of, poverty.221 In the Global South, the lowest income groups spend up to 60% of their income on food, which is six times the proportion of higher-income groups. People on a lower income in the USA also spend an average of 30% of their income on food, four times more than rich people.222 While 783 million people today are unsure of where their next meal is coming from,223 in the food and agriculture sector, billionaires were able to raise their collective wealth by 45% in 2020 to 2021.224 Global food giant Cargill posted a 63% increase in its profits worth US$4.93bn for 2021, the best haul in its 158-year history. 225 Recurrent heat and drought are pushing those on lower incomes to the brink of starvation, especially as many people have limited time to recover before the next crisis strikes.226 The inequality of climate change-related impact on agricultural productivity between countries is extreme and unjust (see Figure 2.2). In Africa, for example, average agricultural productivity is estimated to be almost 35% below its potential value due to climate change, while regions in some high- and middle-income countries, such as Canada or Russia, have seen their agricultural productivity increase as a consequence of climate change.227 In what feels like a particularly cruel twist of fate, many of the richest, highest-emitting countries are relatively protected by their very position on the planet, as well as the economic rules and colonial dynamics that have long rigged economic and power systems in their favor.Life-threatening heat stress

#### Wealth taxes limit carbon investments and reduce rich carbon emissions

Maitland et al. 22 [Alex Maitland, Inequality Policy Adviser at Oxfam International, Max Lawson, Head of Inequality Policy at Oxfam International, Hilde Stroot, Policy Lead Climate Justice Oxfam educated at Wageningen University & Research, Alexandre Poidatz, Climate and Inequalities Advocacy Manager at Oxfam France with master’s degree from the University of Warwick, Ashfaq Khalfan, Oxfam America's Director of Climate Justice with a doctoral degree in law from Oxford University, and Nafkote Dabi, Climate, Humanitarian and Development Specialist at Oxfam with a Master of Science in Public Policy and Administration from Queens College, Ethiopia, 2022, Carbon billionaires The investment emissions of the world’s richest people,” Oxfam International, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621446/bn-carbon-billlionaires-071122-en.pdf?sequence=14]/Kankee

INTRODUCTION Extreme inequality and wealth concentration undermine the ability of humanity to stop climate breakdown. Very rich people emit huge and unsustainable amounts of carbon and have an outsized influence over our economy. Unlike with ordinary people, 50% to 70% of the emissions of the world’s richest people are the result of their investments.1 They hold extensive stakes in many of the largest and most powerful corporations in the world – large enough stakes to influence the actions taken by these corporations. The true scale of the investment emissions of these individuals is not systematically calculated or reported. However, using new analysis based on publicly available data, Oxfam calculates that the annual carbon footprint of the investments of just 125 of the world’s richest billionaires in our sample is equivalent to the carbon emissions of France, a nation of 67 million people. This represents an average of 3.1 million tonnes per billionaire, which is over one million times higher than 2.76tonnes2 – the average for someone in the bottom 90% of humanity. Emissions from billionaire lifestyles, including their private jets and yachts, are thousands of times the average person’s, which is itself unacceptable and unsustainable. But if we include emissions from their investments, then their carbon emissions are over a million times higher. Our analysis also found billionaires had an average of 14% of their investments in polluting industries, such as fossil fuels and materials like cement. This is twice the average for investments in the Standard and Poor 500 group of corporates. Only one billionaire in the sample had investments in a renewable energy company. Investments billionaires make help shape the future of our economy, for example by backing high carbon infrastructure, locking in high emissions for decades to come. Our study found that if the billionaires in the sample moved their investments to a fund with stronger environmental and social standards, it could reduce the intensity of their emissions by up to four times. The role of corporates and investors in making cuts to carbon emissions that are needed to stop global warming of more than 1.5°C will be a hot topic at the upcoming 27th Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC) in Egypt. Yet despite the 4 corporate spin, their actions fall far short of what is actually needed to stop catastrophic climate breakdown. Governments should tackle this issue with data, regulation and taxation. They must systematically report on the emissions of different income groups in society, instead of relying on averages which obscure carbon inequality and undermine effective policy making. Governments must regulate investors and the corporate sector so that long-term sustainability and the reduction of inequality are put ahead of delivering ever higher returns to wealthy shareholders. They should compel corporations and their rich investors to systematically cut their carbon emissions far more drastically if we are to avoid climate breakdown. Governments must tax rich people more to radically reduce inequality and wealth concentration, to reduce unsustainably high emissions by rich people and to reduce their power and influence over our fossil fuel-fired economy. This could also raise trillions of dollars for nations hit hardest by climate disaster. The revenue could also help advance a green and fair transition at the global level. Further, additional top-up taxation should be levied on wealth generated from polluting industries and fossil fuels to deter investments in these industries and drive a faster transition. INEQUALITY AND CLIMATE CHANGE: WHY IT MATTERS There is a growing body of analysis looking at the relationship between economic inequality and climate change – specifically, at the role of the richer sections of every society in generating the carbon emissions that are contributing to climate breakdown.3,4,5,6 In 2021, research conducted by Oxfam and the Stockholm Environment Institute (SEI) revealed that the richest 1% (around 63 million people) alone were responsible for 15% of cumulative emissions and that they were emitting 35 times the level ofCO2e compatible with the 1.5°C by 2030 goal of the Paris Agreement.7 Similar findings have been reported by economists Thomas Piketty and Lucas Chancel.8 Another study drew on public records to estimate that in 2018 emissions from the private yachts, planes, helicopters and mansions of 20 billionaires generated on average about 8,194 tonnes of carbon dioxide (CO2e).9 By contrast, any individual among the poorest one billion people emits around 1.4 tonnes of CO2 each year.10 More recently, Twitter accounts tracking private jet travel have brought the issue of carbon inequality to public attention with revelations that, in a matter of just minutes, billionaires are emitting more CO2 than most people will emit in a year.11 Governments must regulate investors and the corporate sector so that long-term sustainability and the reduction of inequality are put ahead of delivering ever higher returns to wealthy shareholders. 5 The billionaire space race has highlighted how a single space flight can emit as much CO2 as a normal person will in their lifetime.12 Adding fuel to the fire, this same group of people have the resources to avoid the consequences of climate change, which will be felt most heavily by the poorest people. These findings are important because the relationship between inequality and climate change has major implications for climate policy making. To meet the globally agreed target of keeping global warming to less than 1.5°C, there need to be very significant cuts to the carbon emissions that humans produce. This will require profound changes to economies worldwide and dramatic changes in public policy. All public policies have distributional impacts, which are felt differently by different income groups. This is equally true for policies to reduce carbon emissions. It follows that if we want to reduce emissions fairly, then policies need to be designed that at the very least do not unfairly penalize lowincome groups but, more importantly, are designed to ensure that those who emit the most carbon also do the most to reduce those emissions. However, the major and growing responsibility of wealthy people for overall emissions levels is very rarely considered in climate policy making. For example, the standard debate about carbon taxes has been about a flat rate for everyone, which would automatically mean that those with the least income pay a higher proportion of their resources, unless they are compensated in some way for the higher costs. Perhaps one of the worst examples of ‘inequality-blind’ climate policy making was in France in 2018, when the government increased its carbon tax, which is a flat tax, to raise an additional €4bn. At the same time, it scrapped a wealth tax on the richest that was raising a similar amount. This led to nationwide protests led by the ‘yellow vest’ movement.13 CARBON EMISSIONS AND INVESTMENTS – WHY DOES THIS ISSUE MATTER?

#### Carbon taxes are a hollow hope that kills future climate policy – corporations co-opt and sabotage the CP. Prefer wealth taxes

Aronoff 21 [Kate Aronoff, staff writer at The New Republic, 3-31-2021, "Don’t Fall for the Carbon Tax Trap", New Republic, https://newrepublic.com/article/161862/dont-fall-carbon-tax-trap]/Kankee

There’s a very good case to be made for raising taxes on corporations and the wealthy—including for the climate: As University of Toronto political scientist Jessica Green argued in a recent paper on the subject, cracking down on corporations’ offshore tax havens helps limit their enormous power to warp politics in ways that have made comprehensive climate policy impossible so far in the U.S. The rich, Green pointed out, are also the planet’s most prolific greenhouse gas emitters. According to the United Nations Environment Program, the richest 1 percent of the world’s population account for more than double the greenhouse gas emissions of the poorest 50 percent. That wealthy people are now pouring their excess money into carbon-intensive digital currencies and non-fungible tokens should be evidence enough that our tax policy is out of whack. Passing tax hikes on the rich isn’t easy. But a carbon tax, not unlike the fuel tax Transportation Secretary Pete Buttigieg first proposed on Monday then immediately walked back, comes with the risk of sparking unnecessary political backlash for little discernible gain. Raising taxes on the wealthy and corporations, not to mention repealing the intangible drilling costs tax break and other production subsidies that line the pockets of fossil fuel executives, could go a long way toward curbing emissions and be an easier sell to voters. Debating what sorts of tax policy are ideal and politically feasible, though, begs the question of whether Democrats actually need to raise taxes to fund a climate bill in the first place. The GOP rarely bothers to specify how it wants to pay for new fighter jets or tax cuts for the wealthy. As economist Stephanie Kelton describes in a recent interview, “State and local governments need tax revenue to operate. The federal government does not. To have a fruitful discussion about federal tax policy, the word ‘revenue’ should never come up.” The U.S. dollar is not a scarce resource. The time we have left to take on the climate crisis very much is. If the Biden administration does feel the ill-advised need to show how it’ll pay for new spending, it should leave carbon taxes out of that equation. Where they have managed to pass, carbon prices haven’t done a great job of reducing emissions. In the U.S., the modest help that carbon pricing might lend to nudging certain polluting activities out of the system doesn’t outweigh their miserable, nearly 30-year-old track record in politics here, where the seemingly elegant, one-size-fits-all solution to global warming reliably results in ugly political stalemates. Lawmakers’ and wonks’ fascination with the supposed efficiency of carbon taxes dates back to a time when a generation scarred by Watergate saw markets—not governments—as the ideal way to deliver New Deal ends through neoliberal means. Like deficit hawkishness, that thinking looks increasingly like a relic: Even Joe Biden has now come around to the idea that state investment and regulations are needed to deal with the climate crisis, not just market tweaks. That’s long been the case in parts of the world moving faster on climate than the U.S., where carbon pricing is now seen not as a silver bullet for climate policy—as it’s often framed here—so much as complementary to industrial policy and state planning. In the U.S., the specter of carbon pricing has helped politicians ward off more serious policy. It’s not a coincidence that—as green infrastructure and new pollution rules loom—the American Petroleum Institute has now followed the lead of its oil and gas company members in officially backing the idea of a carbon price; ExxonMobil did the same thing as cap-and-trade was being debated over a decade ago. What the Washington Post editorial board sees as a “broad private-sector front” in the API’s apparent support for climate policy is a red herring. As was learned in 2009 with the cap-and-trade bill, corporations are more than capable of expressing theoretical support for a climate policy while working behind the scenes to sabotage it. A needless fight over a carbon tax, battled on the right’s turf, could poison the well for federal climate policy for another decade the planet doesn’t have. Republicans and their donors in the fossil fuel industry have plenty of dog-eared scripts for batting off a carbon tax, and talk of higher gas prices plays especially well with so many still out of work and struggling to make ends meet. That most of those attacks about carbon taxes bankrupting hardworking families are unhinged from reality doesn’t matter so long as they work—and they have before. Like Republicans’ fearmongering about the size of the federal deficit, polluters’ half-hearted support for carbon pricing has always been put forward in bad faith. For them, it’s a win-win: Water down whatever price is on the table so that it’s too weak to make a difference, even coming in below the internal carbon pricing most major oil and gas companies already factor into their long-term planning. Then fight like hell against any actual legislation. It’s way too late to fall for the same traps.

#### Tax policy key – carbon pricing fails

Green 21 [Jessica F. Green, assistant professor of political science at Case Western Reserve University, 2021, “Beyond Carbon Pricing: Tax Reform is Climate Policy,” Online Wiley Library, https://sci-hub.se/https://onlinelibrary.wiley.com/doi/epdf/10.1111/1758-5899.12920]/Kankee

A number of tax havens are located in wealthy nations or their territories (such as the UK and Switzerland) (Shaxson, 2019). By allowing corporate offshoring to persist, these nations are undercutting their own domestic efforts to address climate change. Corporate offshoring works against other policies to combat climate change, and preserve democracy. And what of carbon pricing? The burden of proof for effectiveness is now on pricing programs. Policy makers need evidence that they work. There is a clear need for more rigorous evaluation of those pricing plans currently in place. The vast majority of studies of carbon pricing are either models or prospective estimates. One review suggests only 37 studies examine the causal effect of carbon pricing on emissions reductions ex post – using data on actual emissions following the implementation of a carbon price (Green et al., Forthcoming). Before implementing new programs, or expanding current ones, we need more analysis of whether carbon pricing has already reduced emissions, and by how much. Thus, for the time being, policy makers should refrain from creating new pricing programs, or linking of extant markets. Given the considerable evidence that offsets are rife with accounting problems, current offset programs should be dismantled. Continuing to commit resources and regulatory capacity into carbon pricing reinforces the mistaken notion that markets are part of the solution to climate change. Moreover, it creates the false perception that this policy is helping us to decarbonize. It is not. At best, it incentivizes marginal improvements and minimal reductions. Finally, carbon pricing will continue to polarize the issue of climate change in some high-emitting nations, expending valuable political capital on a flawed policy. This leaves the problem of what to do with emerging carbon pricing efforts – notably, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which relies heavily on offsets, and the ongoing negotiations on Article 6 of the Paris Agreement. It is highly unlikely that these will simply be abandoned – though they should be. There are, however, ways to mitigate the damage in the short term. All remaining credits from the Kyoto Protocol’s Clean Development Mechanism should be voluntarily retired, and no new projects should be funded. And governments should not pursue any further linking of existing markets (Green, 2017). In the end, carbon pricing is an incremental policy that does little to move us collectively toward decarbonization. Instead, we need to reimagine the role of the state in the climate crisis. By recovering capital offshored by multinationals, states can reaffirm their sovereignty and help curb their undue influence of multinationals. To get serious about climate policy, policy makers have to think about tax reform.

#### Reducing uber-rich wealth reduces inequality, elite capture, and government distrust – all guaranteed existential climate change

Khalfan et al. 23 [Ashfaq Khalfan, Oxfam America's Director of Climate Justice with a doctoral degree in law from Oxford University, Astrid Nilsson Lewis, Research Associate at SEI Headquarters with a M.Sc. in Industrial and Environmental Biotechnology from KTH Royal Institute of Technology, Carlos Aguilar, Regional Coordinator LAC Climate Justice at Oxfam Latin America and the Caribbean with an international diploma from Inter-American Institute of Human Rights, Jacqueline Persson, climate researcher with a masters degree from Utrecht University, Max Lawson, Head of Inequality Policy at Oxfam International, Nafkote Dabi, Climate, Humanitarian and Development Specialist at Oxfam with a Master of Science in Public Policy and Administration from Queens College, Ethiopia, Safa Jayoussi, Regional Climate Justice Advisor for Middle East & North Africa at Oxfam with a bachelor’s degree in water management and environment from Al Jami'at Al-Hashimiyyah, and Sunil Acharya, Regional Policy and Campaigns Coordinator - Asia at Oxfam International with a Master of Science in Environmental Management, Energy, Environment, and Natural Resources Law from Pokhara University, 2023, “Climate equality: a planet for the 99%,” Oxfam, https://policy-practice.oxfam.org/resources/climate-equality-a-planet-for-the-99-621551/]/Kankee

Greater equality radically reduces the emissions of the richest Much greater equality will deliver a sharp reduction in carbon emissions. In fact, it is one of the most powerful mitigation strategies we have at our disposal.318 As Chapter 1 shows, the emissions of the richest people are driving planetary destruction. Reducing the wealth of the richest and the super-rich would play a decisive role in curbing their excessive and dangerous emissions. Ending extreme wealth could also end the extreme emissions that are pushing us towards total climate breakdown. Oxfam calculates that a global redistribution of incomes could raise everyone to a level of US$25 a day or above (the World Bank-proposed prosperity line)319 while reducing global emissions by 10% (roughly the equivalent of the total emissions of the EU), and still leave the global richest 10% with an average income of US$47,000 PPP pre-tax each. 320 Increasing taxes for the wealthiest could also provide the trillions of dollars needed to fund a just and green transition.324 For example, the revenue raised could boost public investment to incentivize renewable energy access or clean cooking solutions for low-income households and communities, to retrofit homes to save energy and reduce fuel bills, or to invest in green and affordable public transport systems. These investments should especially benefit women, especially those living in poverty and from marginalized groups, by increasing health and educational opportunities, and reducing the amount of unpaid care work. The funds could be invested in genderresponsive public services, as well as climate mitigation, adaptation and to pay for loss and damage. All of this would simultaneously reduce emissions and poverty and improve lives. Greater equality through increased progressive taxes would also help generate the significant resources needed to invest in public services – such as health and education – which are vital to tackling poverty and gender inequality (including by reducing and redistributing women’s unpaid care work). Taxing the richest would help reduce the emissions of the richest, reducing inequality and eliminating poverty. For example, an income tax of 60% on the top 1% of earners would generate US$6.4 trillion, which could be used to cover the vast climate finance needs of the Global South. 325 Finally, reducing extreme wealth would mitigate the effects of a political and economic system that has helped to trap humanity in a dangerous reliance on fossil fuels and overconsumption. If there were far fewer billionaires and the ranks of the super-rich were significantly reduced, an equal transition could finally be possible. This would limit the power and influence of the richest people over the economy as a whole and help end fossil fuel dependency. Greater equality makes the transformation of our economies a political possibility Persistently high levels of inequality erode social and political trust,332,333 increase belief in conspiracy theories334 and fuel polarization,335 meaning that the social and economic policies we need for an equal transformation are unlikely to be proposed or implemented. Across the world, opposition to action on climate change has become a core part of polarized politics, for example, in some right-wing circles in Germany and the USA. More equal societies are less politically polarized,336 allowing for the debate, consensus and collective decisions that make an equal transformation possible. In addition, powerful wealthy elites, such as fossil fuel lobbyists, are less able to capture government policy and block progressive change. More equal societies also tend to have more progressive taxation, public services, wide-scale social safety nets and a range of other public actions that efficiently promote equality.337 As such, governments of more equal countries are better placed to mobilize the public action and funding needed to move away from fossil fuels towards clean renewable energy and greater resource efficiency, and to focus on delivering wellbeing for all instead of endless growth in incomes for the few. More equal societies are also more likely to have private businesses and social enterprises that are collectively owned, with greater worker representation and decent work.338 These forms of business have a greater ability to get behind social and environmental goals and tend to be less about profit and returns to already rich shareholders.339 In the USA, for example, consumer-owned utilities purchase electric power at wholesale prices and deliver it directly to the consumer. There are 864 distribution cooperatives serving 12% of electricity consumers (42 million people), mainly in rural areas that are not profitable for companies that need to pay returns to their rich shareholders.340 Greater equality allows societies to fairly cope with the impacts of climate breakdown As demonstrated in Chapter 2, whether an extreme weather event becomes a disaster is a result of the extent to which societies are able to prepare and respond to it – and the level of equality in a society is a decisive factor in this.341 Evidence shows that more equal societies are better able to collectively manage risk, both by distributing it more fairly and by reducing the overall level of risk, making people less vulnerable.342 More equal societies are more likely to build the climate-resilient physical and social infrastructure that enables them to cope with the shocks of extreme weather – the storms, floods and droughts that have already become more frequent. For example, Cuba, a country with sustained political commitment to equality and social justice, has played a key part in building the social and physical infrastructure to cope with regular hurricanes and in lessening the inequality of impact.343 Fundamental to this is the country’s socio-economic model, which reduces vulnerability and invests in social capital through universal access to government services and the promotion of social equity. The level of protection this affords is significant. For example, when Hurricane George hit Cuba and the Dominican Republic with the same force in 1998, 64 times more people were killed in the Dominican Republic,344 a country with a lower population but much higher inequality.345 Everyone, irrespective of income, has an interest in the society they live in being able to prevent and adapt to climate impacts. A rich person may have the resources to build their house on a hill to prevent it flooding, but they are still deeply affected if the city where they work and spend time is flooded because there is no collective protection. A fast, just transition away from fossil fuels

#### Inequality allows massive elite counter-climate campaigns – obstruction, denialism, co-option, corruption, and media control

Green and Healy 22 [Fergus Green, researcher at the Department of Political Science at the University College London, and Noel Healy, researcher at the Geography and Sustainability Department at Salem State University, 2022, “How inequality fuels climate change: The climate case for a Green New Deal,” One Earth, https://discovery.ucl.ac.uk/id/eprint/10149771/2/Green\_How%20inequality%20fuels%20climate%20change\_AOP.pdf]/Kankee

Production and obstruction Concentrated material wealth is a particularly versatile and potent power resource that can be deployed to exert influence over the production process and over politics.44 Inequalities in wealth and power play important roles in driving both carbon-intensive production and the obstruction of climate policies.17,45,46 Globally, the wealthy own most of the means of production— productive and financial assets are concentrated in the top 10%, and especially the top 1%, of wealth holders.21 This alone concentrates power over investment in an elite (that is disproportionately white and male) whose interests and preferences are often contrary to those of the majority.47,48 Historians have explored the enabling role of colonialism and class conflict in the emergence of fossil-fueled industrial capitalism49 and scholars continue to document the entanglements between ‘‘fossil capital’’50 and neocolonial exploitation, authoritarianism, racism, and patriarchy.51–53 Other scholars have focused on the neoliberal era, which became increasingly entrenched from the 1980s, illuminating the channels through which financial elites have gained increasing power over what does and does not get produced. Many public assets have been privatized,21 so decisions about productive investment are increasingly being made according to the logic of maximizing private profit rather than serving the public interest.54 Simultaneously, shareholders have gained increasing control over the management of business enterprises through changes in corporate governance laws and norms, which have converged on a ‘‘shareholder primacy’’ model.55–57 As shareholders have become more myopically focused on short-term corporate earnings, so corporate managers have come to prioritize shareholders at the expense of wider stakeholder interests, and short-term earnings at the expense of long-term performance.55,56 These changes, though perhaps the product of well-intentioned efforts to increase efficiency, have likely been detrimental to climate change mitigation, because managers of such firms face stronger incentives to shift costs, including GHG emissions, onto third parties and face weaker incentives to invest in low-carbon innovation.55,56,58 Privately-owned oil companies, for example, are governed in the interests of shareholders and thus focus on expanding carbonintensive production in pursuit of short-term financial gains.17,59 Via similar mechanisms (short-term profit seeking and cost shifting), the increasing concentration of global wealth has also been linked to the expansion of tropical deforestation in Latin America and Southeast Asia.60 Crucially, capital owners also use their capital to sustain and expand political-institutional regimes that facilitate profit-making above all other considerations. Carbon-dependent investors and firms are no exception, having used their power to secure a political-institutional context favorable to expanding emissionsintensive production, including by obstructing climate policy proposals and deceiving the public about the causes and implications of climate change.61–66 Many emissions-intensive producers have also gone to great lengths to suppress community resistance to their operations, either directly or by co-opting the state.67,68 Wealthy people’s dominance of economic production and politics are closely related (see Figure 2). Recent work by sociologists,46 economists,55,69–71 and political scientists72 emphasizes feedback loops by which economic elites (1) gain increasing control over important organizations, networks, and assets; (2) use these to influence political and rule-making processes; and (3) benefit financially from market transactions governed by the rules that they shaped in their interests, enabling them to further entrench their control. As such, democratic control and accountability (in both politics and firms), corporate and financial regulation, and many other issues not ostensibly having to do with climate change are in fact tightly intertwined with the prospects for decarbonization. Trepidation: The politics of economic insecurity Given the consumption and production opportunities afforded to the beneficiaries of fossil-fueled capitalism, it is unsurprising that efforts to constrain and phase out fossil fuels meet with political resistance. We have discussed the organized obstruction of climate policy by wealthy capital interests. Now, we explore a different set of political mechanisms through which socioeconomic inequalities drive emissions, all of which link economic or social insecurity to grassroots opposition to climate policies via household fears about the consequences of such policies. The first mechanism focuses on the labor market. Before the COVID-19 pandemic took hold, the world was already confronting a crisis of work: high levels of labor underutilization, declines in work quality at the bottom end of the labor market, and declining union membership were among its chief indicators (not to mention demographic disparities within these).73 Many of these problems have been exacerbated by the pandemic and associated emergency-response measures.74 Although economic stimulus measures have reduced unemployment, the recovery is nascent and uneven, occurring faster in high-income countries than elsewhere.75 While decarbonization promises net job creation across the economy,76 the threat—actual and perceived—of absolute job losses and other adverse labor market impacts in some sectors77 undermines political support for deep decarbonization measures.62,78,79 The persistent labor market challenges and economic inequalities associated with COVID-19 increase the risk that carbon-centric climate policies will be avoided or delayed. A second mechanism focuses on consumption-related political effects. In high-income countries, carbon-pricing policies (absent accompanying redistributive measures) tend to be regressive, because they raise consumer prices for carbonintensive necessities, which comprise a disproportionately high share of low-income households’ expenditure.80 This problem may be exacerbated by the fact that low-income households in such countries tend to live in less energy-efficient dwellings and lack the incentives (because they tend to rent) or financial means to invest in energy efficiency improvements.81 In poorer countries, pricing carbon or removing fossil fuel subsidies can also have an inflationary effect that harms poor consumers, even if the overall reform is economically progressive.82 Whatever the actual inflationary effect of such policies, they are often perceived to have inflationary effects on salient consumer items.82–85 Actual and perceived inflationary effects of carbon-centric policies play into households’ financial concerns in ways that undermine popular support for those policies.82–85 These employment and consumption effects can, broadly speaking, trigger two types of political response. More often than not, such policies simply fail to inspire mass popular mobilization in support of climate policy86—mobilization that is arguably necessary given the obstructive influence of elites, discussed earlier. Intersecting inequalities may exacerbate this problem: although women and people of color are disproportionately affected by climate change, and so have reason to mobilize for climate action, they also tend to be disproportionately vulnerable to the inflationary effects of carbon-centric mitigation policies.87–89 More detrimentally to the cause of climate action, carboncentric policies sometimes provoke active counter-mobilization. Understanding anti-climate backlash requires attention to intersecting grievances, of which spatial inequalities are perhaps the most salient and tractable. For instance, the risk of household opposition to climate policy is magnified in communities where carbon-dependent industrial activities are concentrated. The closure of mining and industrial facilities can disrupt local economies90 and unsettle deeply held regional identities, social bonds, and place attachments.91 Many such communities have already experienced the deindustrialization wrought by trade exposure and automation, making them wary of further losses in the name of climate policy.79 Electoral institutions in many democratic countries make political parties especially sensitive to such geographically concentrated policy backlash.92 The inflationary consequences of carbon-centric climate policies are also unevenly spatially distributed. In industrialized countries, such policies can disproportionately burden residents in poorer but car-dependent semi-urban and rural areas.93 These spatial concentrations, too, can trigger backlash against carbon-centric climate policies—as with the gilets jaunes movement in France.94 In poorer countries, concentrated effects of energy or transport pricing reforms can also trigger political backlash, as occurred in numerous countries, including Nigeria, Ecuador, and Chile, over the last decade.82,95 Although we have focused on intersecting spatial inequalities, some fossil-fueled forms of production and consumption have also been linked to social identities grounded in racial and gender hierarchies. Threats to fossil fuels can thus provoke ‘‘petro-masculine’’ backlash against decarbonization, which celebrates and protects fossil fuel-based gender identities, and ‘‘fossil fascism,’’ of which Trumpism is a prominent contemporary example.52,53 Non-cooperation Finally, we consider some more complex and speculative, but potentially important, links between inequality and climate change that operate via the social bonds or ‘‘collective capacities’’96 necessary to support collective climate action. Economic inequalities have long been thought to undermine the social foundations of democratic government.97 Recent social science research posits a link between higher inequality and lower levels of both social trust (trust in other people) and political trust (trust in political institutions and organizations).98–100 Separately, lower levels of political trust are associated with lower support for (carbon-centric) climate policy, especially tax instruments.101–105 However, the empirical associations and causal pathways are complex and contested—partly because ‘‘inequality’’ and ‘‘trust’’ can be specified and measured in different ways. On the basis of the existing research, we suggest two possible mechanisms by which social and economic inequalities may undermine the social foundations of collective climate action. In the first mechanism, economic inequality increases political corruption (see above, ‘‘Production and obsctruction’’), fostering the belief among citizens that political elites serve only themselves and the wealthy.99 Cynical citizens, in turn, will be less inclined to trust politicians to deliver on their promises.103 Such cynicism plausibly hampers public support for ambitious carbon-centric climate policy, since decarbonization requires extensive policies that impose short-term costs for promised future benefits.101,103,105,106 The second mechanism concerns the interaction between social and economic inequalities and the role of culture in mediating this interaction.96 As economic inequality grows, social divisions become more pronounced.100,107 Wealthy elites can physically separate themselves from the rest of society and insulate themselves from social and environmental ills.108 Moreover, as wealthy elites have gained disproportionate influence over the means of cultural production, such as news media, some have used this power to stoke social divisions and foment a sense of zero-sum competition among subordinate groups.109,110 For example, wealthy conservatives in the US have promoted the belief that government takes from the ‘‘hard-working’’ white working class to give handouts to the ‘‘undeserving’’ poor, immigrants and people of color.111 Such beliefs weaken the bonds of solidarity that are needed for cooperation across groups.112 This, in turn, likely undermines collective climate action: lower willingness to sacrifice for others’ benefit is associated with lower support for climate policy (which is often framed in terms of sacrifice),101 and lower social trust is associated with lower willingness to pay for climate policy.113 This suggests that cultivating the mass social movement that seems necessary for rapid decarbonization will require initiatives aimed at strengthening the social bonds between groups—not only measures that distribute material resources more equally but also inclusive cultural narratives that enable people to see themselves as part of a common, positive-sum project.110,112 This concludes our synthesis. We have identified 10 mechanisms by which socioeconomic inequalities fuel GHG emissions, summarized in column 3 of Table 1. GREEN NEW DEALS: GOOD POLICY AND GOOD POLITICS

#### Wealth taxes stabilize the economy during the green transition

Braga and Renst 23 [João Paulo Braga, OECD economist with a PhD in Climate Economics, and Ekkehard Ernst, International Labor Organization Economist with a PhD in economics, 08-31-2023, "Financing the green transition. The role of macro-economic policies in ensuring a just transition", Frontiers, https://www.frontiersin.org/journals/climate/articles/10.3389/fclim.2023.1192706/full]/Kankee

To address these issues, Nordhaus proposes “climate clubs”, in which members set an international carbon pricing to minimize their joint “social cost of carbon” and penalize non-members with import tariffs (Nordhaus, 2015). Recently, the EU has announced a Carbon Border Adjustment Mechanism in an attempt to charge carbon-intensive imports the same level of carbon price imposed by the EU ETS.5 Moreover, the World Trade Organization is already discussing the case of removing barriers and reducing tariffs for green and environmental goods and services (Ellard, 2021). Both efforts could add up to existent fiscal policy instruments in incentivizing green investment and protecting green infant industries. Importantly, integrating countries in the Global South in such climate clubs will make it easier to channel resources from green taxes and other green-related price regulation to support the adjustment process in these countries, with a view on successfully leapfrogging toward a sustainable mode of economic development. For the moment, climate finance is characterized by a large home bias with 80 per cent of financial resources generated by climate policies remaining within national borders (IPCC, 2022, ch. 15). However, considering the large natural resources in developing countries and their need to climate adaptation, climate finance is likely to significantly alter international capital flows, with consequences for capital account and exchange rate stability that will need to be properly addressed. The transition to a carbon-neutral economy is likely to affect financial stability as well. For one, current wealth of carbon-intensive firms is tied to a fossil-fuel based production system, making them subject to sudden shifts in valuation should emission costs rise sharply. In the past, such shifts in the sources of energy production have been shown to lead to significant financial market disruptions (Kennedy, 2023). A fast transition to carbon neutrality is likely to lead to a re-assessment of wealth (“stranded assets”) with consequences for portfolio investment decisions, the value of collateral and banking sector stability (Semmler et al., 2022; Hengge et al., 2023). At the same time, rising costs of climate change, for instance in the form of natural disasters, will also affect the financial sector stability, in particular through its impact on premiums for (re-)insurance companies. Internalizing the costs of climate change through a carbon wealth tax rather than through carbon pricing would potentially allow to integrate these wealth effects more directly, thereby contributing to financial sector stability (Bastos Neves and Semmler, 2022). Finally, alignment between different policy goals remains a key issue and one that continues to prevent a faster transition toward a greener economy: specifically, a conflict arises between economic development, socially acceptable transitions and ecological sustainability. As will be discussed in the rest of the paper, green macro policies have the potential to alleviate this trade-off by redirecting any revenues generated from pollution taxes—provided a price and not a quantity restriction is being used—to support job transitions toward greener sectors and occupations (so-called Just Transition, see ILO, 2015). At the international level, new opportunities arise for developing countries to leverage their important natural resources, for instance through payment for eco-system services (Section 3.4). At the national level, countries can opt for rebalancing taxes on capital and labor in order to alleviate the burden on labor (e.g., the German Green Tax reform in 1998). Existing evidence points to possible avenues to create triple wins with carefully designed policies to mitigate this trade-off (Van der Ploeg et al., 2022; see also below Section 4). 3. Green macro policy instruments

#### Climate change destroys the planet – wealth taxes to end unsustainable rich lifestyles are key to solve

Hickel 21 [Jason Hickel, anthropologist and professor at the Autonomous University of Barcelona, 11-15-2021, "What Would It Look Like If We Treated Climate Change as an Actual Emergency?", Current Affairs, https://www.currentaffairs.org/news/2021/11/what-would-it-look-like-if-we-treated-climate-change-as-an-actual-emergency]/Kankee

As the dust settles on COP26, the 26th United Nations Climate Change Conference, the results do not look good. Despite a flurry of headline-grabbing pledges, national commitments bring us nowhere near to meeting the Paris Agreement target of 1.5 degrees. According to Climate Action Tracker, 73% of existing “net-zero” pledges are weak and inadequate—“lip service to climate action.” What is more, a yawning gap remains between pledges, which are easy enough to make, and actual policies, which are all that really count. You can pledge all you like, but what we need is action. Right now existing government policies have us hurtling toward 2.7 degrees of heating in the coming decades. What will happen to our world under these conditions? As temperatures approach 3 degrees, 30-50% of species are likely to be wiped out. More than 1.5 billion people will be displaced from their home regions. Yields of staple crops will face major decline, triggering sustained food supply disruptions globally. Much of the tropics will be rendered uninhabitable for humans. Such a world is not compatible with civilization as we know it. The status quo is a death march. Our governments are failing us—failing all of life on earth. All of this makes it worth asking: What would it look like if we treated the climate crisis like an actual emergency? What would it take to keep global heating to no more than 1.5 degrees? The single most important intervention is the one that so far no government has been willing to touch: cap fossil fuel use and scale it down, on a binding annual schedule, until the industry is mostly dismantled by the middle of the century. That’s it. This is the only fail-safe way to stop climate breakdown. If we want real action, this should be at the very top of our agenda. All of this makes it worth asking: What would it look like if we treated the climate crisis like an actual emergency? What would it take to keep global heating to no more than 1.5 degrees? The single most important intervention is the one that so far no government has been willing to touch: cap fossil fuel use and scale it down, on a binding annual schedule, until the industry is mostly dismantled by the middle of the century. That’s it. This is the only fail-safe way to stop climate breakdown. If we want real action, this should be at the very top of our agenda. How fast this needs to happen depends on the country. Rich countries are responsible for the overwhelming majority of the excess emissions that are causing climate breakdown. They also have levels of energy use that are vastly higher than other countries, and vastly in excess of what is required to meet human needs, with most of the surplus being diverted to service corporate expansion and elite consumption. Zero by 2050 is a global average target. A fair-share approach would require rich countries to eliminate most fossil fuel use by no later than 2030 or 2035, to give poorer countries more time to transition. Let that sink in. It sounds simultaneously dramatic but also so obvious. Fossil fuels account for three quarters of greenhouse gas emissions, and they have to go. A new campaign, endorsed by 100 Nobel laureates and several thousand scientists, calls for a Fossil Fuel Non-Proliferation Treaty to do just that: an international agreement to end fossil fuels on a fair and binding schedule. Why is it, then, that politicians are so unwilling to take this necessary step? Part of it is because they’re too cowardly to face down the fossil fuel companies and their army of lobbyists, who fight tooth and nail to prevent even the most moderate threats to their profits. And part of it is because they’ve bought into the narrative—peddled hard by billionaires and others who have an interest in maintaining the status quo, including the fossil fuel companies themselves—that technology will be developed to suck enough carbon out of the atmosphere such that we can keep burning fossil fuels for the rest of the century. This is the fudge behind “net zero” promises. Of course, carbon removal will have to play a role, but scientists have warned, repeatedly, that it is unfeasible at scale and highly risky: if for whatever reason it fails, we will be locked into a high-temperature trajectory from which it will be impossible to escape. The tricky part is that once we accept this reality, we have to face up to the fact that scaling down fossil fuels fast enough to avoid catastrophe means fundamentally changing the economy. And I mean fundamentally. Think about it. Imagine next year we cut fossil fuel use by 10%. And then the following year we cut it by another 10%. And so on the next year and the next. Even if we throw everything we have at building our renewable energy capacity and improving energy efficiency—which we must do as a matter of urgency—there’s no way we can cover the full gap. The truth is that rich countries are going to have to get by with less energy. A lot less. How can we possibly manage such a scenario? Well, in the existing economy it would be sheer chaos. The price of energy would skyrocket. People would be unable to afford essential goods. Businesses would collapse. Unemployment would rise. Capitalism—which depends on perpetual growth just to stay afloat—is structurally incapable of sustaining such a transition. Fortunately, there’s another way. It is possible to keep global heating under 1.5 degrees, but it requires that we shift into emergency mode. And it requires us to be honest with ourselves about the reality of what has to change. No fairy tales. First, we have to nationalize the fossil fuel industry and the energy companies, bringing them under public control, just like any other essential service or utility. This will allow us to wind down fossil fuel production and use in line with science-based schedules, without having to constantly fight fossil capital and their propaganda. It also allows us to protect against price chaos, and ration energy to where it’s needed most, to keep essential services going. At the same time, we need to scale down less-necessary parts of the economy in order to reduce excess energy demand: SUVs, private jets, commercial air travel, industrial beef, fast fashion, advertising, planned obsolescence, the military industrial complex and so on. We need to focus the economy on what is required for human well-being and ecological stability, rather than on corporate profits and elite consumption. Second, we need to protect people by establishing a firm social foundation—a social guarantee. We need to guarantee universal public healthcare, housing, education, transport, water, and energy and internet, so that everyone has access to the resources they need to live well. And as unnecessary industrial production slows down, we need to shorten the working week to share necessary labor more evenly, and introduce a climate job guarantee to ensure that everyone has access to a decent livelihood—with a basic income for those who cannot work or who choose not to. This is the bread and butter of a just transition. How do you pay for a social guarantee? Any government that has monetary sovereignty can fund it by issuing the national currency; think of quantitative easing, but this time for people and the planet. This is true for all high-income countries, although for EU countries it would have to be done in a coordinated fashion. The crucial thing is that to prevent any risk of inflation, we also have to reduce the purchasing power of the rich. And that brings us to the next key point. Third, we need to tax the rich out of existence. As Thomas Piketty has pointed out, cutting the purchasing power of the rich is the single most powerful way to reduce excess energy use and emissions. This may sound radical, but think about it: it is irrational—and dangerous—to continue supporting an over-consuming class in the middle of a climate emergency. We cannot allow them to appropriate energy so vastly beyond what anyone could reasonably need. How can we do this? One approach would be to introduce a wealth tax. Make it tough enough that rich people will be incentivized to sell off assets that are surplus to actual requirements. We can also introduce a maximum income policy, such that anything over a certain threshold faces a 100% rate of tax. In addition to cutting excess consumption at the top, this approach will reduce inequality and eliminate the oligarchic power that pollutes our politics. Fourth, we need a massive public mobilization to achieve our ecological goals. We need to build our renewable energy capacity, expand public transport, insulate buildings, and regenerate ecosystems. This requires public investment, but it also requires labor. There’s a lot of work to do, and it won’t happen on its own. This is where the climate job guarantee comes in. The job guarantee will ensure that anyone who wants to can train to participate in the most important collective projects of our generation, doing dignified, socially necessary work with a living wage.

#### Unfair carbon taxes lead to populist uproar, backlash, and social unrest – regressive taxes are unfair and misattribute blame for climate change

Driscoll 21 [Daniel Driscoll, Assistant Professor in the Department of Sociology at the University of Virginia, 08-18-2021, “Populism and Carbon Tax Justice: The Yellow Vest Movement in France,” Oxford University Press, https://unlv-primo.hosted.exlibrisgroup.com/permalink/f/6tvje6/TN\_cdi\_crossref\_primary\_10\_1093\_socpro\_spab036]/Kankee

Unequal and Corrupt Taxation: The Government Favors Elites and Burdens the Public Many of the activists argue that they were unfairly targeted with carbon taxation. They believe that they have little voice in the general policymaking process and politicians don’t care about them. Jeff, a journalist, describes the socialization process of “elite” politicians and how that impacted the nature of the carbon tax and their views of “the people”: I think the policy is very symptomatic of who these people are. They are technocrats, bureaucrats; they are coming out of elite schools, which put them at the service of an economic machine that has no end. They almost despise the people. There is a profound contempt, I swear. They do not know how we live. They do not rub shoulders with us or coexist, they do not talk like us, they do not think like us ... the carbon tax is really a symptom of that blindness. For them, a few euros, even 10 or 20 euros is nothing. I think that when they launched the carbon tax, they thought it was nothing – cat piss. Activists are aware of the elite educations that policymakers receive. They resent it and feel cheated because their lives are no better, despite the resources poured into these individuals. Amjhed said, “We paid a lot, a lot of money for these people to go to school to learn how to do politics. In fact, we paid for these people to learn how to steal. That was the reality. It is a scam.”9 Jeff and Amjhed both express clear moral distinctions between “the people” and the “elite.” They feel scammed and that their money is stolen because politicians favor big business in their economic policies, including the carbon tax. Many Yellow Vest activists take issue with exemptions that corporations receive from the carbon tax. One said: A lot of Yellow Vests on Facebook were really upset that Airbus [the aerospace company] is not paying any carbon tax. The government said, “Oh, they have to be competitive so if we tax the carbon of our big companies, they’re going to harm clients.” That’s crap. You know Total, the oil and gasoline company? It’s almost as big as Shell or Exxon. They barely pay the tax in France because they have exemptions. That’s definitely not fair. The Yellow Vests argue they shouldn’t have to pay when companies do not. They also argue that the policy is unfair regionally. People I interviewed from the countryside highlighted the geographic divide as well. Bastien, from a town in the south of France said, “We don’t have great public transportation like Paris.” Jeanne, from a village in the west of France elaborated, “We are really spread out and have to use cars. There is not public transportation in my town like Paris except for two buses, which are infrequent. The tax was a clear disruption of life for us. The effect was immediate.” The Yellow Vests took issue with having to pay the tax when corporations were exempt. It also felt unfair because of the rising inequality and the disproportionate geographic impact on those who relied on cars. Furthermore, many took issue with the revenue use, the majority of which went to the CICE, a corporate tax credit that reduces labor costs for companies. C­eline said: It was ultra-hypocritical, the carbon tax. There is a report from the Court of Auditors that came out, and now it’s proven, in fact, that it didn’t serve to finance the ecological transition or the green tax system. It was used to finance the CICE. So, in fact, it was giving billions to companies that, by the way, themselves are polluting and laying off workers. I mean, it’s a bullshit carbon tax. It’s all bullshit. It’s just to take from the people and give to the rich, literally. Priscillia Ludosky highlighted the injustice of this and describes how this use of the revenue was hidden from the French public: Every politician was saying that they are using the revenue to finance the ecological transition. But then, at the end of 2018, a document was found on the internet. It was sent by the French government to the European Commission showing that the tax was financing the CICE, a fiscal advantage for big companies in France. It’s written that it would help big companies hire people. But instead, they fire people. People didn’t know and now they know. That’s the reason we bother. We say a lot of things they don’t want us to say, and they don’t want the people to know. Though the CICE revenue use is clear in the law itself and known by some tax experts, many argue it was hidden from the French public. Both C­eline and Priscillia highlight how the policy taxes “the people” and revenue goes to “the rich” or “big companies.” Scholars have long discussed how people must trust tax systems for them to work. Tax rates and revenue use, particularly environmental ones, must appear fair for people to accept the policies (Fairbrother 2017). This type of policy, with exemptions and revenue going to corporations, is a clear violation.10 Further, the Yellow Vests argue that having them pay for climate change implies that they are responsible. This further infuriates them because they consider governments and corporations responsible for climate change. The problem of the climate and ecology is not a new problem. Who is doing bad things to nature? Me? You? Him? No. All the big factories. All the governments. They have all the responsibility. Not even part of the responsibility. We are innocent. They are guilty. They want us to pay for their mistakes. No. No. I disagree with this tax. And even though we pay the taxes, the problem is not even fixed. So when you have us pay ecological taxes –I especially disagree. In the end, many argue that the government is made up of corrupt elites. These political elites misrepresent their views, are out of touch, despise them, and tax them unfairly in favor of business or urban elite. Marc, a retired airport worker and union member put it succinctly: Many people are impoverished and now they understand that it is the system itself that has impoverished them. And besides, many of the elite have benefited from this system in one way or another. Sometimes they were corrupt. Such as former President Sarkozy, who has been charged for accepting bribes. So the population understands it was impoverished by people who were themselves corrupt elites. That’s why there is rebellion. Throughout this section, interviewees highlight contrasts between the people and elites. In the following section, I discuss how interviewees describe their precarity and how the impacts of the tax are compounded by it. Precarity—This Policy Is Even Less Fair Because We Are Suffering Not only do Yellow Vests say that the policy taxes them unfairly; it harms them further because many are financially precarious. This makes the policy even more unjust to them. Empirical work provides evidence of rising economic inequality in France (Garbinti, Goupille-Lebret, and Piketty 2018), and all of the Yellow Vests that I interviewed felt living conditions in France have not improved over the last few decades. Athena, an artist, said, “Our salaries are not following the inflation. It’s been 40 years! We are only going from one defeat to another in social movements, and nothing is advancing.” A military veteran, Louis, told me he felt, “There is less freedom, less equality, and less brotherhood.” Many of the activists that I interviewed, including a Yellow Vest group that I conducted participant observation with, lived outside of Paris in less prosperous areas. I went to group meetings in these areas as well. Vivienne, an activist in one group, described her neighborhood to me: It’s all big buildings that are very poor. They were built in 1970s and half falling apart. So it’s very bad living conditions for us, and we all work in the factories around or a bit further away. Priscillia Ludosky described what she constantly heard from people at protests: I meet a lot of people in the demonstrations who say to me, “We are parents. We have e2,000 a month. Before it was great. Now, we don’t live with that because everything has become more expensive.” Now, it’s not a good salary. 10 years ago, it was good. 20 years ago, it was great. Now, it’s not. In many interviews a narrative of decline emerged. One interviewee describes the change in manufacturing jobs and unemployment that took place around Paris in the last few decades and how it transformed life: For a lot of people, they moved outside of Paris to work in factories. But now, a lot of the factories have closed. So they have to go back to work in Paris because every factory in the north and the east closed or went overseas. Coke, car industries, steel, and more. A lot of people are jobless or drive to Paris for work. People moved outside of Paris to work in factories. Later, however, those factories closed. Those people now drive to Paris for work or are left unemployed. With the carbon tax, that commute became increasingly expensive. They feel they are getting hit when they are already down. One activist called it getting “left behind.” Those from the countryside shared similar experiences. Jeff, from northeast France said: In the countryside, we need cars. The car is needed for everything. So the carbon tax will soon rise to 10, 15, 20, 50, 70 euros per month (that’s what people told me). That’s the cost to fill up my car or buy my groceries! Having to pay the tax, while life is increasingly difficult, felt unfair. Alex said, The idea of the carbon tax was to push people to stop using their car or to change for a more environmental model, but the environmental model is expensive. We can’t afford these cars ... I’m here because my pay is not enough to pay my rent, my car, and live. A lot of Yellow Vests say that after they pay rent, school, and taxes, they have nothing. That’s the majority. While life has gotten worse for the common person, it has improved for the rich (Piketty 2019). Simon said, “Rich people in France just continue to become more and more wealthy.” On top of this, many feel the government does not acknowledge these harsh realities. Priscillia Ludosky told me, “The government says that people are lazy. That they do not want to work. That’s what we hear every time.” This has eroded their trust in the government. Amjhed, a handyman, illustrated this in a metaphor: The population has suffered for years. Suffered. And people continue to suffer. And they were trying to communicate their suffering. It’s like someone who goes to their doctor. They tell the doctor, “I’m hurting.” And the doctor says, “Okay ... here are documents, here is some medicine.” But they don’t get better and they come back to the doctor, “I still have the same health problems. Headache, everything else.” The doctor then does not care for them or even look into their mouth. The doctor says, “No, this is an ‘imaginary illnesses.’ You have no problem.” So they no longer trust the doctor. The Yellow Vests feel that they had trusted in the French government at one time, but have slowly lost that trust when they felt their suffering was ignored or dismissed as fantasy. That loss of trust, combined with the stagnation of living conditions, led to what Rodrigo said “exploded with the tax, the straw that broke the camel’s back.” It led to a movement that, with the defacing of historic monuments, according to Marc, was “an attack on the very symbol of their [elite] wealth.” Summary and Moving toward Direct Democracy To summarize, the Yellow Vest movement mobilized around the French carbon tax in several ways. First, the Yellow Vests feel that the government mischaracterized their views on a variety of issues, including climate, to divide the movement. This characterization occurred despite the fact that the anti-climate views come from an extreme minority and most activists care about climate change. Second, the Yellow Vests take issue with the government making them pay a carbon tax when (a) many corporations are exempt; (b) it is felt harder by those in the countryside; (c) much of the revenue goes to corporations; and (d) they do not feel responsible for climate change compared to companies or governments. Third, this carbon tax is considered even less fair because they argue that their living situations are increasingly precarious. Over the years, inequality in France has risen, and they feel that their incomes and salaries have stagnated for a long time. Furthermore, they feel that the government doesn’t take their concerns seriously. One could argue that these perspectives are the rationalizations of those who do not want to seem self-interested. However, the interviewees took the problem of global climate change seriously and have alternative proposals. What does a better climate policymaking strategy look like to interviewees? From the Yellow Vests, I heard two recommendations: (1) make corporations pay; and (2) include the voices of the people more with direct democracy. In the protests I attended, there is a chant that highlights the inequity of the policy: “Those who create pollution, pay for their pollution.” And when I asked activists about fairer climate policy many referenced this chant. Pierre said, “A lot of Yellow Vests talk about ecology. But they all say the big companies have to pay, not us.” These views are directly connected to the fact that corporations receive exemptions and also receive the majority of the tax revenue. Many said, as one activist put it: “We are not against ecology, but we want fair ecology.” Finally, many of them believe that climate change is better addressed with direct democracy. This is why most support a referendum. Many protest signs or yellow vests have “RIC” (referendum) written on them. Like many populists, they are troubled when decisions are made against the general will of the public. They call for popular sovereignty and keeping governments and corporations accountable. DISCUSSION The Yellow Vests focused on their economic precarity and hardship. In many cases, it was exacerbated by the carbon tax. There is little debate that social inequality can fuel popular movements (Lonergan and Blyth 2020; Piketty 2019). Weaker welfare institutions coupled with inequality lead to social unrest (Burgoon 2006; Hochschild 2018), and positional deprivation can drive people to the far right or far left (Burgoon 2006; Halikiopoulou, Nanou, and Vasilopoulou 2012; Vlandas and Halikiopoulou 2019) or to charismatic populist leaders (Garrido 2017). There are non-trivial levels of inequality in France (Garbinti, Goupille-Lebret, and Piketty 2018), and the country is increasingly liberalizing (Amable 2016; Baccaro and Howell 2011). This has led to backlash from the French public (Amable 2017; Delalande 2014; Spire 2018). In some ways, my findings are consistent with expectations based in the literature on populism. Absent from the surveys, but revealed in the interviews, was a strong general script of the Yellow Vests’ distrust in elites. According to them, politicians had placed the tax burden on “everyday people” instead of companies, who were far more responsible for climate change and had conspired to discredit the movement. Research on populism finds the same critical view of elites versus the innocence of “the people” in many popular movements (Calhoun 2016; Cramer 2016). There also can be widespread belief in elite conspiracies and corruption (Mudde and Rovira Kaltwasser 2017; Silva, Vegetti, and Littvay 2017). Furthermore, popular movements can emerge in countries with higher feelings of hopelessness for the future and disaffection with politics and elections. France increasingly fits this pattern (Kroneberg and Wimmer 2012; Zapryanova and Christiansen 2017). Activist support of direct democracy (i.e., popular sovereignty) was ubiquitous in the interviews. Support of direct democracy initiatives is also common for populist movements because it removes decision-making from the “corrupt” elite and places it in the hands of the people (Canovan 2016; Mohrenberg, Huber, and Freyburg 2019). In other respects, my findings run contrary to the current literature on populist opposition to climate change reform. Authoritarian and business-elite “top-down” perspectives would have predicted a denialist, right-wing movement that was subject to the manipulations of either a populist leader or the influence of business-elite ideology. I found a “bottom-up” populist movement, however, that (1) affirmed the reality of climate change; (2) showed concern; and (3) called for action through direct democracy initiatives and holding corporations accountable. They were anti-elite, caring about social justice for “the people.” When most authoritarian or business-elite movements oppose climate reform, the popular movements themselves may not actually have significant grievances directly related to climate change. For example, research on a Canadian anti-climate reform movement revealed that activists, when actually prodded about their views, were far more driven by anti-immigrant attitudes and partisanship than climate change, suggesting that their climate views were more driven by “top-down” ideology (Lachapelle and Kiss 2019). In the Yellow Vest movement, however, because the initial grievance involved the inequities of a climate change reform, climate change entered the discourse with a more populist bent. Because the movement ideology explicitly rejects ties to business-elite and formal leadership, Yellow Vests maintained a balanced view on the issue of climate change, focusing more on social justice. These findings provide a basis for analytic distinctions, not previously made. I compare the Yellow Vest movement with types of popular, “top-down” movements in Table 1.

### Contention 2: Democracy/Inequality

#### Billionaire wealth and inequality is soaring, undermining democracy

Ocampo 24 [Omar Ocampo, researcher for the Program on Inequality and the Common Good at the Institute for Policy Studies, 4-12-2024, "Billionaires are Bad for the Economy, Taxing Them is Good for It", Counter Punch, https://www.counterpunch.org/2024/04/12/billionaires-are-bad-for-the-economy-taxing-them-is-good-for-it/]/Kankee

A new, disturbing milestone has been confirmed in the latest Forbes World Billionaires List. The U.S. billionaire class is now larger and richer than ever, with 813 ten-figure oligarchs together holding $5.7 trillion. This is a $1.2 trillion increase from the year before — and a gargantuan $2.7 trillion increase since March 2020. The staggering upsurge shows how our economy primarily benefits the wealthy, rather than the ordinary working people who produce their wealth. Even worse, those extremely wealthy individuals often use these assets to undermine our democracy. Billionaires have enormous power to influence the political process. They spent $1.2 billion in the 2020 general election and more than $880 million in the 2022 midterms. Even when their preferred candidates aren’t in office, our institutions are still more likely to respond to their policy preferences than the average voter’s, especially when it comes to taxes. The vast majority of Americans, including 63 percent of Republicans, support higher taxes on the wealthy. Yet our representatives consistently fail to deliver. A quintessential example was Donald Trump’s 2017 tax cuts for corporations and the rich — the most unpopular legislation signed into law in the past 25 years. Though backers promised the tax cuts would benefit all Americans, a recent report by the Center on Budget and Policy Priorities revealed that the primary beneficiaries were the top 1 percent. The good news? Those cuts are set to expire after next year. So we’ll have an opportunity for a new tax reform — one that raises more money for the services we rely on while protecting our democracy from extreme wealth concentration. President Joe Biden’s Billionaire Minimum Income Tax (BMIT) is one promising proposal. By raising the top tax rate and taxing unrealized capital gains, the BMIT seeks to repair a system where billionaires pay a lower average tax rate than working people. It would raise $50 billion a year over the next decade, making our tax system a bit more equitable. Senator Ron Wyden’s (D-OR) similarly named Billionaire Income Tax (BIT) is more straightforward. It would target asset gains that can easily be tracked by the public, like a billionaire’s stock holdings in a publicly traded company. Another idea? A well-designed progressive tax on billionaire wealth. A modest 5 percent tax on all wealth above $1 billion would raise more than $244 billion this year alone. And that’s likely an underestimate, since some billionaires keep their wealth concealed from Forbes. Wealth-X, a private research firm, identified 955 billionaires in their Census last year, 142 more than what Forbes just registered. A wealth tax wouldn’t hurt investment and innovation — most innovation in the U.S. is driven by people worth less than $50 million. But for billionaires, it would function “as a constraint on their rate of wealth accumulation,” according to Patriotic Millionaires, a group of wealthy people who support higher taxes on the rich.

#### Inequality destroys the economy and democracy – wealth taxes solve

Lowrey 19 [Annie Lowrey, staff writer at The Atlantic and graduate from Harvard, 10-7-2019, "Cancel Billionaires", Atlantic, https://www.theatlantic.com/ideas/archive/2019/10/cancel-billionaires/599587/]/Kankee

Right-leaning politicians and billionaires describe proposals for a wealth tax as the worst kind of personal-grievance politics. Why blame the biggest boats for the fact that the rising tide is not lifting all of them? Those on the left say a wealth tax is necessary to alleviate poverty. Why not tax the biggest boats to help out the little boats? But there are far more urgent reasons than poverty to get rid of billionaires and reverse the trend of economic polarization. A growing body of economic and political-science research demonstrates that Gilded Age–type inequality does not just mean having too many with too little. It is warping the very social fabric of the country, stifling mobility, innovation, investment, and growth, and putting the country at political risk. Dramatic inequality in wealth means dramatic inequality in terms of political power means a political system unresponsive to what most people want. Wealth inequality, in other words, is an anti-democratic force. A remarkable study by Lee Drutman found that just 31,385 people—one ten-thousandth of the population—accounted for more than a quarter of all political donations in the 2012 campaign cycle, with politicians getting more money from fewer people than in any other year analyzed. No wonder low-income households’ policy preferences have little effect on political outcomes in the United States, whereas high-income households’ policy preferences do, as research by Martin Gilens of Princeton University and Benjamin Page of Northwestern forcefully shows. One of those political outcomes? Inequality itself: Unequal societies tend not to correct their own inequality, because of the political influence of the rich. The country’s inequality is also stifling mobility and damaging the country’s human capital. As the country has become more unequal, it has also become more sclerotic and class-dominated. Despite all the money the government spends on public education, private education, health, and welfare, rich kids are likely to stay rich and poor kids are likely to stay poor. Measures of absolute mobility have fallen: Children born in 1940 had a 90 percent chance of doing better than their parents did, whereas children born in the 1980s had just a 50 percent chance of the same. The steps of the income ladder are too far apart for kids to climb them, in other words. Safe neighborhoods, quality education, and security at home are out of reach for too many children. Inequality is now driving a longevity gap, an educational-attainment gap, and a health gap. It lurks behind the country’s falling entrepreneurship rate, too. The country will not prosper through growth alone, but only through sharing its prosperity more widely. Inequality, finally, is likely affecting growth—in no small part because it is affecting the country’s human capital, making it hard for would-be entrepreneurs and scientific geniuses and business leaders who happen to be born toward the bottom of the income scale to fulfill their potential. If the rich have all the money, there is less spending throughout the whole of the economy and fewer opportunities for businesses to pursue. One study by the Organization for Economic Cooperation and Development found that rising inequality slashed five percentage points from the United States’ GDP per capita from 1990 to 2010. Given all this evidence, wealth taxes are not simply a way to pay for programs for the poor. They are a way of reducing the incentive for the rich to soak up all that money in the first place. They are a way of pushing the steps of the income ladder closer together to make them easier to climb. They are a way of ending what two leading economists on inequality, Emmanuel Saez and Gabriel Zucman, call “oligarchic drift,” and its attending political risks. They are a way of building a healthier economic future for everyone—including those 400 families up at the tippy top.

#### Wealth taxes reduce inequality – consensus view

Saez and Zucman 19 [Emmanuel Saez, Professor of Economics at UC Berkeley and Director for the Center for Equitable Growth, and Gabriel Zucman, assistant Professor of Economics at UC Berkeley, 2019, “Progressive Wealth Taxation,” Brookings, https://www.brookings.edu/wp-content/uploads/2020/10/Saez-Zuchman-final-draft.pdf]/Kankee

IV.B. Effects on Wealth Inequality A well-enforced wealth tax would reduce wealth concentration. That seems to be a consensus view among economists: in the IGM poll on wealth taxes, 73 percent of economists agreed and only 12 percent disagreed with such a statement (results weighted by self-reported expertise).76 The reason is simple: if the rich have to pay a percentage of their wealth in taxes each year, it makes it harder for them to maintain or grow their wealth. Changes in consumption versus saving can exacerbate this effect. With a wealth tax, wealthy taxpayers may decide to spend more today and save less (this is the substitution effect: consuming now rather than later becomes relatively cheaper). Changes in consumption versus saving could conversely dampen this effect if the wealthy decide to spend less to preserve their wealth (this is the wealth effect, as the wealth tax reduces economic resources of the taxpayer). In any case, the wealth of people subject to the tax is expected to rise more slowly after the introduction of the wealth tax than before. There is relatively little empirical work evaluating whether a progressive wealth tax can reduce wealth concentration. One recent exception is Jakobsen and others (2019), who exploit compelling identification variation with the Danish wealth tax and find that the longrun elasticity of wealth with respect to the net-of-tax return is sizable at the top of the distribution. IV.C. Effects on the Capital Stock

#### Wealth taxes are the #1 solution to inequality

Saez and Zucman 19 [Emmanuel Saez, Professor of Economics at UC Berkeley and Director for the Center for Equitable Growth, and Gabriel Zucman, assistant Professor of Economics at UC Berkeley, 2019, “Progressive Wealth Taxation,” Brookings, https://www.brookings.edu/wp-content/uploads/2020/10/Saez-Zuchman-final-draft.pdf]/Kankee

VI. Conclusion What can we conclude from our analysis about the prospects for progressive wealth taxation in the United States? First, the wealth tax is likely to be the most direct and powerful tool to restore tax progressivity at the very top of the distribution. The greatest injustice of the U.S. tax system today is its regressivity at the very top: billionaires in the top four hundred pay less (relative to their true economic incomes) than the middle class. This regressivity is the consequence of the erosion of the corporate and estate taxes and the fact that the richest can escape the income tax by reporting only half of their true economic incomes on their individual income tax returns. A wealth tax with a high exemption threshold specifically targets the richest and could resolve this injustice. Second, our analysis shows that the wealth tax has great revenue- and wealth-equalizing potential in the U.S. context. Household wealth has grown very large in aggregate (five times annual national income in 2018), and the rich own a growing fraction of it (around 20 percent is owned by the top 0.1 percent of families). The wealth tax, if the tax rates are high enough, is also a powerful tool to deconcentrate wealth. Wealth among the Forbes 400 has grown about 4.5 percentage points faster annually than average since 1982. A wealth tax of 2 or 3 percent per year can put a significant dent in this growth rate advantage. With successful enforcement, a wealth tax must either deliver revenue or deconcentrate wealth.90 Set the rates low (1 percent) and you get revenue in perpetuity but little (or very slow) deconcentration. Set the rates medium (2–3 percent) and you get revenue for a long time and deconcentration eventually. Set the rates high (significantly above 3 percent) and you get deconcentration quickly but revenue does not last long. Which is best depends on one’s objectives. Can a wealth tax be successfully enforced? Our review of past and foreign experiences in addition to recent empirical work tells us that enforcement is a policy choice. We certainly have plenty of evidence showing that a poorly designed wealth tax generates a lot of avoidance and little revenue. But we have also learned lessons about how to design a wealth tax well. First, cracking down on offshore tax evasion, as the United States has started doing with FATCA, is crucial. Second, taxing expatriates, as the United States currently does, is also very important to prevent the mobile wealthy from avoiding the tax. Third, systematic reporting of wealth balances (instead of relying on self-assessments as for the estate tax) is a necessary condition for good enforcement, as the income tax amply demonstrates. Finally, the issue of valuation of closely held businesses is key for the integrity of the wealth tax. Our view is that the government has to create the currently missing (or highly private) markets for equity of large closely held businesses. It is often the case that accounting rules develop in synergy with the tax system. As a caveat, it is important to note that progressive wealth taxes are fragile and susceptible to being undermined. The left could undermine its political support by lowering the exemption threshold too much and creating hardship for the illiquid merely rich. The right could then undermine its effectiveness by providing exemptions (and hence loopholes) for certain asset classes or by imposing tax limitations based on income.

#### Runaway inequality destroys the economy, implodes the climate, sparks populist outrage, and kills democracy – wealth taxes solve

Stiglitz et al. 20 [Joseph E. Stiglitz, University Professor of Economics at Columbia University, Todd N. Tucker, Fellow at the Roosevelt Institute, and Gabriel Zucman Associate Professor of Economics at UC Berkeley, Jan/Feb 2020, "The Starving State: Why Capitalism's Salvation Depends on Taxation.", Foreign Affairs, https://go-gale-com.ezproxy.library.unlv.edu/ps/i.do?p=AONE&u=unlv\_main&id=GALE%7CA609585298&v=2.1&it=r&aty=ip]/Kankee

For millennia, markets have not flourished without the help of the state. Without regulations and government support, the nineteenth-century English cloth-makers and Portuguese winemakers whom the economist David Ricardo made famous in his theory of comparative advantage would have never attained the scale necessary to drive international trade. Most economists rightly emphasize the role of the state in providing public goods and correcting market failures, but they often neglect the history of how markets came into being in the first place. The invisible hand of the market depended on the heavier hand of the state. The state requires something simple to perform its multiple roles: revenue. It takes money to build roads and ports, to provide education for the young and health care for the sick, to finance the basic research that is the wellspring of all progress, and to staff the bureaucracies that keep societies and economies in motion. No successful market can survive without the underpinnings of a strong, functioning state. That simple truth is being forgotten today. In the United States, total tax revenues paid to all levels of government shrank by close to four percent of national income over the last two decades, from about 32 percent in 1999 to approximately 28 percent today, a decline unique in modern history among wealthy nations. The direct consequences of this shift are clear: crumbling infrastructure, a slowing pace of innovation, a diminishing rate of growth, booming inequality, shorter life expectancy, and a sense of despair among large parts of the population. These consequences add up to something much larger: a threat to the sustainability of democracy and the global market economy. This drop in the government's share of national income is in part the result of conscious choices. In recent decades, lawmakers in Washington--and, to a somewhat lesser extent, in many other Western countries--have embraced a form of fundamentalism, according to which taxes are a hindrance to economic growth. Meanwhile, the rise of international tax competition and the growth of a global tax-avoidance industry have put additional downward pressure on revenues. Today, multinationals shift close to 40 percent of their profits to low-tax countries around the world. Over the last 20 years, according to the economist Brad Setser, U.S. firms have reported growth in profits only in a small number of low-tax jurisdictions; their reported profits in most of the world's major markets have not gone up significantly--a measure of how cleverly these firms shift capital to avoid taxes. Apple, for example, has demonstrated as much inventiveness in tax avoidance as it has in its technical engineering; in Ireland, the technology giant has paid a miniscule annual tax rate as low as 0.005 percent in some years. It is not just corporations that engage in tax avoidance; among the superrich, dodging taxes is a competitive sport. An estimated eight percent of the world's household financial wealth is hidden in tax havens. Jurisdictions such as the Cayman Islands, Panama, and Switzerland have structured their economies around the goal of helping the world's rich hide their assets from their home governments. Even in places that don't show up on international watch lists--including U.S. states such as Delaware, Florida, and Nevada--banking and corporate secrecy enable people and firms to evade taxes, regulation, and public accountability. Unchecked, these developments will concentrate wealth among a smaller and smaller number of people, while hollowing out the state institutions that provide public services to all. The result will be not just increased inequality within societies but also a crisis and breakdown in the very structure of capitalism, in the ability of markets to function and distribute their benefits broadly. A WORLD FOR PLUTOCRATS The parlous state of affairs today stems from policy choices that allowed elites to limit the reach of governments, including their ability to implement taxes. In the United States, the Supreme Court has at various times played the role of guardian of plutocratic privilege, making legally dubious rulings against a direct income tax in 1895 and early New Deal policies in the 1930s. At the state level, an emphasis on sales taxes over property taxes shifted the burden disproportionately onto the poor and people of color, while sheltering wealthier white households. Despite these obstacles, the United States succeeded in implementing one of the world's most progressive tax systems from the 1930s to the late 1970s, with top marginal income tax rates exceeding 90 percent, top estate tax rates nearing 80 percent, and effective tax rates on the very wealthy of about 60 percent at the middle of the century. But the administration of President Ronald Reagan dismantled this system, slashing the top marginal income tax rate to 28 percent in 1986, at the time the lowest among industrialized countries. There was a brief moment in 2010 when the estate tax was phased out completely under the terms of President George W. Bush's 2001 and 2003 tax cuts (those cuts were repealed in 2011, and the estate tax was reinstated). The Bush administration broke with historical norms by starting a war in 2003 at the same time as it lowered taxes on the rich. It slashed top marginal rates, especially on those earning income from capital, while launching a calamitous war in Iraq that is estimated to have cost the United States upward of $3 trillion. In 2017, the Trump administration pushed this trend still further, not only lowering top marginal tax rates and corporate taxes but also creating so-called opportunity zone schemes that allow the wealthy to avoid capital gains taxes by investing in poor neighborhoods. In practice, however, real estate developers have used the new tax incentives to build luxury condos and yoga studios in affluent communities that are adjacent to--and even included in--the opportunity zones. Over the last four decades, new loopholes, the rise of a cottage industry of advisers eager to help firms avoid taxes, and the spread of a corporate culture of tax avoidance have led to a situation in which a number of major U.S. companies pay no corporate taxes at all. This phenomenon is hardly unique to the United States. Many governments around the world have made their tax systems less progressive, all in the context of rising inequality. This process has been driven by reductions in the taxation of capital, including the fall of corporate taxes. The global average corporate income tax rate fell from 49 percent in 1985 to 24 percent in 2018. Today, according to the latest available estimates, corporations around the world shift more than $650 billion in profits each year (close to 40 percent of the profits they make outside the countries where they are headquartered) to tax havens, primarily Bermuda, Ireland, Luxembourg, Singapore, and a number of Caribbean islands. Much of the blame lies with the existing transfer price system, which governs the taxation of goods and services sold between individual parts of multinational companies. This system was invented in the 1920s and has barely changed since then. It leaves important determinations (such as where to record profits) to companies themselves (regardless of where the profit-making activity took place), since the system was designed to manage the flows of manufactured goods that defined the global economy in the 1920s, when most trade occurred between separate firms; it was not designed for the modern world of trade in services, a world in which most trade takes place between subsidiaries of corporations. When one of us (Stiglitz) chaired the Council of Economic Advisers, in the 1990s, under President Bill Clinton, he waged a quiet but unsuccessful campaign to change the global system to the kind used within the United States to allocate profits between states (this arrangement is known as "formulary apportionment," whereby, for the purpose of assessing a company's tax, profits are assigned to a given state based on the share of the firm's sales, employment, and capital within that state). Entrenched corporate interests defended the status quo and got their way. Since then, intensifying globalization has only further encouraged the use of the transfer price system for tax dodging, compounding the problems posed by the flight of capital to tax havens. Nowhere is tax avoidance more striking than in the technology sector. The richest companies in the world, owned by the richest people in the world, pay hardly any taxes. Technology companies are allowed to shift billions of dollars of profits to places such as Jersey, one of the Channel Islands, where the corporate tax rate is zero, with complete impunity. Some countries, including France and the United Kingdom, have attempted to impose a tax on some of the revenues the technology giants generate in their jurisdictions. But France's small, three percent tax, for example, has only reinforced the need for a new global agreement, for the tax does not go far enough; it targets only the digital sector, even though profit shifting is rampant across the board, including in the pharmaceutical, financial services, and manufacturing industries. HOW THE RICHEST GET RICHER Many policymakers, economists, corporate tycoons, and titans of finance insist that taxes are antithetical to growth. Opponents of tax increases claim that firms will reinvest more of their profits when less gets siphoned off by the government. In this view, corporate investment is the engine of growth: business expansion creates jobs and raises wages, to the ultimate benefit of workers. In the real world, however, there is no observable correlation between capital taxation and capital accumulation. From 1913 to the 1980s, the saving and investment rates in the United States have fluctuated but have usually hovered around ten percent of national income. After the tax cuts in the 1980s, under the Reagan administration, capital taxation collapsed, but rates of saving and investment also declined. The 2017 tax cut illustrates this dynamic. Instead of boosting annual wages by $4,000 per family, encouraging corporate investment, and driving a surge of sustained economic growth, as its proponents promised it would, the cut led to miniscule increases in wages, a couple of quarters of increased growth, and, instead of investment, a $1 trillion boom in stock buybacks, which produced only a windfall for the rich shareholders already at the top of the income pyramid. The public, of course, is paying for the bonanza: the United States is experiencing its first $1 trillion deficit. Lower taxes on capital have one main consequence: the rich, who derive most of their income from existing capital, get to accumulate more wealth. In the United States, the share of wealth owned by the richest one percent of the adult population has exploded, from 22 percent in the late 1970s to 37 percent in 2018. Conversely, over the same period, the wealth share of the bottom 90 percent of adults declined from 40 percent to 27 percent. Since 1980, what the bottom 90 percent has lost, the top one percent has gained. This spiraling inequality is bad for the economy. For starters, inequality weakens demand: the bulk of the population has less money to spend, and the rich don't tend to direct their new income gains to the purchase of goods and services from the rest of the economy; instead, they hoard their wealth in offshore tax havens or in pricey art that sits in storage bins. Economic growth slows because less money overall is spent in the economy. In the meantime, inequality is passed down from generation to generation, giving the children of the wealthy a better shot at getting into the top schools and living in the best neighborhoods, perpetuating a cycle of ever-deeper division between the haves and the have-nots. Inequality also distorts democracy. In the United States especially, millionaires and billionaires have disproportionate access to political campaigns, elected officials, and the policymaking process. Economic elites are almost always the winners of any legislative or regulatory battle in which their interests might conflict with those of the middle class or the poor. The oil magnates the Koch brothers and other right-wing financiers have successfully built political machines to take over state houses and push anti-spending and anti-union laws that exacerbate inequality. Even rich individuals who are seen as more politically moderate-technology executives, for instancetend to focus their political efforts on narrow technocratic issues rather than the distributional conflicts that define today's politics. MAKE THEM PAY Nothing less than a bold new regime of domestic and international taxes will save wealthy democracies and economies from the distortions and dangers of rampant inequality. The first order of business should be establishing a fiscal system that generates the tax revenue required for a twenty-first-century economy--an amount that will need to be even higher than those prevalent in the middle of the twentieth century, the period of the fastest economic growth in the United States and in which prosperity was more evenly shared. In today's innovative economy, governments will need to spend more on basic research and education (12 years of schooling might have sufficed in 1950, but not today). In today's urbanized society, governments need to spend more on expensive urban infrastructure. In today's service economy, governments need to spend more on health care and caring for the aged, areas in which the state has naturally played a central role. In today's dynamic and ever-changing economy, governments will have to spend more to help individuals cope better with the inevitable dislocations of economic transformation. Addressing the existential problem of climate change will also require large amounts of investment in green infrastructure. With more and more income going to the very wealthy and to corporations, only a far more progressive tax code will provide the necessary level of revenue. There is no reason that the salaries of workers should be taxed at a higher rate than capital. Plumbers, carpenters, and autoworkers should not pay a higher rate than private-equity managers; mom-and-pop retailers should not pay a higher rate than the world's richest corporations. The next step would be to eliminate special provisions that exempt dividends, capital gains, carried interest, real estate, and other forms of wealth from taxation. Today, when assets are passed on from one generation to another, the underlying capital gains escape taxation altogether; as a consequence, many wealthy individuals manage to avoid paying capital gains taxes on their assets. It is as if the tax code were designed to create an inherited plutocracy, not to create a world with equality of opportunity. Without increasing tax rates, eliminating these special provisions for the owners of capital--making them pay the same rate as workers--would generate trillions of dollars over the next ten years. Another improvement would be a wealth tax, such as the one recently proposed by Elizabeth Warren, the Democratic U.S. senator from Massachusetts who is currently running for president. She has proposed a tax of two percent on wealth above $50 million and six percent on wealth above $1 billion. Such a tax could raise nearly $3.6 trillion over the next decade. It would be paid by the 75,000 richest American familiesless than 0.1 percent of the population. To curb the evasion of income and wealth taxes, countries will have to cooperate much more with one another. Instead of allowing rich people and corporations to hide their assets through elaborate offshore trusts and other legal vehicles, countries must create a global wealth registry that records the ultimate owners of all assets. The United States could start by drawing on the comprehensive information that already exists within private financial institutions such as the Depository Trust Company. The European Union could easily do the same, and these registries could eventually be merged. Governments would also have to tax corporations chartered in their jurisdictions on their global income and not allow them to shift money to low-tax jurisdictions through the use of subsidiaries or other means. Instead of effectively letting firms self-declare the national provenance of their profits, governments should attribute taxable corporate income to places through formulary apportionment. Under this system, Apple could not get away with its profit-shifting gimmicks. Finally, a global minimum tax should be instituted to set a floor on how low would-be tax havens could drop their rates. Once these new rules are in place, they will need adequate enforcement--as will the tax laws already on the books. The Internal Revenue Service has been devastated in recent years, losing thousands of employees between 2010 and 2016, a trend that has only gotten worse in the Trump era. The agency needs to add thousands of employees, offer them competitive salaries, and upgrade its outdated information technology systems. At the international level, policymakers have to find the right mode of cooperation that will produce the best and most rigorous enforcement of tax collection. One option would require the biggest developed economies (the United States and western European countries) to move first, demanding that firms that trade in their markets follow the new rules and using diplomatic pressure to get other countries to adopt a similar system (which would benefit them through the collection of tax revenue they cannot tap now). There is a substantial debate raging over whether the world needs new trade agreements after decades of trade liberalization have boosted inequality within countries; regardless, it would make sense to condition the signing of any new trade deals on adherence to stricter rules on tax cooperation. There may be room for a multilateral approach--for instance, by turning the currently beleaguered World Trade Organization into a body that could help with tax enforcement and other matters of international cooperation, such as climate change. Substantial changes would be needed to the culture and personnel of the WTO to make that happen. Whichever path governments choose, it is important to recognize that there is an alternative to neoliberal trade policy. Instead of a model that limits the ability of sovereign states to guard against the flight of capital and tax avoidance, governments can build a model of trade that supports tax justice. In the United States, most of these reforms could be achieved within the existing constraints of the U.S. Constitution. There is a debate about the wealth tax, which conservatives have claimed would run up against constitutional strictures on direct taxation; many historians and legal scholars dispute this conservative objection. Some critics might also allege that these proposals are too extreme, claiming that they will discourage investment, hurt the economy, and slow down growth. Nothing could be further from the truth. In fact, what is truly extreme is the experiment in taxation that began during the Reagan era, when tax rates on the rich and corporations began their dramatic descent. The results have been clear: slow growth, high deficits, and unprecedented inequality. REVIVING THE STATE These enormous problems have created demands for even more extensive reforms. As younger voters tilt further to the left, delaying an overhaul of the current tax regime and continuing to strip revenue from the state may give rise to policy changes that are far more radical than those outlined here. A more chilling threat might come from the right: time and again, authoritarians and nationalists have proved adept at channeling public anger over inequality and exploiting it for their own ends. By eating up the state, capitalism eats itself. For centuries, markets have relied on strong states to guarantee security, standardize measures and currencies, build and maintain infrastructure, and prosecute bad actors who attain their wealth by exploiting others in one way or another. States lay the basis for the healthy, educated populations that can participate in and contribute to the successful flourishing of markets. Allowing states to collect their fair share of revenue in the form of taxes will not usher in a dystopian era of oppressive government. Instead, strengthening the state will return capitalism to a better path, toward a future in which markets function in the interests of the societies that produce them, and in which the benefits of economic activity will not be restricted to a vanishingly small elite.

#### Inequality causes democratic backsliding – wealth taxes are key

Palanský and Schultz 24 [Miroslav Palanský, Assistant Professor of Economics at the CORPTAX group at Charles University with a Ph.D. in Economics from the Institute of Economic Studies at Charles University, and Alison Schultz, Research Fellow at the Tax Justice Network with a Ph.D. in Finance from the University of Mannheim, 08-2024, “Taxing extreme wealth: What countries around the world could gain from progressive wealth taxes,” Tax Justice, https://taxjustice.net/wp-content/uploads/2024/08/Taxing-extreme-wealth-What-countries-around-the-world-could-gain-from-progressive-wealth-taxes-Tax-Justice-Network-working-paper-Aug-2024.pdf]/Kankee

Myth 5: Inequality is no reason for concern. Inequalities are sometimes justified by considering them an acceptable or ‘natural’ byproduct of societies that present themselves as meritocratic. This is in contrast to the fact that inequality – in particular wealth inequality, both across and within countries – has reached all-time highs (Blanchet and Martínez-Toledano 2023). Extensive inequality not only destroys social cohesion and fragments societies but also undermines trust in democratic systems, opening the door to authoritarian and nativist regimes, as highlighted by the United Nations (UNDESA 2020). Societies characterized by inequality tend to bear a heavier burden of various health and social issues, including deteriorating physical and mental health, diminished life expectancy, elevated homicide rates, lower academic performance in mathematics and literacy among children, increased prevalence of drug abuse, and a higher rate of incarceration (Pickett and Wilkinson 2015, 2010; Bird et al. 2019; Elgar et al. 2012; Kubiszewski et al. 2023; Pybus et al. 2022; Wilkinson and Pickett 2017). The escalating inequality levels in most countries are, therefore, a cause for serious concern. Implementing a moderate, progressive tax on extreme wealth is one approach to mitigate this inequality. Myth 6: If wealth taxes are increased, wealthy individuals will simply relocate.

#### Regressive taxes destroy democracy and the climate

Robeyns 24 [Ingrid Robeyns, holds the chair in ethics of institutions at Utrecht University, 01-17-2024, "The Case for Capping Wealth at $10 Million", Nation, https://www.thenation.com/article/economy/wealth-cap-limitarianism-davos/]/Kankee

But critics of this system, even wealthy ones, are getting louder. On January 15, Oxfam released its annual report on global wealth inequality, with the revealing title “Inequality Inc.: How Corporate Power Divides Our World and the Need for a New Era of Public Action.” And multimillionaires Stefanie Bremer and Marlene Engelhorn are in Davos to protest and deliver a letter signed by 250 millionaires in which they demand that governments tax the richest much more than they currently do. When they argue for taxing the rich, both Oxfam and the activist millionaires typically refer to the dangers of societal instability and the harmful effects of rising inequalities. As the millionaires argue in their letter, the current economic system with its unfair tax system “has given us stagnating wages, crumbling infrastructure, failing public services, and destabilizing the very institution of democracy.” They are right, of course. But we should oppose the concentration of wealth on even more grounds than the ones Oxfam and the activist millionaires raise in their reports. As I argue in Limitarianism: The Case Against Extreme Wealth, there should be an upper limit to how much personal wealth any individual can have. And that limit does not lie at a billion: Instead, we should look more in the range of $10 million as a hard cap on personal wealth. And we should encourage everyone to voluntarily not keep more than they need for a decent lives—and in countries with a proper safety net, that implies not keeping more than $1 million in wealth. Oxfam and the activist millionaires rightly sense that at some point having more money doesn’t add to a person’s quality of life and that we need to have that money invested in infrastructure and public services. They are also right about the negative effects of excess wealth on democracy. The superrich have a disproportionate influence on political parties and in Congress, given that they have the resources for campaign funding, as well as for lobbying. This has led to changes in economic policies that have increased the economic power of their corporations and allowed them to get away with paying fewer taxes. They have also bought up media—newspapers, television, Twitter—and in that way have shaped public, even if these media spread misinformation and undermine democracy. Further, we see very many fortunes built on the exploitation of vulnerable people—often people of color and often in faraway countries, which presumably makes it easier for the shareholders who get rich to look away. We can atone for some past abuses by compensating people whose ancestors were enslaved. (This would have the added benefit of reducing some large fortunes and shrink the racial wealth gap.) Capping wealth would make it pointless to try to endlessly increase profits at the expense of the lives of the most vulnerable people, as is currently the case. But the immediate point is that much of the money on which billionaires are sitting is stained with the blood of the poor, and therefore they should not keep it. Another reason we should limit personal wealth is that wealth concentration accelerates ecological destruction. Very wealthy people are disproportionally responsible for climate change, both because of their luxurious lifestyles and their investments in the fossil industries. While the annual emissions per person for the poorest 50 percent of the world population are less than one and a half tons of CO2 per year, the top 1 percent emits on average 101 tons per person and billionaires’ luxurious lifestyles can cause carbon footprints of several thousand tons. The truth about climate injustice is, however, an uncomfortable one for a much larger group of people than the 1 percent. A recent study from the Stockholm Environmental Institute commissioned by Oxfam showed that the 1 percent are responsible for 16 percent of all emissions, yet the next 9 percent are also responsible for a disproportionate share—some 34 percent of all emissions. Yet, while the lesson to draw from this is that we need a new economic system as well as a shift in personal lifestyle choices to bring emissions down, there is an important difference between the 1 percent and the next 9 percent—and that is that the 1 percent are sitting on the fortunes that can address the climate crisis. Rather than letting the ultra-rich accumulate their wealth further in polluting industries, there should be a global push to take all the surplus money that the richest do not need for their own quality of life and use it to save the lives of billions of people who will suffer from a climate breakdown that they did not cause. Since there are no signs that they are volunteering to do so, governments must force them. These arguments have typically been used to argue for increased taxation on the superrich. But raising taxes will not be enough, since once they have acquired fortunes, most superrich will do what they can to avoid paying taxes. We must also transform the economic system (including the fiscal system) to make it impossible for anyone to become too rich. Excessive wealth and the extreme inequality that comes with it harm people and harm the planet. Moreover, the very wealthy have something to gain with capping wealth too, since the endless quest for money corrodes the soul. There is one reason we should limit inequality that is independent of its harmful consequences: Extreme wealth is undeserved. For anyone who grew up in the neoliberal era in which meritocracy is the ideal, this argument might be the most difficult to grasp, given that it requires a change of perspective on human nature and society. Indeed, some of the activist millionaires who advocate higher taxation still cherish meritocracy. But let me be clear: No one deserves to be a multimillionaire. Some limited inequalities in income and wealth can be justified: those based on the amount of time one devotes to work, the burdens of the work, and if one makes exceptional efforts or takes exceptional risks. Or as an incentives-payment in case society needs more people to choose to do certain kind of work. But none of these factors justify the inequalities that we are witnessing today. There are two factors that most influence our ability for economic success. The first factor is luck. Our parents and family, our health, impairments and talents, the people who raised and educated us: all factors that to a very large extent are beyond our control. One important source of economic wealth is completely undeserved: inheritance, as well as gifts that parents make to educational institutions and start-ups. Even the structures of markets are such that luck plays a very large role in deciding who becomes a CEO, the billionaire pop star, or makes the product that beats the competition. The second factor is the structures that previous generations have built and that allow us to economically flourish. Our economic success stands on the shoulders of investments made by previous generations and innovations initiated by governments or non-profit-seeking scientists. The superrich who worked hard can say they deserve a decent amount of money, but they cannot claim that they deserve the fortunes they currently have. The activist millionaires might be right that the leaders in Davos and their fellow millionaires can be more easily moved by the threat of pitchforks or economic instability. Yet the reasons for massively reducing extreme wealth and limiting excessive wealth concentration are much more fundamental. Let’s hope the Davos delegates will have the guts to debate these arguments too.

#### Inequality causes crime

Pizzigati 24 [Sam Pizzigati, labor journalist and Institute for Policy Studies associate fellow, 05-08-2024, "The Price We Pay for Bezos and Gates? Less Moral Societies", Common Dreams, https://www.commondreams.org/opinion/bezos-gates-less-moral-societies]/Kankee

“Without the possibility of amassing significant wealth,” this think-tanker went on to add, “we wouldn’t have benefited from the contributions of entrepreneurs like Bezos and Bill Gates.” But those “contributions,” researchers have made plain over recent years, have all come at an exceptionally high price. People who live in societies with wide gaps between the wealthy and everyone else turn out to live briefer lives than people who call more equal societies home. People who live in more equal societies, meanwhile, tend to live happier lives than their unequal-society counterparts. They face less crime. Their economies crash less often. Epidemiologists and economists the world over are exploring all these sorts of phenomena. So are sociologists and political scientists. And, over recent years, psychologists have been jumping big-time into the fray, as an analysis from Northwestern University’s Kellogg School of Management has just highlighted. One example: Recent studies from Northwestern’s Maryam Kouchaki and her colleagues Christopher To from Rutgers and Dylan Wiwad, a former Kellogg postdoc, have been illuminating how unequal distributions of income and wealth are serving to increase “the acceptability of self-interested unethical behaviors.” Why do unequal societies tend to be more accepting of this “immoral behavior”? Kouchaki and her colleagues have been exploring that question. They’ve dug deep into huge international data sets that go back decades. They’ve also conducted experiments to dig even deeper into the psyches of both high- and low-inequality societies. One of these fascinating experiments, involving some 800 participants, used images of ladders to help show how levels of inequality can impact attitudes on the importance of behaving ethically. The research team showed the participants five different ten-rung ladders. Each ladder represented a different society, with each ladder rung representing 10% of each society’s population. The top rung represented the richest 10%, the bottom the poorest. Upon each rung, the researchers placed images of money bags to indicate the total net worth of households in each particular 10%. In the most equal of these five ladder societies, no one rung carried many more money bags than any other rung. In the most unequal ladder societies, just the opposite. In these unequal societies, the overwhelming bulk of the money bags sat on the ladders’ top-most rungs. Northwestern’s Kouchaki and her colleagues then asked their experiment’s participants to choose the ladder image that best reflected the distribution of wealth in their own real-life society. They also asked these participants to rate how acceptable unethical behaviors—everything from cheating on exams to illegally downloading software—have become in their own real-life societies. The bottom line from this particular experiment matched up with the findings from all the rest of this research effort: People who live in highly unequal societies feel “a lower sense of control” and look less askance at unethical behaviors, either from others or from themselves, than do people who live in distinctly more equal societies. “Overall,” Kouchaki and her colleagues conclude, “our results suggest inequality changes ethical standards.” Other recent psychological research has come to the same core conclusion. “When are people more open to cheating?” asked the Canadian researchers Anita Schmalor, Adrian Schroeder, and Steven Heine in a paper published earlier this year. “Economic inequality makes people expect more everyday unethical behavior.” The longer we let inequality define our contemporary daily lives, this new research helps us understand, the more the unethical behavior all around us will seem to reflect just the way our world naturally works. Economic inequality, in effect, normalizes unethical behavior. The sun will always rise and set, we come to assume, on a deeply unequal world that no mere mortals can ever change. We need, some observers of our fraying social fabric suggest, more people in public life noble enough to champion basic ethical norms. True, we do need those champions. But what we need even more: a world of distinctly more equal societies.

#### Inequality causes self-reinforcing feedback loops that destroy political equality

O’Neill 20 [Martin O’Neill, Professor of Political Philosophy at the University of York, 4-7-2020, "Economic Justice Requires More than a Wealth Tax", Boston Review, https://www.bostonreview.net/forum\_response/martin-oneill-economic-justice-requires-more-wealth-tax/]/Kankee

Emmanuel Saez and Gabriel Zucman’s plans for wealth taxation represent a welcome and, frankly, overdue shift in the attention the economics profession pays to issues of wealth inequality. Central to this shift, of course, has been their sometime co-author, Thomas Piketty, whose 2014 book Capital in the Twenty-First Century tracked the relentless redistribution of economic rewards over the last four decades from workers—those whose income derives mainly from wage labor—to capitalists, those whose income stems instead from the rents and profits that their wealth delivers to them. Zucman and Saez provide a powerful proposal for how we might begin to address this problem—what R. H. Tawney called “the problem of riches”—through ambitious political action. But in some instances we need to be more radical than they propose, and there is also much to be done outside the tax system itself. (Some of this Piketty himself outlines in his new book, Capital and Ideology.) Start with our reasons for caring about wealth inequality. Zucman and Saez are right that wealth inequality matters not just to the degree that it determines income inequality. As they put it, “wealth is power.” Great wealth can be both cause and effect: a source of unacceptable forms of economic power as well as a consequence of such power. Wealth is not just a way of storing up opportunities for future private consumption, as in some rather innocent economists’ models. More often it is a means to shift political agendas in the direction of the wealthy by converting economic power into political power, or a way of buying educational and social advantages for family members at the expense of their fellow citizens. In this way, extreme wealth inequality corrodes the possibility of genuine democratic politics and economic justice. And these effects create accelerating feedback loops—inequality cascades—that only reinforce the power of the wealthy to organize society in their own interests. The result is the unconscionable form of economic and political domination we see today, which undermines the standing and status of all citizens. In a flourishing economy, wealth flows and circulates between and across individuals and generations. In our comparatively diseased economies, by contrast, this recirculatory flow is blocked; instead wealth pools in particular locations, creating a distorting overconcentration of power, like a malignant growth that reroutes the body’s blood flow to maintain itself. Radical surgery is a reasonable course of action in dealing with such a serious condition. We should not be even remotely troubled, then, by the most “radical” version of the wealth tax Zucman and Saez propose. A 10 percent marginal tax rate on wealth holdings over $1 billion may go beyond anything proposed by Elizabeth Warren or Bernie Sanders, but it is a proportionate response to a deep and difficult problem. Nevertheless, while billionaires may provide an easily identifiable group at the very top of the wealth distribution, the problems of wealth inequality—and of the corresponding concentration of social, political, and economic power—reach much further down that distribution. There is also, then, a strong case to be made for serious rates of wealth taxation applied to those who are merely among the deca-millionaires and centa-millionaires. Moreover, although Zucman and Saez focus on the taxation of wealthy citizens by means of a consolidated wealth tax, there are pragmatic reasons to retain specific forms of property taxation on residential property, especially as a means of taxing some members of the wealthiest groups who manage to find ways to transcend international boundaries. One need only think here of the way that many wealthy Russian plutocrats have stored their money outside their national jurisdiction through buying residential property in London, Paris, or New York. There are also good reasons to retain a distinct inheritance tax in addition to the consolidated wealth tax. Multigenerational transmission of inherited wealth renders especially vivid the incompatibility of extreme levels of untaxed wealth with the aspiration to have a society that rewards individual industry, intelligence, or ingenuity. This problem is especially salient in countries such as the United Kingdom, which counts among its native billionaires figures such as the 7th Duke of Westminster, a twenty-nine-year-old deca-billionaire who owes his good fortune to a seventeenth-century ancestor taking possession of rural land onto which London subsequently expanded. Needless to say, given the political power of the superrich, and the way that current tax codes are designed to further their interests, the Duke managed to avoid almost all inheritance tax after coming into his fortune at the age of twenty-five, through the use of various trusts and other legal mechanisms. This kind of avoidance is more a reason to re-engineer a more effective inheritance tax system, rather than to think that we should do without it.

#### Wealth inequality is high now and is causing populism

Parker 20 [Richard Barron Parker, professor with a Ph.D. in philosophy from the University of Chicago, 8-1-2020, "An Antidote to Populism,” Democracy, Populism, and Truth, https://link.springer.com/chapter/10.1007/978-3-030-43424-3\_15]/Kankee

2 Inequality in Personal Wealth in the United States In the period from 1963 to 2012, the portion of the nation’s wealth owned by the bottom 90% of the population fell from 35% to less than 20%. Of that 90%, the bottom 50% of the population owns less than 1% of the nation’s wealth (Wikipedia 2018a). The percentage of wealth owned by the top one-tenth of one percent of the nation’s households (roughly 328,000 people) climbed from a one-hundred year low of 8% in the year 1978 to 22% by 2012, a level not seen since the 1920s (Zucman 2016). The rest of the top 10% (“the top 9.9%” or roughly 32,400,000 people) has maintained its grip on about 60% of the nation’s wealth (Matthew 2018a, b). A striking graph from the United States Census Bureau published in 2014 showed median household net worth by quintile in 2011. For the lowest (1st) quintile or 20% of American households, the 2011 median household net worth was minus $6029, that is, a negative net worth (23,600,000 households). For the second quintile (20%), the total median net household worth was a positive $7263. For the middle quintile, the literal middle class, the median household net worth was $68,839. For the next 20%, the 4th quintile, the median household worth was $205,985. Finally, for the 5th quintile, the top 20% of households, the median household net worth was $630,754 (United States Census 2014). In 2011, a notable paper published by Lusardi, Schneider, and Tufano (Lusardi 2011) featured surveys showing widespread financial weakness in US households. The surveys asked the question, “How confident are you that you could come up with $2000 if an unexpected need arose within the next month?” In addition to cash and personal assets, other means such as using a credit card or borrowing from friends or relatives were allowed to count. In the U.S., 24.9% of respondents reported being certainly able, 25.1% probably able, 22.2% probably unable and 27.9% certainly unable. In sum, roughly 50% of all Americans were probably unable or certainly unable to come up with a necessary $2000. The bottom 50% of the population (164,000,000 people) can all be characterized as “financially fragile.” 3 How Are Americans Reacting to the Growing Inequality in Wealth? Americans have always been remarkably tolerant of striking inequalities in wealth, in part because they overestimate the chances of upward mobility in American society, but mainly because they simply have not realized how great these inequalities have become (see the Youtube video by “Politizane” 2012). The Occupy Wall Street movement in 2011 and the candidacy of Mitt Romney in 2012 put the spotlight on economic inequality. The Internet and social media brought people increasingly greater and more vivid information about how other people live. People are now more able to comprehend both the scale of American economic inequalities and the effect these inequalities have on their lives (O’Callaghan 2020). In addition, in the past few years, Americans have felt increasingly apprehensive about the coming Digital Revolution when computers and artificial intelligence will take over tens of millions of jobs now done by human beings. These changes are very likely to worsen the inequality that now exists (Drum 2018). Economic insecurity on a massive scale makes any democracy susceptible to demagogues. Demagogues exploit a perennial weakness of democracies: the greater numbers, and hence votes, of the lower classes and less-educated people—the people most prone to be whipped up into a fury and led to catastrophic action by an orator skilled at fanning that kind of flame. Democracies are instituted to ensure freedom for all and popular control over government authority. Demagogues turn power deriving from popular support into a force that undermines the very freedoms and rule of law that democracies are made to protect. The Greek historian Polybius thought that democracies are inevitably undone by demagogues. He said that every democracy eventually decays into “a government of violence and the strong hand,” leading to “tumultuous assemblies, massacres, banishments” (Wikipedia 2018b). The Framers of the Constitution were well aware of the dangers of demagogues. They employed Polybius’s theory of “mixed government” to build non-democratic features into the Constitution such as judges appointed for life in the hope that they would check the influence of demagogues (see Parker 1999). Current economic inequality and the consequent economic insecurity make America immediately more susceptible to demagogues. Is there any politically plausible solution to immediately lessen American economic inequalities? 4 A Politically Plausible Possible Partial Solution

#### Tax abuse violates the fiscal social contract

Hofman 24 [Layne Hofman, Researcher-Advocate in Human Rights at Tax Justice with a BA in political science and human rights from Agnes Scott College, 04-29-2024, “The fiscal social contract and the human rights economy,” Tax Justice, https://taxjustice.net/wp-content/uploads/2024/04/Tax-Justice-Network\_submission\_Fiscal-social-contract\_April-2024.pdf]/Kankee

The fiscal social contract represents an implied agreement by which citizens contribute personal assets to a common pot with the expectation that the government will deliver public goods for the collective benefit of society.5

Tax is the glue in this social contract. Tax can fund public services. Tax can help to eliminate the inequalities that burden our societies. It can promote public goods and curb public bads, such as tobacco consumption and carbon emissions. Tax connects people and government in the most direct way and drives more inclusive political representation while reducing corruption.6 In our complex and globalised modern world, this relationship becomes somewhat complex and convoluted. Multinational corporations take advantage of their operations across multiple borders to undermine the social contract and take the most advantageous route for themselves at the expense of both governments and citizens. Wealthy individuals also use their excess of resources to place their wealth out of reach in a complex web transcending national borders. The traditional notion of tax policy as a domestic matter to be settled by sovereign nations is not consistent with the global economic reality.7 Tax abuse is detrimental to the fiscal social contract. When these actors choose to opt out of the contract and there are no consequences, the agreement collapses. For the social contract to function, every actor must be held accountable to their duties and responsibilities. The absence of tax justice robs us all of an inclusive fiscal social contract. There is no country free from tax abuse, no society that enjoys the kind of progressive and fair tax system necessary for a just and sustainable world in which the human rights of all are guaranteed. In order to achieve a functional fiscal social contract, we will need to reform our tax systems to work for all. Question 2: What is your understanding of a human rights economy?

#### Fair tax law is key to quality government and political representation

Hofman 24 [Layne Hofman, Researcher-Advocate in Human Rights at Tax Justice with a BA in political science and human rights from Agnes Scott College, 04-29-2024, “The fiscal social contract and the human rights economy,” Tax Justice, https://taxjustice.net/wp-content/uploads/2024/04/Tax-Justice-Network\_submission\_Fiscal-social-contract\_April-2024.pdf]/Kankee

Tax justice is crucial to the achievement of a human rights economy. Fiscal policy should reflect the fundamental core principles of transparency, accountability, social justice, equality, and nonretrogression.10 Tax justice is the true underpinning of the fiscal social contract, and a functioning fiscal social contract is necessary for a human rights economy to be possible. Question 3: How does the tax system and policies impact the strength and effectiveness of the fiscal social contract? What are the potential consequences of tax evasion or avoidance on the fiscal social contract and society as a whole? The tax system is the foundation upon which a fiscal social contract stands. A regressive tax system that benefits corporate and elite interests is an unsustainable foundation, while a progressive tax system founded on principles of tax justice and human rights can create a firm and stable foundation for the fiscal social contract. This is clearly evident in the 4th R, representation, in the 5 Rs of taxation and human rights. Research shows that the source of government revenue affects the strength of the relationship between the citizen and the state. A higher proportion of tax as part of total government revenue is strongly linked to a higher quality of governance and political representation.11 Tax forms a crucial component of the fiscal social contract by ensuring that states are accountable to the public for delivering on their obligations. In its most simple iteration, tax is a tool to create revenue, which in turn allows states to redistribute funds through social programmes. Tax is also the main means of redistribution to eliminate harmful inequalities. In contrast, tax abuse and the revenue lost to tax abuse exacerbate and reinforce inequalities. In the absence of a robust social safety network, women – and especially black and brown women – subsidise the economy by taking on unpaid care work.12 In this form of “extraction” governments renege on their responsibilities, failing to provide the expected social benefits of the fiscal social contract while simultaneously shifting the burden onto vulnerable members of society. This is a blatant violation of the terms of the fiscal social contract. Question 4: What are the main factors that influence the population’s perceptions and expectations regarding their tax obligations and the government's role in providing public goods and services? How can governments effectively assess, communicate and engage with citizens on fiscal policies to strengthen the fiscal social contract? There is a strong correlation between tax compliance and a government that supplies public goods such as education, healthcare, and security. When citizens perceive that public goods are provided by the government, they are more willing to comply with paying their taxes and even willing to accept higher rates for more extensive public services. When citizens must pay non-state actors for public goods, however, tax compliance is weak. Citizens who refuse to pay or file their taxes cite issues such as poor socio-economic living conditions, a government that doesn’t engage its citizens, and a defective audit system.13 Governments must collect taxes fairly, ensuring that each individual and each company pays its fair share. Every year US$480 billion is lost to tax abuse worldwide. Multinational companies are responsible for US$311 billion lost to tax evasion while wealthy individuals are responsible for US$169 billion of lost tax revenue. If nothing changes, countries are set to lose US$4.8 trillion to tax abuse over the next 10 years, which is roughly equivalent to what is spent on public health worldwide in one year.14 Governments must also provide transparency about tax revenue collected and where it is being spent. Governments must hold accountable those who renege on their responsibilities. Governments must ensure that robust social programmes truly benefit the general population, and that tax revenue is sufficient to appropriately fund the social programmes required to meet the population’s needs. The combination of fairness and transparency with perceivable and recognisable benefits connected to the paying of taxes can strengthen the fiscal social contract. However, if we can effectively address tax abuse and evasion, then governments can put those almost US$5 trillion towards important social services and programmes and achieving the Sustainable Development Goals. That kind of reinvestment in the fiscal social contract would go a long way to reinvigorating trust in governments and enabling states to fulfil their human rights obligations. Question 5: What mechanisms and practices exist to ensure transparency, accountability, and citizen participation in the collection and allocation of public funds? How can citizens hold the government accountable? Please provide examples of successful practices and identify areas for improvement.

#### Limiting elite tax evasion is key to democracy

Heuvel 23 [Katrina Vanden Heuvel, editorial director and publisher of The Nation, 01-19-2023, "Why You Don’t Need to Fear the Taxman", Nation, https://www.thenation.com/article/politics/irs-taxes-inflation-deficit-inequality/]/Kankee

With the top 1 percent of earners evading as much as $163 billion in taxes annually, giving the IRS the tools to investigate those making over $400,000 a year could yield $1 trillion over the next decade. In contrast, the Congressional Budget Office estimated that passage of the Republican bill would increase the deficit by $114.4 billion by encouraging tax cheating and growing the “tax gap”—the almost $500 billion a year that is owed but never paid to the government. Permitting that gap—which primarily comes from the wealthiest Americans’ outgunning the IRS—also undermines American democracy. Tax policy expert Vanessa Williamson has found in her research that Americans “see taxpaying as an important civic duty,” but two-thirds say the belief that some are not paying their share undermines their faith in the system. (Take, for instance, former president Trump paying just $750 in federal taxes in 2016 and 2017.) If we want a healthy democracy—one where, as Williamson says, citizens feel a sense of pride when they invest in infrastructure, schools, and parks—we must fight for a tax system that demands accountability from the corporations and individuals who have evaded it for too long. Inadequate funding means interminable wait times for people calling for help and long delays for refunds. Making the IRS more effective for the middle class and small-business owners—those who can’t afford shadow armies of tax evasion specialists—means giving it enough resources to do its job.

#### Rich behavior causes follow-on tax evasion by lower classes – a top-down approach solves tax evasion at all levels

Gangl and Torgler 19 [Katharina Gangl, educator at the Institute for Advanced Studies at the University of Goettingen, and Benno Torgler, educator at the Queensland University of Technology, School of Economics and Finance and Centre for Behavioural Economics, Society and Technology, 12-22-2019, "How to Achieve Tax Compliance by the Wealthy: A Review of the Literature and Agenda for Policy", Society for the Psychological Study of Social Issues, https://spssi.onlinelibrary.wiley.com/doi/full/10.1111/sipr.12065]/Kankee

Healthy state budgets and social cohesion depend on the tax cooperation of the wealthy. But with increasing levels of income inequality in strong economies such as the United States or Germany (Stiglitz, 2018), the public and many scholars are increasingly questioning whether the rich are sufficiently contributing to the provision of public goods. Scholars and intellectuals such as Piketty (2014) and Bregman (2017) emphasize that the real problem of our time is tax avoidance by the rich who do not pay their fair share (see, e.g., recent 2019 World Economic Forum in Davos). Bregman, for example, emphasized the importance of taxes compared with the philanthropic schemes of the rich.1 Tax compliance of the wealthy not only directly impacts a state's capacity to finance public goods, but it also influences the tax compliance of the general population and can be the cause of social and political turbulence (for historical examples, see Adams, 1993; Finer, 1999; Webber & Wildavsky, 1986). Recent examples are the “Occupy Wall Street” protest in the United States in 2011 or the “Mouvement des Gilets Jaunes” in France in 2018. Tax changes have become a divisive issue centered around fairness in which some politicians regard efforts to increase taxes as “class warfare,” whereas others consider lower taxes for the wealthy as balancing the budget on “the backs of the poor” (Slemrod & Bakija, 2000, p. 50). The wealthy's tax behavior is also socially important because they, by personifying society's measures of success, prompt other citizens to imitate their tax behavior (Fassin, 2005). This role model function, interpreted from an evolutionary perspective, is a strategy to improve survival chances by learning from those perceived as the best models, whose habits, styles, goals, and motivations are worth imitating (Henrich, 2015, p. 120). Thus, if accusations of tax fraud by sports stars, Chief Executive Officers, and politicians violate ordinary citizens’ tax morale, these latter then start questioning the reasons for their own tax honesty. Massive fines for tax evasion rarely harm their fame and positive image, or even the role model function. For example, a fine of 18.8 million Euros imposed on Portugal's football superstar Cristiano Ronaldo did not diminish the cheers and adulation after a brilliant hat trick in the World Cup. For their part, the wealthy do contribute substantially to the tax pool. As an example, the top 2.7% of the income bracket in the United States pays about 51.6% of total income taxes (Desilver, 2016), while in Germany, the top 5.6% contributes 43.25% (Bundeszentrale für Deutsche Bildung, 2013). Even taking into account the high portion of indirect taxes (e.g., value-added taxes) in total tax returns (between 30% and 55% in the EU; Carone, Schmidt, & Nicodème, 2007) paid mostly by the middle and lower classes, rich individuals’ contributions are essential for financing public goods (OECD, 2008) such as infrastructure or health care. The problem is, as empirical data show (e.g., E. Hofmann, Voracek, Bock, & Kirchler, 2017b), that the motivation to engage in tax evasion and avoidance increases with wealth. Many wealthy individuals also support initiatives to reduce their tax contributions (e.g., Tea Party protests, see Martin, 2015) and promote alternatives to tax payments such as the philanthropic system (Giridharadas, 2019). Thus, understanding the political macro, social, meso and individual micro mechanisms that determine and psychologically motivate the wealthy to pay taxes are essential to maintain and increase state budgets and social cohesion. Despite the importance of the subject, social science (and particularly psychological science) remains surprisingly silent on the topic. Most tax research focuses on compliance by average citizens, with only a limited number of studies explicitly comparing the compliance behavior of the wealthy with that of the middle or lower class. However, the wealthy are different from the average citizen in the sense that they not only have access to different political and legal possibilities, opportunities, and incentive structures, but also have different social environments and individual dispositions that are relevant for their tax behavior. The aim of the present review is to draw attention to these differences and their psychological origins and expressions, thereby highlighting the importance for more differential tax research and tailored tax policies. The present article starts with an historical overview. This overview shows the importance of tax collection from the wealthy and demonstrates that the status quo is by no means unchangeable. We then move to contemporary tax research and give a definition of tax compliance before examining the empirical evidence, indicating that (on average) the wealthy are less tax compliant than less affluent taxpayers. Based on a review of the interrelated political (macro), social (meso), and individual (micro) factors, we discuss psychological causes, research gaps, and practical solutions concerning the lower tax compliance of the wealthy. Among other things, we show how the political and legal macro level allows the wealthy to “morally disconnect” from their own tax behavior and therefore from their impact on society. On a meso level, their ability to hire highly skilled tax practitioners transforms their tax decisions into a group decision with specific group dynamics allowing to “optimize” their tax behavior. Also, on the micro level, the wealthy differ from average taxpayers as wealth and status go together with specific personal values, which likely increase reactance to taxation. We argue that the entire range of these peculiarities calls for more tailored policy approaches, which (as our historical overview shows) can be built on good examples from the past. Finally, we discuss how the classical coercion-based and legitimacy-based instruments that are used to influence tax compliance can be applied to address the peculiarities of the wealthy. We claim that for each level—the macro, meso, and micro—a specific combination of hard coercive-based and soft trust-generating legitimacy-based measures is necessary to achieve tax compliance from the wealthy.

#### Extreme wealth inequality destroys democracy, the climate, pandemic preparedness, and resistance to colonialism

Johnson 24 [Jake Johnson, senior editor and staff writer for Common Dreams, 09-23-2024, "'Global Oligarchy' Reigns as Top 1% Controls More Wealth Than Bottom 95% of Humanity", Common Dreams, https://www.commondreams.org/news/global-oligarchy]/Kankee

A report published Monday by the humanitarian group Oxfam warns that decades of intensifying inequality have left the world in the grip of a "global oligarchy" under which the richest sliver of humanity owns more wealth than nearly everyone else combined—a state of affairs that undermines democratic institutions and international cooperation on climate, pandemics, and other crises. Oxfam's analysis of data from the investment banking giant UBS found that the fortune controlled by the top 1% is now larger than the collective wealth of the bottom 95%. Such inequality pervades the global economy, Oxfam noted, with a small number of corporations dominating key sectors. Nearly half of the global seed market, for example, is controlled by just two corporations, Bayer and Corteva. At the same time, just three U.S.-based financial behemoths—Blackrock, State Street, and Vanguard—oversee nearly 20% of the world's investable assets, around $20 trillion. What's more, such massive corporations are increasingly run by billionaires: According to Oxfam, a billionaire either heads or is the top shareholder of more than a third of the world's leading 50 corporations. "While we often hear about great power rivalries undermining multilateralism, it is clear that extreme inequality is playing a massive role," Oxfam executive director Amitabh Behar said in a statement. "In recent years the ultra-wealthy and powerful corporations have used their vast influence to undermine efforts to solve major global problems such as tackling tax dodging, making Covid-19 vaccines available to the world, and canceling the albatross of sovereign debt." Oxfam released its new report, titled Multilateralism in an Era of Global Oligarchy, ahead of the United Nations' annual high-level general debate, whose 2024 theme is "leaving no one behind: acting together for the advancement of peace, sustainable development, and human dignity for present and future generations." The extreme concentration of global wealth at the very top directly undercuts such objectives, Oxfam argues in its new report, with the ultra-rich using the wealth they've accumulated to influence policy decisions that fuel destructive inequities. "Extreme inequality is, consequently, both a cause and effect of a movement toward global oligarchy, broadly defined here as the ability of the ultra-wealthy to shape political decision-making in ways that increase their wealth," the report notes. "Democracies are afflicted, as the ultra-rich—often through the powerful corporate interests that act on their behalf—can tilt policymaking in their favor at the expense of the majority. Nor is the movement toward oligarchy confined by national borders. It is global, impacting political decision-making within countries and at the international level." Behar said Monday that "the shadow of global oligarchy hangs over this year's U.N. General Assembly." "The iconic U.N. podium is increasingly feeling diminished in a world in which billionaires are calling the shots," Behar added. Oxfam argued the massive wealth gap between the rich and everyone else—as well as the chasm between the so-called Global North and Global South—is antithetical to the kinds of international cooperation needed to tackle existential emergencies, including the worsening climate crisis. The report points to longstanding efforts by multinational corporations, ultra-wealthy individuals, and rich countries to obstruct efforts to establish more progressive global tax structures, depriving lower-income countries of revenue that could be used to combat the climate emergency and improve healthcare and education systems. Corporations have also wielded their influence to tank efforts to reform patent laws that give pharmaceutical companies monopoly control over lifesaving therapeutics and vaccines, which had devastating consequences during the Covid-19 pandemic. "Enabled by rich nations, the ultra-wealthy individuals and corporations they control that benefit from and perpetuate extreme inequality have long impeded international efforts to create a more equitable society, especially those led by Global South countries," the new report states. "The movement toward global oligarchy ultimately perpetuates neocolonial relationships, shaping policy in ways that further increase the wealth of ultrarich individuals, mostly in the Global North, at the expense of the Global South." Oxfam argued Monday that only global solidarity "can reverse the movement toward global oligarchy." "Global South governments and civil society organizations are leading the push for a [World Health Organization] pandemic treaty with strong provisions on technology transfer and benefit-sharing, a U.N. tax convention with ambitious standards on taxing corporations and the rich, and a new international debt architecture that facilitates comprehensive debt restructuring," the report states. "These initiatives are critical opportunities for the international community to replace division with solidarity, a necessity for addressing other pressing issues such as climate change." "Ultimately," the report adds, "a more equitable international order without extreme concentrations of wealth—where corporations pay their fair share, global public health is prioritized, and where all countries can invest in their own people—benefits everyone."

#### Wealth inequality causes extinction – democracy, civil wars, unregulated commons, organized crime, terrorism, and climate change

Byrne 24 [Liam Byrne, UK chief secretary to the Treasury with a BA from the University of Manchester and a MBA from Harvard, 01-11-2024, “The Inequality of Wealth Why It Matters and How to Fix It,” Bloomsbury Publishing, https://www.bloomsbury.com/us/inequality-of-wealth-9781804543382/]/Lamlee

Soon, carbon footprints may be viewed as being as socially unacceptable as drink-driving. With a few exceptions, the whole world knows it must go green, creating gigantic opportunities for those who make the technologies that cut carbon. In transport and logistics, the rise of electric vehicles, autonomous vehicles and drones will not only cut carbon, they will collapse the costs of geography. Taken together, these changes will drive a doubling of the world’s annual economic output by 2060, adding nearly £100 trillion. 6 But to whom will this new wealth flow? Will it go to those who already have so much? Or will we seize the moment to change course, to turn back from the road to dystopia and set a different course towards building a renewed wealth-owning democracy? Let us be clear about the risks. If we fail to reconstruct that wealth-owning democracy, we risk a catastrophe in the ‘heartland of democratic capitalism’. 7 We risk a world of private power sentinelled by plutocracy, where the wealthiest snap their fingers at their servants in the marketplace and their puppets in the corridors of power. 8 We risk the rise of ‘private government’, where freedom is lost to a new corporate domination, where we have little choice but to comply if we want to stay in any kind of work, trapped in an obedient hierarchy, a servile dependency, always at the mercy of others. Because wealth seeks power, our politics will ‘drift to oligarchy’, a land described by Martin Wolf as one of ‘connections capitalism’, in which ‘the political system is exploited for the personal gain of the powerful and their relatives, favorites, and supporters’. 9 In this world, where the strong have licence to exploit the weak, the trust that is required for market exchange breaks down. 10 It would be naive to think that this kind of inequality will not affect politics. It will. Not only will it risk new levels of corruption, it will ossify and embitter societies, where, quite simply, it will become ever harder for ordinary people to get on in life. A surge-tide of super-inequality may spark a chain reaction of graft that leads to rage; and rage leads to schism. As notions of the common good evaporate, some states may even break apart for the simple reason that they will have weakened the cords that bind a nation. Populists will be empowered, because, ostensibly, they rage against elites. But populists in power tend to weaken states and sow division, and so they simply strengthen the hand of separatists, who grow stronger. The worst-case scenario is very bad. In a more fractured world, smaller states, giant corporations, megacities and non-state actors (like terrorists and organized crime groups) all compete for power. It will become harder to govern the ‘global commons’ – the poles, the seas, our airspace, outer space and cyberspace on which all advanced nations now depend. Responses to natural disasters will be uncoordinated, with private companies stepping in to provide assistance in exchange for rights to resources. Technological change, advanced by private corporations, will be governed only weakly, allowing all kinds of abuse and misuse. Unregulated worlds of information will become battle-spaces, while the boom in digital transactions will be mined mercilessly by intellectual property thieves. While states struggle to manage the shift to a more digital economy, corporations, as well as cities, will end up designing new models of help without waiting for national governments to act. Organized crime will grow unchecked. Wildfire conflicts will proliferate, and so defence and security spending will stay high. Hard power will be needed to survive and project influence, while ‘grey wars’ will spread. Crucially, it will become ever harder to broker the global consensus we need to tackle climate change. This may all sound like Doomsday. But these are not my theoretical fears. They are part of the scenario-planning for the British military. \* Happily, there is another, better way. With the right choices now, the future could offer us a rich mix of freedoms: freedom from the arbitrary, unaccountable will of others; 11 and the positive freedom that comes from a life blessed with a rich menu of options. The promise of this world is ‘the freedom to be you’, to live your life the way you choose. But that world requires us to build – as generations of progressive thinkers have understood – both security for all and power for each. It was an old Whig lord high chancellor, Robert Henley, who once said: ‘Necessitous men are not free men.’ That was something Roosevelt understood. In his State of the Union address of January 1944, he declared that ‘true individual freedom cannot exist without economic security’, for ‘[p]eople who are hungry and out of a job are the stuff of which dictatorships are made’. 12 Security frees us from the prison of fear, anxiety and worry. But power gives us agency, options and control over our lives. Freedom cannot mean, merely, a nice view of the Promised Land if we actually lack the ability to get there. In the real world, we need power to pursue our dreams. We enshrine freedom, security and power with rights, which we sustain by law, but we underwrite them with wealth. Which is why, if we want to build a new democracy of freedom, we have to rebuild a wealth-owning democracy. When we diffuse wealth, we diffuse power. We guard against the ability of others to dominate us at work or at home, so that no-one can lord it over us. We encourage traditions of prudence and engagement in public life, themselves the best guarantor of a lively democracy and the best defence against a life lived at the mercy of others. 13 We maximize the agency, selfsufficiency and control each of us has over the life we choose to live. Today, too many of our fellow citizens are trapped between a rock and a hard place. They have lost their freedom from fear to today’s insecurities, and they are now in peril of losing their freedom to rise and to enjoy the new possibilities of tomorrow. We can change this if we decide to alter course and fairly share the future. But the time to decide is now

#### Wealth inequality causes populism and civil war

Byrne 24 [Liam Byrne, UK chief secretary to the Treasury with a BA from the University of Manchester and a MBA from Harvard, 01-11-2024, “The Inequality of Wealth Why It Matters and How to Fix It,” Bloomsbury Publishing, https://www.bloomsbury.com/us/inequality-of-wealth-9781804543382/]/Lamlee

This creates a situation, he warns, where ‘[p]oor kids, through no fault of their own, are less prepared by their families, their schools, and their communities to develop their God-given talents as fully as rich kids’. 48 That opportunity gap for children obviously creates a huge opportunity cost for society. We can already see signs of the same thing happening in Britain. Even though levels of wealth inequality are much lower than in the United States, we already know that those young people blessed with prosperous or well-educated parents do better. Recent ONS data revealed that the average wealth of someone whose parents have a degree is more than £117,000 greater than the offspring of parents with no qualifications – and that gap has almost doubled. \* It would be naive to assume that these sorts of changes, left unchecked, will not have a political impact. To understand where this divergence of wealth and wages might leave us, I spoke to two people who have transformed our understanding of inequality: Kate Pickett and Richard Wilkinson, the cowriters of two best-selling books, The Spirit Level (2009) and The Inner Level (2018), which help explain why inequality is so bad for society. Key to their insights is the reality that inequality jeopardizes the social relationships that sustain us, and this ‘is fundamental to the other effects’, as Richard told me, ‘from life expectancy to domestic violence, to the quality of your mental health’. The quintessence of happiness is the quality of our social relationships, and so our lives are twisted if we live in societies that are very unequal and we grow up with a hunted sense that everyone is a rival, out for themselves. ‘It’s not a frivolous thing,’ Richard concluded, ‘to be able to participate in society, to have relationships with other people. And… if you live in a more unequal society versus a more equal society, it frames how you get socialized, it frames how you are parented and nurtured and what kind of society you’re prepared for.’ So what happens, I wanted to know, if inequality gets worse? ‘All of the things that we show, in Spirit Level, related to inequality will get worse,’ replied Kate, ‘all of those health indicators, all of those indicators of our human capital development [and] social mobility will decline.’ Richard added: Trust will decline, civic participation will decline, cultural participation will decline; there’ll be much cross-class suspicion, and the rich trying to protect their position and their status and their goods; there’ll be more gated communities; there’ll be more people wanting to have their children in private education, and you’ll end up with a more polarized society and more polarized politics, playing to those different interests; you’ll get a harder right, and, you know, you will get unrest, ultimately civil unrest and riots and those sorts of things. It sounds like the kind of caste society Robert Putnam is warning us about. And politically, it may prove to be a country where populists flourish, democrats fade, and in the void, separatists prevail. Let us look at the populists first. In a remarkable bit of political science, Professor Ben Ansell and his colleagues revealed how, in the UK, those left out of the wealth boom are far more likely to vote for populists. Unhappy citizens are scrappy citizens, offering rich pickings for populists, keen to milk the bitter wrath. Studying the Brexit vote, Ben’s research found that ‘Poorer, traditionally Labour, areas had stagnating housing markets, reinforcing community support for leaving the European Union.’49 In more detailed, recent studies, looking at Scandinavian trends, Ben and his colleagues found that when house prices rose, people were driven away from populist parties – but equally, ‘when prices decline, they’re driven towards them’. That creates the possibility, he told me, ‘that rising housing inequality is also pushing regions apart. And it is associated with growing populism. But it’s not now because of the winners. It’s because of the losers’. In so many countries, that pessimism has now been hijacked, ruthlessly exploited and methodically radicalized by a new generation of populists, who are not so much nationalist as tribalist. Nationalists tend to be bad for their neighbours. But tribalists are bad for nations. They are populists who insist that legitimate power rests only with ‘the people not the elites’, but this means that they are almost all authoritarian. They insist on the importance of security against risks of instability and disorder (such as, for example, foreigners stealing our jobs, immigrants attacking our women, terrorists threatening our safety); they demand group conformity to ‘guard our way of life’ and demand homage to the strong leader who protects all others. But they do not seek to unite a nation behind a national story, because they are sectarians, defending a supremacist project. They don’t seek to inspire a nation’s people; they deliberately set out to radicalize and divide. They are what we might call, Cadmeans. On his journey to found Thebes, the very first Ancient Greek hero, Cadmus, had to first slay a dragon. Victorious, he was then instructed by the Goddess Athena to sow the dragon’s teeth in the field. Up sprang a race of fierce armed men, the Spartoi, ready to do battle. But the quick-thinking Cadmus flung a precious stone among them, and the soldiers fell upon each other, until almost all were dead. Today’s sectarian politics is the equivalent of sowing dragons’ teeth; and today’s Cadmean preachers know their craft and the power of anger. Clever tacticians once sought to prevail by divide and rule. Today’s new populists have risen to power by adapting this. Their playbook is not ‘divide and rule’ but ‘enrage and rule’. Theirs is the art of the ‘amygdala hijack’, a deliberate attempt to trigger the instinctive fight-andflight instincts of the brain. 50 And the cocktail they prefer is a toxic mix of identity politics and a ‘dark social playbook’ of digital tricks – hacking material, pushing talking points with alternative news sites that infect the more mainstream media, and importing the outrage into social media, where ‘dark money’ or bots can amplify them almost infinitely. 51 Having divided a people in order to gain office, populists noisily set off shouting and tweeting towards dystopia by launching a culture war on the institutions that hold nations together: the mainstream media, elections, other politicians and political parties, public servants, judges, the intelligence services, intellectuals, scientists, the constitution and international organizations, each in their own way condemned as fake news, fraudulent, a swamp, dysfunctional, the deep state, enemies of the people, liars and leakers, arrogant liberals, experts we don’t need, get-rich-quick lobbyists, a rigged system, bureaucrats or a talking club. It is quite a list. Much of this profoundly and properly offends and angers Gen Z. But there are two risky reactions. The first is disengagement, creating a challenge for the political class of ‘ruling the void’ in a country where voter turnout rates collapse. 52 Lots of studies now confirm how young people’s confidence in politics is falling. Cambridge University’s Dr Roberto Foa recently reported that Millennials are ‘the first generation in living memory to have a global majority who are dissatisfied with the way democracy works while in their twenties and thirties’. 53 Satisfaction with democracy is in steepest decline among those aged between eighteen and thirty-four almost everywhere, but young people are most positive about democracy when a populist leader (of either Left or Right) is in charge. Is anyone surprised? ‘Since the advent of the welfare state,’ says Mark Franks, Director of Welfare at the Nuffield Foundation, ‘what could be described as an implicit social contract has existed between generations. Younger people would work and pay taxes, which would help to support the older population, with the expectation that they themselves would experience… the prospect of a comfortable later life.’ That contract is under threat. If matters get worse, the second risk emerges: that it is the separatists who eventually prevail, as frustration foments an acid so potent that it melts the joints holding a nation together. After all, revolutions are not one-off events; they are processes that unfold over many years. The historian Steven Pincus once perceptively observed that ‘revolutions occur only when states have embarked on ambitious state modernization programs… [in a] self-conscious effort by the regime to transform itself in fundamental ways’. 54 But in weakened states, a moment arrives when reform is so rapid that either the centre fails or fledgling opposition movements flourish. 55 Revolutions do not pit modernizers against defenders of the past. Powerful interests tend to agree on the need for a change, but they disagree fundamentally about the direction in which change should move. And today, some of the most powerful ‘modernizers’ in politics are not seeking to defend the states that exist today. They are seeking to break them up and create new nations. Around the world, there are plenty of places where movements for sovereignty or independence are serious. 56 Once upon a time I thought this was impossible in Britain. A week knocking on doors in Glasgow during the 2014 Scottish independence referendum changed my mind. Not much united those who were voting for independence. Some harked back to the economic destruction of Thatcher’s time and argued that life had not improved under Tony Blair. Others talked of losing jobs, living on food-banks and looking for hope – any hope – that things might get better. Surely another path was worth trying? A buzzy, optimistic, patriotic party offering a ray of hope was appealing. Everywhere, voters were saying ‘give me a radical reset that gets me out of here’, while traditional leaders offered either tiny gestures or more of the same. In a world where a fear of the future, like the smell of smoke, alarms us, there are real risks of a doom-loop of disengagement, populism and separatism. Is there another way? I think there is. But if we want to build a great wealth-owning democracy this century, we will have to rewrite the rules of our economy so that a fair share of the wealth is no longer beyond reach, and a fair share of wages are no longer beyond hope. But that requires us some honest self-assessment. We have to first understand why it was that politicians got their economics so wrong.

#### Equitably raising tax funds and reducing wealth inequality is key to restore the social contract and democracy

Hanauer and Butler 24 [Amy Hanauer, executive director of ITEP and Citizens for Tax Justice with a master of Public Affairs from the Lafollette Institute of Public Affairs at the University of Wisconsin-Madison and a bachelor’s degree in government from Cornell University, and Taifa Smith Butler, public policy researcher with a master’s in public management and policy from the Heinz School of Public Policy and Management at Carnegie Mellon University, 07-01-2024, "Tax the Wealthy and Reject Austerity for a More Just and Thriving Democracy", Common Dreams, https://www.commondreams.org/opinion/wealth-tax]/Kankee

Two of the last five presidents won office over the objection of the majority of the people; California, with 65 times more people, has the same voting power in the U.S Senate as Wyoming; and the U.S. Supreme Court just permitted South Carolina lawmakers to dilute Black votes in drawing districts. These obvious flaws undermine our claim to be a strong democracy. One less appreciated but similarly undemocratic trend is our extreme inequality that supercharges the power and wealth of corporations and the uber-rich, weakens what the public sector can deliver, and often feeds on itself. The U.S. tax code will be on the table in 2025 as some parts of the Trump tax cuts expire. We can use that moment to demand a just, inclusive, multiracial democracy, starting with better taxes on corporations and the wealthiest one percent. Excessive Wealth and Corporate Power Fuel Inequality Wealth is unequally distributed in the U.S., more than in other wealthy countries and more now than in our own recent history. Concentration of wealth leaves millions struggling. Citizens United and other Supreme Court decisions let the wealthy and corporations exert undue political power, destabilizing our communities. The elite sway voters with exorbitant spending on political ads, capture politicians with campaign contributions, and lobby elected officials to do their bidding—often undermining policy solutions supported by the public. Taxes, it turns out, are one of the best ways to curb excessive wealth and power. But we tax the forms of income that flow almost entirely to wealthy people at a much lower rate than the income that most of us get in our paychecks. We let some income from wealth accumulate and get passed on without ever taxing it at all. And beyond property taxes, which focus on the main source of wealth for middle-income families, we don’t tax wealth itself. This fuels a tremendous racial and economic gulf. The holder of the purse-strings in America controls more than just their ever-fattening bank accounts. Wealthy people and corporations demand decisions that enhance their fortunes, often making the rest of our lives worse. Fossil fuel companies call for special tax breaks and lobby against ecological alternatives even as their emissions led to 1,400 record-shattering thermometer readings last week. Drug companies like Purdue Pharmaceuticals, peddlers of Oxycontin, spent hundreds of billions to reduce regulation in ways that ultimately cost hundreds of thousands of lives and trillions of dollars. And financial firms write their own rules, leaving people entangled in subprime mortgages, payday loans, and other exploitative products that deepen debt. Bolster Investments in Essential Public Institutions Democracy requires strong public institutions, but a robust public sector only exists with adequate, fair taxation: schools, transportation, healthcare, and other basics need funding. Our tax system raises too little, leaving many communities without quality schools and infrastructure, and leaving all Americans with a weaker social contract than in other wealthy democracies. This is a problem for families of all races and incomes but it’s particularly poisonous for poor communities, urban, rural, and suburban. The result: the wealthiest opt out of public institutions and set up parallel segregated systems which only they can access. They are then even less invested in the public good, further motivating them to siphon resources and seek lower taxes. See, for example, how wealthy families exploit private school voucher credits to make a quick buck for themselves, at public schools’ expense. The list goes on. State colleges and universities get too little public funding, generating higher costs and deeper debt for working-class students. High wealth plus low taxes means plenty for elite private clubs but constrained resources for parks and recreation centers. And our paltry care economy means even middle-class families struggle to afford care for children or aging parents. When we reimagine and bolster public goods, we reinforce the scaffolding that helps every person obtain economic security, build wealth, and experience upward mobility. These build economic power for the people, mitigate concentration of power, and make our democracy more inclusive in the process. Strengthen Our Democratic and Economic Systems When the vast majority of us live with economic precarity, America can’t be called a functioning democracy. And when people see their own public communities in shambles, they lose faith that their vote counts or their civic participation matters in making good lives for themselves and those they love. Reforming our tax code can repair past economic harm, center working-class people, and bolster systems that support quality of life for all. We must consider and fund a different vision where everyone gets excellent schools, affordable colleges, modern ecological infrastructure, and the care they need for their families – from the littlest infants to the oldest grandparents – to thrive. It requires empowering regular people to use their voices to ask for and get what they need. It necessitates that much more of our collective resources be directed not into bank accounts of billionaires, but into the ecosystem that serves us all. A more just tax system strengthens our democracy, and a more inclusive democracy improves the tax code. As the 2017 tax cuts come up for reauthorization in 2025, we are poised for a tremendous leap forward if we reject the austerity and undemocratic excess of recent decades and prioritize fairness, abundance, and freedom.

#### Tax evasion by the uber-rich undermines democratic trust and perceptions just government

Wallace 23 [Clint Wallace, Professor of Law Joseph F. Rice School of Law at the University of South Carolina with a LLM in taxation, a JD from New York University School of Law, and an AB from Princeton University’s School of Public and International Affairs, 10-01-2023, “A Democratic Perspective on Tax Law,” Washington Law Review, https://digitalcommons.law.uw.edu/cgi/viewcontent.cgi?article=5277&context=wlr]/Kankee

A. Promoting Faith in Democracy Democratic institutions should be oriented towards “engendering confidence in people about their ability to govern themselves.”150 This section considers how tax laws can be used to promote such confidence, suggesting two mechanisms. First, tax laws can serve a “communicative” function by expressing shared values among members of the democratic community that can reinforce collective decision-making.151 Second, competent government helps to strengthen community members’ faith in their democracy and, conversely, state incompetence undermines faith in democracy.152 Each of these potential faith-building aspects of taxation— communicative value and competence—are addressed in turn below. 1. Communicative Value Tax law can contribute to faith in democracy by sending encouraging and unifying signals to and among members of the democratic community. Political philosopher Seanna Shiffrin emphasized this “communicative value” of democratic laws.153 Shiffrin’s important work stands out for its focus on governing context and for distinguishing the role of law in democratic governments as compared to other governing contexts.154 In Shiffrin’s analysis, democratic government provides a shared forum for expressing mutual respect for one another and for exhibiting political equality. Professor Shiffrin argued that laws generally play an important “constitutive” role in realizing the “communicative value” of democracy.155 Tax laws are particularly well suited to respond to “the communicative challenge” Shiffrin outlined in democratic decision-making.156 In a democratic government, tax laws can communicate values such as respect and political equality that bolster support for democratic governance. Scholars and policymakers recognize that “taxation is one of the most significant mechanisms for interaction between states and individual citizens.”157 Because of its required and universal nature, the act of paying taxes stands out among forms of civic engagement. As Professor Sven Steinmo observed: “[e]ven ardently antipolitical citizens—those who don’t read the newspapers, don’t watch TV news, don’t vote, and refuse to discuss politics at any time—pay taxes.”158 The universality and reach of tax laws is singular, which allows that tax compliance—acts of filing tax information, maintaining records, facilitating reporting, and remitting amounts owed—might be used to bolster cohesiveness, unity, and trust. Engaging with the tax system, even simply by complying with tax laws, can allow people to communicate and develop reciprocal trust in one another and in their government institutions.159 Consideration of the communicative value of tax laws also suggests approaching substantive tax rules—not just tax compliance—with a democratic perspective. For example, Professor Deborah Schenk argued that one justification for a wealth tax is that it ensures that every citizen is required to “participate in the funding of public goods by paying an appropriate share of their cost.”160 Professor Schenk made the point that wealthy individuals who can engage in tax planning and change their behavior to avoid income tax liability and even consumption tax liability are then off the hook for contributing to the common good.161 Professor Schenk used the term “appropriate”162 based on an equity notion of shared obligations that should increase with available resources;163 this concept also has communicative purchase in that requiring those with the most resources to share the tax burden may work to express solidarity across a community. Alternatively, a tax policy that does not require the wealthiest to pay taxes (a familiar concern today)164 might “breed resentment,” communicating the wrong messages.165 The allocation of resources has powerful communicative effects in a democratic government, and tax scholars working with the standard normative equity criteria have given extensive attention to distributive effects of tax laws, though usually not with an eye toward democratic vitality.166 Professor Shiffrin noted that even if the laws were to establish a “just allocation of material resources,”167 that does not necessarily fulfill the communicative role of laws in democracy.168 At the same time, any given resource allocation may be “compatible with mutual indifference, grudging accommodation, or even mutual contempt should the penalties for destructive behavior be severe enough to induce patterns of compliance.”169 Beyond the resulting distribution, laws may contribute to or detract from establishing a political environment of mutual respect among community members. There are currently significant ways in which the existing U.S. tax system seems to undermine democratic governance by communicating messages and values that undermine faith in democracy. The filing requirement gives rise to perennial and widespread complaints about the individual income tax.170 The federal tax system requires self-assessment, despite the fact that the use of information returns mean that the IRS collects sufficient information from employers to accurately determine most taxpayers’ liabilities.171 Complaints about the burdens of filing have recently found new audiences via social media. A whole subgenre of TikTok videos has emerged in which young people make light of the fact that they are required to file tax returns. One video, viewed approximately 10,800,000 times with nearly 15,500 comments as of August 2023, proceeds as follows: Young person: Hi, I’m 18 years old and this is my first time paying taxes and I really don’t know what I’m doing. Can you tell me how much I owe, and I’ll just pay it? IRS employee (played by same young person): No, we can’t do that, you have to figure out that amount for yourself. Young person: Oh ok, well if I’m just a little bit off in the amount I owe, it will be ok because it’s my first time, right? IRS employee: Oh no, we already know how much you owe, exactly . . . I mean, down to the penny. But you still have to figure that out for yourself. Young person: Well, what if I get that amount wrong? IRS employee: You go to federal prison. Young person: What?172 If millions of young people are learning that their government is essentially “out to get them,” this should be approached as a serious challenge to the democratic system of government, not simply an administrability puzzle or an inefficient use of resources.173 The challenge reaches deep into the relationship between citizens and democratic governance, deeper than has generally been appreciated in the existing literature. A democratic perspective on taxation allows us to see this kind of perceived disfunction as a challenge to democratic governance, one that should be confronted by reforms to the tax system that are oriented around the democratic salience of taxation. Professor Lawrence Zelenak pursued something along these lines in their work on “fiscal citizenship.”174 In defense of the mass-return system, Zelenak observed that the complexity of current-day tax rules “may leave taxpayers with a sense of rage rather than a sense of fiscal citizenship.”175 However, Zelenak emphasized the “tax consciousness” that results from the requirement to submit an annual income tax return, noting that this “calls the taxpayer’s attention to the total amount of income tax that he has paid over the past year . . . [so that] taxpayers may reflect—as they should—on whether they are receiving good value from the federal government for their income tax dollars.”176 Zelenak described the existing return-based system as a “compromise between big-government proponents (who generally favor low-visibility, low-pain taxes . . .) and small-government proponents (who would prefer taxes to be as visible and as painful as possible . . .).”177 Zelenak defended the compromise on the grounds that “if trust breeds trust[, ]then a taxpayer who feels trusted by the government may respond with increased trust in the government.”178 In some respects, this argument presages Shiffrin’s focus on the communicative potential of laws in democracy. Zelanak made the case that trust in government promotes trust in others more broadly, which in turn has been shown to result in greater tax compliance.179 The potential that this communicative element of tax laws could point in different directions on the issue of return filing shows that the democracy criteria is not a simple prescriptive formula. Democracy takes on different forms, the democratic process is contextual, and democratically oriented goals may vary. A focus on promoting and strengthening democracy begs further specification about what normative democratic commitments one is seeking to advance.180 The communicative value of tax law for democracy might affect both tax administration and the content of laws, suggesting that both should be designed with consideration for improving the community’s shared experiences and trust in the system. 2. Competent Government In addition to communicative value, tax laws can be used to build faith in democracy by exhibiting competence. United States tax scholars have long recognized that tax systems generally—and the mass income tax in particular—provide a unique interface between a democratic government and its people.181 All or almost all community members will have direct personal experience with their government via tax compliance.182 Because of this interaction, tax laws can promote faith in democratic government when tax laws are competently formulated and administered. In the United States, taxation is one of the only ways most community members participate directly in their government.183 Consider the other means of participation. Voting is voluntary,184 and voting rates in the United States are quite low.185 Jury duty is a limited and infrequent engagement.186 Only a small portion of the population is employed by any level of government,187 and fewer still volunteer for military service.188 Direct engagement with policymaking is rare—few community members engage in participatory budgeting or lobbying.189 The role of the taxpayer is unique in democracy because paying taxes is required of almost everyone and is an ongoing obligation.190 Perhaps reflecting this pervasiveness, tax paying is widely viewed as an important element of Americans’ civic duties. One poll found that paying taxes is perceived to be among the very top “good citizenship traits,” with seventy-one percent of Americans agreeing that paying all taxes owed is “very important to good citizenship,” second only to voting.191 The IRS’s survey data shows that ninety-three percent of Americans agree that “it is every American’s civic duty to pay their fair share of taxes.”192 Because taxpaying is so widespread, tax laws provide an opportunity to enhance faith in government by acting as a venue for the government to show its competence. If tax laws cause community members to think that their polity is working well and that people are, indeed, paying their fair share, it can strengthen democracy.193 On the other hand, as Professors Emmanuel Saez and Gabriel Zucman queried, “[i]f the taxes enacted by our elected officials keep boosting the income of a privileged minority, who will keep faith in democratic institutions?”194 A tax system that seems to let those with more economic resources off the hook will undermine democratic faith.195 Faith in democratic competence via tax is not just a matter of distributional outcomes.196 As Professor Kristin Hickman observed, “[t]he IRS and its personnel lack the expertise to assess the political consequences of many of the day-to-day administrative decisions that must be made,” resulting in taxpayers questioning the “fairness and legitimacy of the tax system.”197 In contrast, there is a tendency in autocratic and authoritarian governments to hide taxes. This has been explained as a tool of entrenchment for the government, done out of fear that more visible taxes would “empower people to demand more from their government,” thus acting as a “trigger for democratization.”198 Robin Einhorn observed a similar phenomenon in the differences between early colonial governments in North America: while the more democratic northern colonies like Massachusetts established many different sorts of mechanisms for democratic debates and decision-making to establish tax laws and to apply those laws equitably, southern colonies like South Carolina were much less democratic and operated by way of centralized, top-down decision-making.199 The existence of democratic institutions and practices created an outlet for discontent in the North, while the South lacked forums for people to express displeasure, contributing to a (misleading) image of contentment in the South.200 Einhorn attributed this difference to democratic governing structures encouraging public debate: silence in the South did not necessarily indicate amicable agreement.201 Indeed, tax laws in the South were generally less equitable, less transparent, and less effectively administered than tax laws in the North.202 Scholars in other disciplines have found that building faith in democracy has been important historically in the development of democratic states, and that tax laws have played a role in this development. Sociologist Charles Tilly found broad-based taxation at the center of the development of modern democracies, and Tilly tied the rise of democracy in Europe to the privatization of the economy; as governments stopped earning revenue via control of commercial interests, they needed to impose taxes to fund government activities, which prompted the private interests subject to tax to push for a share in government power.203 Further, Tilly observed that the early American federal government’s use of tax collectors provided a rare point of “direct contact” with the potential to foster trust between state and citizen.204 Others have found support for tax-fueling-democracy narratives in the unfolding of various popular revolutions in the seventeenth and eighteenth centuries, in which tax policies sparked the “establishment of representative institutions and the full flourishing of democracy.”205 Lack of faith in democracy is self-reinforcing in the tax rules, in that lack of faith in democracy facilitates socially-accepted tax evasion, which in turn further undermines faith in the system.206 Returning to Ian Shapiro’s foundational elements of democracy,207 tax rules designed to account for how democratic community members interact with their government have the potential to positively affect the culture of democracy and the institutions necessary to support a strong democracy. To nurture faith in democratic governance, the acts of paying taxes and navigating tax rules should be seen as opportunities for the government to justify itself to taxpayers, and to help taxpayers build faith in their government institutions. Conversely, tax rules fail to satisfy this element of the democracy criteria if those rules are constructed so that tax compliance and perceptions of the tax system undermine or diminish faith in government. B. Supporting Participation in Democracy

#### Taxing excess economic power decreases elite domination over democratic decision-making

Wallace 23 [Clint Wallace, Professor of Law Joseph F. Rice School of Law at the University of South Carolina with a LLM in taxation, a JD from New York University School of Law, and an AB from Princeton University’s School of Public and International Affairs, 10-01-2023, “A Democratic Perspective on Tax Law,” Washington Law Review, https://digitalcommons.law.uw.edu/cgi/viewcontent.cgi?article=5277&context=wlr]/Kankee

C. Shaping Political Economic Life There is a growing body of work by democracy scholars and political scientists that makes the descriptive case that economic inequality is corrosive to democracy.251 In Professor Larry Bartels’ analysis, while the affluent “have considerable clout” politically, the bottom one-third of income earners “have no apparent impact on the behavior of their elected officials.”252 That failure sets up a serious challenge: perhaps the best recourse to limit the outsized influence of economic elites is to limit their very existence by taking on inequality directly—not in the name of fairness, but in the name of democracy. Tax law and its central role in redistribution is, by this analysis, a site of contests that are relevant to democratic vibrancy.253 Indeed, some legal scholars have made the case that economic inequality “may threaten the Constitution’s democratic foundations,” with the implication that there is a constitutional obligation to reverse extreme inequality.254 A concern for democracy-threatening maldistribution is elaborated through the democratic theory lens of “non-domination.”255 As defined and discussed below, non-domination can be advanced by disempowering those with too much control over the basic interests of others. Concerns for misallocation—spending resources on the wrong things—are explored through the democracy-focused lens of managing the economy for stability and inclusivity so that gains are widely shared and so that economic growth contributes to democratic vibrancy. This stands in contrast to the conventional wisdom that taxation should be used to manage the economy for growth and otherwise should seek minimal interference. 1. Non-Domination Extracting resources via taxation is a way of limiting power—not just economic, but also political—from whomever the resources are taken.256 Economic historian Sydney Ratner wrote, “[t]he economic basis for the creation and preservation of democracy is the distribution of wealth and income among the majority of the people in such a fashion that no elite can permanently dominate the community.”257 This description recognizes the potential link between the distribution of economic resources (which is, to be sure, the traditional focus of equity analysis by tax scholars) and the distribution of power in a society. Economic inequality matters not just because of the effects on the individuals with fewer economic resources, but also because of the potential effects on the capacity of the polity to pursue the common good. With these sorts of concerns in mind, various democratic theorists have made non-domination a central concern in their work. Non-domination is related to—but distinct from—legal equality or economic equity.258 A concern for domination goes further than equality in that domination could be carried out by any participants in a decision-making process, even if they are operating in some context that purports to impose equality among participants (e.g., one person, one vote).259 There is debate among democratic theorists about how to define domination. Professor Phillip Pettit described a concept of domination that exists when one agent has “power of interference on an arbitrary basis” over another. 260 Ian Shapiro diagnosed Pettit’s definition of domination as too broad, arguing that the type of potential interference is relevant.261 According to Shapiro, domination exists when other people have power over an individual’s access to the resources that are needed to survive and wield that power in ways that are harmful to the individual.262 In this approach, the resources that matter for non-domination purposes are what Shapiro called “basic interests”: whatever an individual needs to survive in their environment and economy, including shelter, food, health care, and education.263 Domination, in either conception, is only possible where there is power to be wielded. In the democratic governing context, power is channeled through collective government, and lawmaking and policymaking are centrally about how to exercise the government’s powers.264 This combination means that domination should be a key concern in lawmaking and the operation of government. In order for inclusive decision-making institutions to yield democratically legitimate results where important issues are at stake, none of the participants should have outsized influence on those results to the detriment of other participants.265 Michael Walzer described a concept of domination consistent with this in their contextual theory of justice, in which Walzer focused on limiting domination across different social spheres.266 Walzer contemplates, for example, that economic power accrued by an individual might affect a purportedly democratic decision-making process, even if financial resources were not directly brought to bear on a political process.267 Thus, non-domination requires attentiveness to the conditions of decisionmaking on an ongoing basis and may be more demanding than simple equality.268 Some scholars have recently connected tax policy proposals addressing inequality to Walzer’s theory and to empirical work on the effects of inequality on political power.269 To advance the goal of strengthening democratic governance, tax rules should be shaped to promote non-domination in democratic decisionmaking. A focus on non-domination as a democratic concern in taxation dovetails with recent scholarship in other areas of public law that have looked to tax to help remedy structural inequality. For example, Professors Kate Andrias and Benjamin I. Sachs discussed a host of ways that tax rules might better shape “countervailing power.”270 But the sorts of policies they recommend are not consistent with the standard tax principles of equity and efficiency.271 A non-domination lens on tax policy opens up other avenues of tax policies that might not promote equity in the traditional sense, but that can help orient tax policy analysis to consider the democracy-threatening concerns that Andrias and Sachs raised, and their work is part of a growing body of non-tax scholarship addressing power dynamics.272 As Daryl Levinson summarized, “every law and policy that affects distribution of wealth or the costs of mobilizing collective action at least potentially serves to redistribute political power.”273 Tax rules that are attentive to domination can be designed to mitigate the extent to which economic power is accrued and can be focused on specific ways to undercut further concentrated control of policymaking.274 In this way, using tax laws to combat domination can help to “shape the terms” of democratic interactions without necessarily “determining the course.”275 Extending this work beyond the confines of democratic theory and beyond the limited perspective of standard tax equity analysis would allow tax to more fully engage with the democratic concerns to which the tax system might helpfully respond. This lens is considered in further detail in Part III with regard to recent debates on taxing wealth in the United States. 2. Managing the Economy for Democratic Vitality While domination, described above, focuses on who actually exercises power in the political process, using tax to manage the economy democratically recognizes that the tax system reaches to other structural elements of society.276 In broad strokes, the tax system can determine how capital is allocated, who ends up with what, and how participants in economic life relate to one another.277 Tax laws “affect the volume of employment, the distribution of economic resources among different occupations, and the total supply of factors entering into production,”278 shaping almost every aspect of society.279 Further, democratic vibrancy is profoundly impacted by the degree of economic equality or inequality across community members, even beyond power dynamics.280 As Professor Dani Rodrik observed, “[i]n the advanced countries, dissatisfaction [with democratic governments] revolves around their inability to deliver effective economic policies for growth and inclusion.”281 However, most often in the tax law and policy literature, this economic management function of tax is converted into an imperative to use the tax system to promote macroeconomic growth, with little consideration for how that growth is distributed and the extent to which it is inclusive.282 Professor K. Sabeel Rahman, expressing concern about the state of American democracy, queried, “[h]ow [should] we structure [governance] to better promote values of freedom, equality, and dignity?”283 To “realize democratic aspirations” requires looking beyond elections and legislatures to “a more diverse array of institutional structures and conditions.”284 Rahman highlighted a tax law from the early twentieth century that showed how taxes have been—and can be—used as tools of economic regulation with democratic undertones. In Louis K. Liggett Co. v. Lee, 285 the United States Supreme Court struck down a Florida “AntiChain Store Law,” which consisted of taxes on operations with multiple locations. Justice Brandeis explained (in dissent) that the tax at issue dealt directly with the balance of power society and citizens’ participation in government.286 Brandeis explained that a tax that imposed a steep price on chain stores was part of a long tradition of limitations on corporate activity that “were, in part, an expression of the desire for equality of opportunity.”287 In the absence of such limitations, corporate agglomerations of power were “sometimes able to dominate the state.”288 Brandeis saw that state tax policy had the potential to affect the course of political development.

#### Wealth taxes are key to democratic governance that prevents global catastrophe

Wallace 23 [Clint Wallace, Professor of Law Joseph F. Rice School of Law at the University of South Carolina with a LLM in taxation, a JD from New York University School of Law, and an AB from Princeton University’s School of Public and International Affairs, 10-01-2023, “A Democratic Perspective on Tax Law,” Washington Law Review, https://digitalcommons.law.uw.edu/cgi/viewcontent.cgi?article=5277&context=wlr]/Kankee

The authors then proceeded through a detailed analysis of the three standard criteria, in the traditional mold.311 They paid no attention to governing context, faith in government, effectiveness of democratic decision-making, or power dynamics potentially facilitated by wealth. There are plenty of other examples that approach wealth tax analysis in similar fashion.312 As wealth inequality has continued to rise, and as democratic institutions in the United States have appeared to be vulnerable to failure, policymakers and scholars have focused more and more on democratic values as a consideration in wealth taxation. Professor Heinz Klug observed that failures of progressive taxation have resulted in “not only increasing inequality, but also an undermining of democracy.”313 Professor Jennifer Bird-Pollan noted that “there is reason to believe that concentrations of wealth make democracy less viable.”314 Earlier, Professor Deborah Schenk dismissed the possibility that a wealth tax could effectively “strip the wealthy of their political power” because the rates to accomplish this would be “politically unacceptable,” but Schenk made a democratic argument that it is untenable for the wealthy not to contribute something to fund the government.315 Still, these references to democratic concerns rarely move beyond surface-level considerations of what democracy means and how a wealth tax might affect democracy.316 Other scholars have been grasping for ways to more fully consider democratic values within debates on wealth taxation.317 Professor Repetti mined the connections between concentrations of wealth on the vibrancy of democratic decision-making, making the case for a robust taxation of intergenerational wealth transfers.318 While wealth inequality is well within the purview of traditional equity analysis, Repetti’s scholarship forged new ground in proposing a distinctly democratic construction of equity.319 Repetti focused on “equal voice” for participants in democratic decision-making, arguing that “concentrations of wealth have a harmful impact on the effectiveness of democracies” because the wealthy have a disproportionate influence over their local communities and their elected officials.320 Repetti also relied on empirical research showing that dynastic wealth exacerbates these inequalities.321 Professor Ari Glogower built on Repetti’s work as well as economics and political science literature focused on the social and political harms of inequality. Glogower introduced to the tax literature a “relative economic power” justification for wealth taxation, which was grounded in Professor Walzer’s concern about domination across social spheres.322 Glogower connected “imbalances of economic power,” including the power derived from the possibility of spending previously accrued wealth, with giving rise to “social dominance.”323 Glogower thus argued that concentrated wealth presents a challenge to democratic participation, and the wealthy should be subject to taxation because the power derived from wealth is untouched by an income tax.324 Still, the concepts of democracy that various wealth tax proposals are sometimes said to address remain underdeveloped.325 The democracy criteria introduced here can inform both the wisdom of wealth taxation generally and specific design considerations in a wealth tax. They can also respond to some criticisms lobbed at wealth tax proposals and at particular sorts of democratic concerns, as discussed below. 1. Wealth Tax to Promote Faith in Democracy A tax on wealth can help increase faith in democracy by showing that the tax system works and applies to all citizens, including the wealthiest. This involves communicative functions—for example, a wealth tax law would express shared commitments to those who see the current set of loopholes and optional taxes at the top end as problematic.326 A new tax regime that counteracts the impression (and reality) that some of the wealthiest taxpayers get away without paying taxes could bolster faith in fair government. A wealth tax also can be designed to incorporate a display of government competence by giving the federal government an opportunity to show that it can take on the lawyer-accountant complex that has so effectively protected all high-end wealth from taxation in recent decades. Additionally, a wealth tax can improve perceptions of the distributional fairness of the tax system. These democracy-focused expressive points have largely been missing from academic wealth tax debates. There have been some undercurrents of these ideas in political rhetoric surrounding wealth taxes, and a group of law professors and economists made some of these points publicly in recent political debates concerning taxation of billionaires.327 2. Wealth Tax to Support Participation in Democracy A wealth tax can promote participation in democratic governance in multiple ways. First, the proceeds of a wealth tax might be devoted to fostering democratic capacity through education—in fact, that is precisely what Senator Elizabeth Warren proposed with her “ultra-millionaires” wealth tax that would have funded universal preschool.328 There is significant empirical evidence that this sort of investment in early childhood education results in gains in recipients’ abilities to engage politically. Second, a wealth tax might contribute to democratic voice by equalizing opportunities for empowerment. Whereas currently the ultrawealthy can opt in and out of paying taxes based on the realization rule and other intricacies of the income tax and gift and estate tax regimes, a wealth tax would take away some of that optionality. In that case, the relationship of the ultra-wealthy to the federal tax code would be more like that of other taxpayers: tax compliance would be required, not discretionary, every year. Finally, unlike some other tax law proposals, a wealth tax does not offer opportunities to facilitate direct participation through engagement with the tax system. Still, revenue from a wealth tax might be devoted to increased redistribution, which could provide voice for some who lack it due to lack of economic resources. People who are the beneficiaries of redistribution might use the proceeds to make political contributions that directly impact political processes, or they might be empowered in less tangible ways simply by having more resources at their disposal. Additionally, the revenue from a wealth tax could be devoted to institutions or ventures that facilitate voice.329 Each of these measures could help to increase “congruence” between the policy preferences of the non-wealthy and the policy outcomes adopted by elected leaders.330 3. Wealth Tax to Advance Non-Domination By reducing the economic power of the wealthy, a wealth tax could reduce actual or potential political spending by the wealthy, in turn reducing their political influence and the extent to which elected officials pay attention to them.331 As Glogower has argued with his theory of relative economic power, significant power is derived from simply having wealth, even if nothing is actually done with it.332 Further, to the extent that a wealth tax could be onerous enough to actually reduce high-end wealth inequality, it could positively affect economic opportunity and intergenerational mobility, allowing more opportunities for the nonwealthy.333 \* \* \* All of these democracy criteria arguments in favor of wealth taxation can be expanded and debated. Some will be convinced by one democracyoriented consideration, but not by others. Consider the following example of a democracy-skeptical reaction to one of the non-domination arguments for wealth taxation. Professors Joseph Bankman and David Weisbach advanced an argument in favor of a pure consumption tax that is built, in part, on their claim that wealth alone provides little political power; rather, they argued, consumption is the means by which power is exercised.334 Thus, in their view, wealth is merely future consumption— and does not, independent of that future consumption, produce “security, prestige, and power.”335 Although I disagree with that view, it highlights the importance of considering a wide democratic perspective on taxation. Bankman and Weisbach are resolved to be unconvinced by Professor Glogower’s and Professor Avi-Yonah’s concerns about domination resulting from wealth.336 But, as this Article asserts in Part II, there is more to the democracy criteria for taxation than non-domination. Bankman and Weisbach (or their audience) might be convinced as to the communicative value of enacting a law that taxes wealth.337 Or they might see that revenue from a wealth tax can support democratic capacity (and can use that revenue to invest in education now, which is not possible in their waitfor-consumption approach).338 Or they might accept that, despite their assertion “that power and prestige [are] likely [to] come more from labor than from savings,”339 there are nonetheless valid democratic motivations for reshaping society by converting accumulations of private wealth to public goods, aside from concerns about domination.340 The democracy criteria can provide explicit and deliberate ways to connect tax with democracy. The criteria provide a set of considerations for interrogating tax policy distinct from the standard analytical approaches. And they provide a toolset for tax scholars to engage with scholars from other fields who have proposed tax rules to address problems they have detected in their own fields, or to allow tax scholars and policymakers to be responsive to democratic concerns by generating tax policy proposals, as shown in the examples above.341 CONCLUSION During the 2016 presidential campaign, then-candidate Donald Trump asserted that not paying federal income tax “makes me smart.”342 Economists Emmanuel Saez and Gabriel Zucman reacted that this statement showed that “[t]he country’s tax system—the most important institution of any democratic society—had failed.”343 Through the lens of the standard criteria for evaluating tax policy, the failure would seem to be one of distribution and administrability. Those are significant problems, to be sure, but they provide an incomplete description of the failure. Trump’s actions and words mark a democratic failure because an extremely powerful person was flaunting his ability to avoid contributing to the public good, and because the tax law and political environment somehow made that skirting of a duty of citizenship apparently laudable to a substantial portion of the population. The failure is problematic in terms of communicative elements of the tax law and domination. A few generations ago, Professor Stanley Surrey,344 one of the leading tax commentators in the country,345 celebrated the state of U.S. federal tax policy in the pages of a leading law review.346 The progressive income tax in place at the time, viewed through the lenses of equity, efficiency, and administrability, represented “the most appropriate method of raising governmental revenue” in their analysis.347 But Surrey expressed concern about how Congress might lead tax policy astray and urged sensitivity to “public attitudes.”348 Surrey went on to offer what is now recognizable as a public choice critique of certain provisions of the then-recent overhaul of the tax law.349 They identified that a few powerful, well-organized interest groups used the legislative process to insert several “special tax provisions” into the 1954 Internal Revenue Act.350 These consisted of low-salience, high-value handouts that barely registered with the diffuse, distracted public.351 In short, in the late 1950s, there was critical agreement that the U.S. tax system was exemplary and that the primary threat to it would be the operation of democratic interest group politics, which risked undermining it. While the tax system was at the mercy of democratic institutions, the effects of taxation on democracy were—and would remain for a generation or more of tax scholars—an afterthought at most. Nonetheless, viewing tax from a democratic perspective, it is evident that U.S. tax policy has molded the structure of American democracy.352 It is also evident that participants shaping some of these tax policies have democracy-oriented concerns, which have sometimes been downplayed in favor of the standard criteria and which might be sharpened and honed more effectively by considering the democracy criteria laid out above. In that 1950s context—in which the terms for modern tax scholarship were set—this lack of attention to democracy may have seemed natural. From that time onward, as the U.S. federal income tax subsequently became more sophisticated and became a focus in academia, the world around it was one in which democracy was spreading to new nations and existing democracies were thriving. A liberal-democratic consensus agreed that modern welfare states required progressive, broad-based taxation, with the key questions being matters of degree, technical design, and administrative considerations. The world today—with autocracies on the rise, climate change threatening humanity, systemic racial inequity, increasing distributional inequality, and persistent power imbalances manifested in myriad laws and policies, all of which have undermined attempts at democratizing governance—demands that tax policies should be conceived with a broad focus on establishing and sustaining effective democracy. This Article makes the case that the standard analytical tools proffered by the normative criteria of equity, efficiency, and administrability are insufficient to confront the challenges to democratic political economy that currently face the country and world. Effective taxation should be approached as fundamental to a healthy democracy. Tax laws and policies in the United States are not shaped by courts adhering to constitutional constraints, but rather by lawyers and economists who advise policymakers on how the law will work and its effects. Taxation should be analyzed, designed, and implemented to strengthen democratic governance. Using the lens of democracy proposed here can make that happen. Like the familiar, but highly-contested, standard criteria of equity, efficiency, and administrability, the democracy criteria should be subject to interpretation and debate; democracy is complex and multifaceted, and scholars and policymakers will disagree on how democratic values and norms should be advanced by tax policy and how tax policy should be used to shape democratic institutions and practices. In staking out the importance of a democratic perspective on taxation, this Article advances one version of how the democracy criteria might be conceptualized, which is intended to be a starting point for a more deliberately democratic discourse on tax law and policy

#### Wealth tax reinvigorates democracy – this assumes implementation issues

Sammon 19 [Alexander Sammon, staff writer at The American Prospect, 11-8-2019, "The Billionaire Class Created Their Own Wealth Tax. It Failed." American Prospect, https://prospect.org/power/billionaire-class-created-failed-wealth-tax-giving-pledge/]/Kankee

Of course, for Cooperman and Gates and countless other billionaires who have come out against the exceedingly popular proposal, it’s not the money that’s the issue, it’s the power. The contribution they’d be forced to make under such a tax regime wouldn’t meaningfully affect their lives whatsoever. If anything, it might make it easier for them to get a handle on the philanthropic obligations that they’ve been flunking so profoundly. Rather, it’s the ceding of decision-making power on what to do with that money that these billionaires find so odious. They would rather decide unilaterally where funding is disbursed than have a democratically elected, publicly accountable representative or body make that choice in the public interest. The money is basically immaterial; a minimization of the immense power they’ve amassed, however, might actually be felt. Indeed, the wealth tax is essential for reasons far beyond its revenue-raising capacities. It would affirm the capacity of government to regulate society’s most deleterious excesses, affirm the priorities of minimizing runaway inequality and ending the new American aristocracy, and prove that the billionaire class doesn’t exist beyond the reach of the democratic process. Maybe its detractors will prove to be right. Maybe it will be hard to implement, or won’t work exactly as planned. But at the very least, the Sanders/Warren proposals can’t be any worse at achieving their goals than the version the billionaire class has been trying in futility to levy on itself.

#### Wealth taxes equalize common wealth illegitimately hoarded by the rich

Andrew et al. 24 [Jane Andrew, researcher at the Business School at the University of Sydney, Max Baker, researcher at the Business School at the University of Sydney, Christine Cooper, researcher at the Business School at the University of Edinburgh, and Jonathan Tweedie, researcher at the Adam Smith Business School at the University of Glasgow, 01-2024, "Wealth taxes and the post-COVID future of the state", Science Direct, https://www.sciencedirect.com/science/article/pii/S1045235422000168?casa\_token=RYVPR70hQnwAAAAA:0Ehxt\_6VsQFRExuKXQAgdkUAY8pvCtjm7NcD8yFOCW5looU1NvF4wU\_dU0hm4fZ9GvZotm28BvU]/Kankee

4.2.2. The collective ownership principle The collective ownership principle, which can be traced to the work of Thomas Spence (1797, p.51, reprinted in 1982), argues that humans are born into the world as equals, and no person is more eligible than the next to make a claim on the resources needed to survive and prosper. From this perspective “everyone owns the Earth in common, so that those who use valuable resources must pay their co-owners for what they remove from the common store” (Rakowski, 2000). While traditionally applied to land and other naturally occurring assets, it is equally valid that such a view could also be applied to other capitals (assets, inventory, stocks) created by collective human labour. If we extend this argument, wealth is extracted from this common stock (the planet and labour), without which individuals like Bezos could not amass their fortune (Crawford, 2021). Recognising all capital, including corporate assets as common goods, offers a way to think about levies as a just imposition on the use of these collective resources. Within the context of the crisis created by COVID-19, discussion of this kind of non-consequentialist collective ownership principle has started to circulate more widely. The failures of neoliberalism and individualism have been stark, and through this crisis it appears more possible than ever that we find some new form of collectivity. As it has become increasingly clear that we are not “all in this together” and the neoliberal state lacks the will to protect lives and livelihoods, there has been growing disquiet about the state’s protection of capital over people. It is more and more evident that while there have been extraordinary demands on labour to service the common good (especially for front-liners, working in, for example, health care, transport, postage, education, and supermarkets), the COVID-driven profits enjoyed by billionaires, particularly in the technology sector, have remained a private good. The fact that privately held capital appears to have been immune, if not bolstered, during the crisis raises questions about the relationship between the state, capital, and labour. It has also raised questions about the protections afforded to privately held wealth, and the disproportionate pressure applied to labour to respond to the demands of the pandemic. While neoliberals like (Hayek, 2007) understand production as strictly a privately owned process which ‘affords its owner revenue’, common ownership views of capital are not new. For instance, Britain went to great lengths to nationalise the means of production in heavy industries during WWII so as to protect not only the country, but to ensure democratic freedoms were preserved abroad (Millward & Singleton, 2002). In the face of defeat, that state determined it was necessary and just to nationalise assets to protect the nation. As we face a future full of crises, the climate crisis being the most catastrophic in its potential, we are in dire need of a state that can respond effectively and collectively. And it is the state that has the resources (MMT) and the ability to mitigate the excesses of economic and political inequalities that we have allowed to emerge over the last 40 years. Together, MMT and a wealth tax provide the means to greater economic fairness and political participation. 5. Conclusion

#### Wealth taxes equalize politics and prevent economic domination and oppression that prevents free citizenry

Bearer-Friend and Williamson 22 [Jeremy Bearer-Friend, Associate Professor of Law at the George Washington University Law School, and Vanessa Williamson, senior Fellow in Governance Studies at The Brookings Institution, 2022, “THE COMMON SENSE OF A WEALTH TAX: Thomas Paine and Taxation as Freedom from Aristocracy,” GW Law Faculty Publications & Other Works, https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?params=/context/faculty\_publications/article/2863/&path\_info=SSRN\_id4057585.pdf]/Kankee

Paine’s suspicion of government did not extend to commerce. Unlike many radicals of later generations, Paine did not imagine that markets necessarily pitted economic classes against one another. 11 Having found a political home among the small artisans of revolutionary Philadelphia, Paine saw commerce as integral to society, because trade (along with science) encouraged inter-reliance and sympathy between people. Commerce “is a pacific system,” Paine believed, “operating to unite mankind by rendering nations, as well as individuals, useful to each other.”12 Paine’s advocacy for commerce did not blind him to the dangers of extreme wealth, however. His vision of peaceful and beneficial trade was focused on the small farmer or artisan, rather than the great merchants. Extreme wealth, in Paine’s eyes, “diminishes the spirit” of “patriotism,” because rich men were willing to protect their fortunes by submitting to tyranny.13 What is more, he believed that oppression is “often the consequence” of wealth, even if it were “seldom or never the means of riches.”14 Thus Paine wanted to free people from domination both political and economic, and he recognized that these two systems of oppression were interconnected. Republican government was always Paine’s primary tonic for economic ills. Starting with the Rights of Man, Paine began to consider how government could reverse systems of economic domination that not only oppressed the poor but corrupted politics. “The freedom of elections,” Paine thought, was “violated by the overbearing influence” of inherited wealth.15 To defend against the injustices that stem from economic inequality, Paine outlined the wealth tax we describe in detail in the following pages. He also devised “an economic program as close to a welfare state as could be imagined in the eighteenth century,” including public education, stipends for the support of children and the elderly, and a jobs guarantee.16 Freedom, for Paine, meant both lifting the poor from penury and dependence, so that they could participate as citizens, and eliminating the “vicious influence of the aristocratical system” of wealth consolidation. 17 Paine wished to overturn the systems of domination and oppression that he saw as the inevitable consequence of monarchy and aristocracy. Taxation, he believed, could reduce the concentration of wealth, and thereby help eliminate the corruption of concentrated power. With that foundation, let us examine Paine’s proposed tax on the annual value of wealth. C. The Motivating Principles behind the Paine Tax

### Contention 3: Racial Wealth Gap

#### Wealth taxes are key to addressing the racial wealth gap

Williamson 20 [Vanessa Williamson, Senior Fellow of Governance Studies at Brookings and senior fellow at the Urban-Brookings Tax Policy Center with a Ph.D. in social policy from Harvard University, 12-09-2020, "Closing the racial wealth gap requires heavy, progressive taxation of wealth", Brookings, https://www.brookings.edu/articles/closing-the-racial-wealth-gap-requires-heavy-progressive-taxation-of-wealth/]/Kankee

Summary Centuries of discrimination and exploitation have left Black Americans much poorer than white Americans. The median white household has a net worth 10 times that of the median Black household. If Black households held a share of the national wealth in proportion to their share of the U.S. population, it would amount to $12.68 trillion in household wealth, rather than the actual sum of $2.54 trillion. The total racial wealth gap, therefore, is $10.14 trillion. There is a vital and vibrant conversation in America today about reparations programs and other expenditure-based approaches to close the racial wealth gap. These investments are a moral imperative and an urgent economic necessity. But any program to close to racial wealth gap must grapple with the reality of wealth concentration in contemporary America. The 400 richest American billionaires have more total wealth than all 10 million Black American households combined. Black households have about 3% of all household wealth, while the 400 wealthiest billionaires have 3.5% of all household wealth in the United States. Because wealth in the United States is so highly concentrated, and because the wealthiest Americans are almost exclusively white, the racial wealth gap is also concentrated among the wealthiest families. Indeed, if the wealth gap were completely eliminated for all but the richest 10% of households, the total racial wealth gap would still be more than $8 trillion, 80% of the total wealth gap that exists today. “The 400 richest American billionaires have more total wealth than all 10 million Black American households combined.” Any plan to eliminate the total racial wealth gap requires, in addition to a transformative national investment in Black households and communities, a program of heavy and highly progressive taxation aimed at the very wealthiest Americans. A comprehensive agenda to close the racial wealth gap would likely include reforms to income and estate taxation, plus new taxes on wealth and inheritance, buttressed by a substantial investment in enforcement. While these taxes would likely also raise substantial revenue, this is not their primary purpose. High and progressive taxation of extreme wealth is in itself a strategy for racial justice because it would directly reduce the portion of the racial wealth gap that exists at the top of the economic ladder. This paper begins by describing the racial wealth gap, its origins and some of the recent spending proposals to reduce or eliminate it. I then examine how the racial wealth gap interacts with wealth concentration in America and demonstrate the vital role that taxation must play in closing the racial disparity in wealth.

#### Black wealth is underrepresented amongst the wealthy – equality requires reducing white wealth

Williamson 20 [Vanessa Williamson, Senior Fellow of Governance Studies at Brookings and senior fellow at the Urban-Brookings Tax Policy Center with a Ph.D. in social policy from Harvard University, 12-09-2020, "Closing the racial wealth gap requires heavy, progressive taxation of wealth", Brookings, https://www.brookings.edu/articles/closing-the-racial-wealth-gap-requires-heavy-progressive-taxation-of-wealth/]/Kankee

Understanding the racial wealth gap in the context of extreme wealth concentration It is a striking fact that the 400 richest American billionaires have more total wealth than all 10 million Black American households combined. Black households have about 3% of all household wealth, while the 400 wealthiest billionaires have 3.5% of all household wealth (Figure 2).1 This startling statistic illustrates two broader economic realities with immense policy implications for racial justice in America. First, it suggests the scope of the total racial wealth gap—not the median gap between typical households, but the full disparity between the fraction of wealth held by Black people and their percentage of the U.S. population. Using data from the Federal Reserve’s 2016 Survey of Consumer Finances,2 if Black households held a share of the national wealth in proportion to their share of the U.S. population, it would amount to $12.68 trillion in household wealth, rather than the actual sum, $2.54 trillion. The total racial wealth gap is over $10.14 trillion.3 Second, the rough wealth parity between 400 billionaires and 10 million Black households also indicates the extreme and extremely racialized wealth concentration that exists in the contemporary United States. A small fraction of Americans holds most American wealth, and they are almost exclusively white. So, although white households are on average wealthier than Black households at every income level, the vast majority of the total racial wealth gap, in dollar terms, is at the top. “At the top of the wealth spectrum, there is a lot more money and a lot fewer Black people.” Figure 3 shows both of these phenomena in a single graph. The figure reports the proportion of total wealth held by Black and non-Black households at each level of household wealth. The dark blue bars indicate the fraction of wealth held by Black families in each wealth quantile; as noted above, Black households have only a small fraction of national household wealth, and this holds at every wealth level. At the same time, the chart shows how highly wealth is concentrated. The richest 10% of American households hold more than three-quarters of all U.S. household wealth.4 Finally, the graph demonstrates the interplay between the racial wealth gap and wealth concentration. Among the richest 10% of households, only 1.9% of these households are Black. In short: At the top of the wealth spectrum, there is a lot more money and a lot fewer Black people. In fact, the chart does not fully indicate how concentrated wealth is by both class and race. Half of the wealth held in the top 10%, about two-fifths of all American household wealth, is held by the top 1% of households. Within the top 1% of households, less than 1% identify as Black. Even the wealthiest Black households, moreover, are less wealthy than the wealthiest white households. According to the Forbes 2020 list, the 571 white billionaires, who make up 93% of all billionaires, have about $2.8 trillion dollars in personal net worth. This is 96% of all billionaire-held wealth and more than 3% of the total household wealth of the United States. The five Black billionaires, who make up 0.8% of all billionaires, have $14 billion dollars, less than 0.5% of all billionaire-held wealth. Were Black people represented among billionaires in accordance with their portion of the U.S. population, there would be 80 Black billionaires, and they would hold not $14 billion dollars, but $383 billion dollars. In other words, the racial wealth gap among billionaires is $369 billion dollars. The point is not that billionaires need more billions, or that America needs more billionaires. On the contrary. The point is that closing the total racial wealth gap is exceptionally difficult without reducing the concentration of wealth among a small class of almost exclusively white people. Even equality of total wealth would not be real parity, moreover, if white people continued to be immensely over-represented among the very rich, whose economic and political power is both quantitatively and qualitatively different from that held by most Americans. The problem is clearly illustrated if we imagine the wealth gap between Black and white households were completely eliminated for all but the richest 10% of households. This would be an extraordinary achievement of public policy: total wealth parity between all the Black and white households that have less than $1.2 million in net worth. Nonetheless, because so much of American wealth is held by so few, the total racial wealth gap would still be $8.3 trillion dollars, more than 80% of the total wealth gap that exists today.5 Policy recommendations

#### Wealth taxes act as reparations to remedy past racial abuses

Williamson 20 [Vanessa Williamson, Senior Fellow of Governance Studies at Brookings and senior fellow at the Urban-Brookings Tax Policy Center with a Ph.D. in social policy from Harvard University, 12-09-2020, "Closing the racial wealth gap requires heavy, progressive taxation of wealth", Brookings, https://www.brookings.edu/articles/closing-the-racial-wealth-gap-requires-heavy-progressive-taxation-of-wealth/]/Kankee

It is worth considering why it is rare to see calculations of the racial justice effects of progressive taxation. Some of the reasons are technical; there are many assumptions involved in assessing the impact of taxes on the wealth distribution. Moreover, the tendency to use the median as the measure of the racial wealth gap, while useful for capturing the typical experience, disguises the implications of extreme wealth concentration. But there is, I believe, another reason taxation is sometimes sidelined in our consideration of race and the economy. It is common in policy circles to describe the racial wealth gap as the result of the exclusion of Black people from opportunity. And this is certainly accurate. But the difference between Black wealth and white wealth in America is not only the result of exclusion, it is the result of exploitation. Fundamental to U.S. economy has always been the transmogrification of Black labor and talent into white wealth. We can, in our longer-standing institutions, sometimes track wealth’s lineage directly to that exploitation: universities that preserved themselves by selling human chattel; newspapers that published enslavers’ advertisements; states that profited from convict leasing; banks that enriched themselves by defrauding Black homeowners. Each story is another entry in a centuries-long ledger that many people would prefer not to examine in its entirety. The case for reparations lays bare the reality that the distribution of American wealth is not an innocent consequence of individual fortune or effort. I am convinced that chattel slavery and apartheid, like genocide, are crimes of such magnitude that they place upon a nation an unassailable moral claim for restitution. But accepting that reparations are owed to Black America does not preclude other moral claims for economic reform and redistribution. And so it is profoundly uncomfortable for the holders of American property to consider its origins. We are, in the words of William Blackstone, so pleased with our right of property that “we seem afraid to look back to the means by which it was acquired, as if fearful of some defect in our title.” Squeamishness is no excuse for policy inaction. Today, American wealth has consolidated in a very small number of hands, hands that are almost exclusively white. Any agenda to close the racial wealth gap should include heavy taxation of extreme wealth.

#### Wealth taxes increase gender and racial equality

Abed et al. 23 [Dana Abed, Gender Rights and Justice Campaign Lead at Oxfam with a Master of Arts in Public Administration and Policy from the American University of Beirut, Carlos Brown, Senior Atlantic Fellow for Social and Economic Equity with a master’s degree in economics from El Colegio de México, Anthony Kamande, Inequality Policy and Research Advisor at Oxfam with a degree from the University of Embu, Max Lawson, head of inequality policy at Oxfam International, and Susana Ruiz, Global lead on Tax Justice for Oxfam, 01-2023, “Survival of the Richest How we must tax the super-rich now to fight inequality,” Oxfam International, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf]/Kankee

2.3 The case for increasing taxes on the rich There are two main reasons why taxing rich people more than poor people in every society reduces inequality, and why tax rates should rise steeply in relation to income and wealth. Taxation can both directly reduce inequality, and generate revenue for governments to spend on policies that reduce inequality. First, the tax system itself can play a key role in directly reducing inequality, which is of critical importance given how extreme the gap between the rich and the rest has become. By directly reducing inequality, progressive taxation has a critical impact on poverty reduction. By reducing the share of all new wealth going to the top, and instead distributing this wealth more evenly, the pace of poverty reduction is rapidly increased. This is why the World Bank has said that goals to end poverty will not be achieved without concerted action to reduce inequality.153 Progressive taxation decreases the incomes and fortunes of the wealthiest, as well as the number of superrich individuals in our societies, preventing extremes of economic inequality, which in turn benefits the majority in many positive ways. Scandinavian countries have successfully kept inequality low thanks in large part to long-standing regimes of progressive taxation.154 Very high rates of tax on very high incomes can also help prevent the existence of runaway pay at the top and suppress the wage gap. This was the explicit objective of taxes on very high incomes in the US after World War II, for example. Progressive taxation also tackles underlying inequalities of power. For instance, a tax on windfall profits of corporations can reduce inflation by limiting companies’ monopoly power, including their power to set prices (see Box 3 in Chapter 1). A high tax on dividend payouts can discourage companies from filling the already full pockets of shareholders,155 as seen in the food and energy sectors, and instead encourage them to invest in better labour conditions and green technologies. Inheritance tax plays a key role in preventing the emergence of aristocratic inherited wealth, levelling the playing field and providing equality of opportunity for each generation. Wealth taxes help to deconcentrate an economy and reduce the prevalence of monopoly power, which further reduces economic inequality. Property taxes, when well-designed and effectively implemented, prevent the concentration of land in a small number of hands. Inequality of land ownership is a key factor in causing high levels of inequality in low-income countries, often as a legacy of colonialism.156 By reducing wealth concentration, taxation can also curb the influence of super-rich people and companies over politics, the economy and the media, as well as reducing corrupt practices like clientelism that increase inequality.157 In addition, taxing the wealthy has a positive effect on reducing corrosive social inequalities. The richest people in society are always majority male: of the top 1,000 billionaires, only 124 are female.158 Very few of the super-rich are racialized people. Only five of the top 1,000 billionaires are Black;159 in the US, 89.2% of shares are owned by white families, compared with just 1.1% owned by Black families.160 When the rich enjoy disproportionally low tax rates on wealth, inheritance, capital gains and corporate income, this constitutes a redistribution not only from poor to rich, but also from women to men and from racialized people to white people (see Box 5). Furthermore, taxing the rich has a positive impact also on global inequality and on the gap between high- and low-income countries. Despite big increases in the number of billionaires in East Asia, particularly in recent decades, the majority of billionaires still live in the global north, in North America or Europe.161 The wealth of these nations, especially in Europe, can be traced back in part to slavery, colonialism and empire.162 Much of today’s distribution of rich people in the world directly reflects the ongoing neocolonial and extractive nature of the world economy.163 The second reason to tax the rich is to raise revenue for governments to spend on policies that reduce inequality and build more equal, sustainable societies. In the current cost-of-living crisis, taxes on the wealthiest and most profitable corporations could support the many people affected by inflated prices without hurting the economic recovery. This would avoid austerity measures, which are borne by the majority of society, especially the poorest people, and increase inequality. Taxes on the richest in wealthier nations could also raise revenue to help their governments live up to existing aid and climate finance commitments, and to deliver much-needed additional investment to fight poverty, inequality, climate change and humanitarian crises. For example, they could help tackle the hunger crisis in East Africa, where the worst-hit areas are hurtling towards famine. Increased government spending on inequality-busting sectors, such as healthcare, education and food security, and to fund the just transition to a low-carbon world, is needed more now than ever. Given that governments have issued huge amounts of debt and printed trillions of dollars, much of which has ended up in the pockets of the richest, there is a compelling case to recover this public money through progressive taxation and put it to good use building a more equal world. For this to be possible, we need transparency and citizen participation in how resources are spent (See Box 6). Beyond reducing inequality, there is also a strong case for increasing taxes on the rich in order to help combat the climate crisis. In 2020, Oxfam and the Stockholm Environment Institute showed that the richest 1% generate more emissions than the whole of the bottom half of humanity, and that their share of global emissions is growing rapidly.175 In 2022, Oxfam revealed new analysis showing that a billionaire emits over one million times more carbon than the average citizen.176 This is largely due to the emissions linked to their stakes in some of the biggest corporations – billionaires are twice as likely to invest in polluting industries like oil or cement than the average investor.177 Their lavish lifestyles and investments in a fossil-fuel-dominated economy are putting humanity at risk of climate catastrophe, leaving billions of ordinary people, who are the least responsible for climate breakdown, to face its worst consequences. Taxing the rich could reduce unsustainably high emissions by rich people and reduce their power and influence over the fossil fuel-addicted economy. General wealth taxes and other taxes on the rich are effectively green taxation, as they reduce the huge consumption of carbon by the richest. In addition, as suggested by leading economists, steeply higher rates of taxation on investments in polluting industries could deter billionaires and others from investing in them.178 2.4 Growing support for taxing the wealthy

#### Wealth taxes help solve the racial wealth gap

Oxfam 23 [Oxfam International, non-governmental organizations concerned with poverty alleviation, 04-2023, “Tax Wealth, Tackle Inequality Five Reasons Why a Wealth Tax Makes Sense,” Oxfam International, https://webassets.oxfamamerica.org/media/documents/Tax\_Wealth\_Tackle\_Inequality\_2023.pdf]/Kankee

\*article converted with OCR

2. It would help to narrow the racial wealth gap. Today’s US racial wealth gap is directly related to a racist past in the US that begins with white Americans enslaving Black people and treating them as capital itself (including as collateral for loans). This evolved into a system in which Black people were systematically excluded from accumulating wealth; any wealth they did accumulate was defenseless in the face of theft and destruction facilitated or directed by the State. Today’s racial wealth gap is a direct result of such history and policy, in addition to exclusion from New Deal policies, exclusion in access to finance, predatory financing (particularly in home ownership), and the trap of low-wage employment, to name a few examples. 43 Law and policy today continue to perpetuate the racial wealth gap. Scholars such as law professor Dorothy Brown have highlighted how today's tax code perpetuates the racial wealth gap through federal tax subsidies that disproportionately benefit wealthy households, higher income workers, and those who have access to tax-advantaged retirement plans—all of whom are disproportionately white.44 Taxing extreme wealth would help to advance racial wealth equality by reducing the extreme concentration of wealth that exists at the very top of the economy, which is almost exclusively white, before taking into account spending from that taxation, as tax scholar Vanessa Williamson and others have noted. 45 For example, a proposal from economist Thomas Piketty for a tax on close to 600 households is estimated to reduce racial wealth inequality by $294 billion. 46 Alone, of course, this is not enough: it is imperative for these revenues to be invested in transformative measures that can make a material difference to people’s lives in a manner that disproportionately reduces racial and economic inequality, such as baby bonds (see Solutions section). The racial wealth gap is considered the largest economic inequality between Black and white Americans, and the racial wealth gap is wider than the racial income gap. 47 The Institute on Taxation and Economic Policy highlights that 92% of all wealth held by families with a net worth over $30 million is owned by white, non-Hispanic families, and may be an understatement. Moreover, 86% of total wealth in the US is owned by white families, while Black, non-Hispanic families own just 3%.48 The same analysis applies to stock ownership: 89.2% of shares are owned by white families, compared with just 1.1% owned by Black families. Considering inheritance, white families are five times more likely than Black families to receive large gifts and inheritances, with the average value of a white family’s inheritance four times the average of a Black family’s. 49 In the absence of progressive taxation, this creates a dynastic form of wealth, especially for the ultrawealthy. 3. It would enable us to tackle the climate crisis.

#### Reducing elite wealth is necessary to racial wealth equality

Oxfam 23 [Oxfam International, non-governmental organizations concerned with poverty alleviation, 04-2023, “Tax Wealth, Tackle Inequality Five Reasons Why a Wealth Tax Makes Sense,” Oxfam International, https://webassets.oxfamamerica.org/media/documents/Tax\_Wealth\_Tackle\_Inequality\_2023.pdf]/Kankee

\*article converted with OCR

Addressing tax avoidance and evasion is critical to ensuring we can account for and tax all wealth; we know a significant amount of individual wealth is held offshore in tax havens. New evidence published by the IRS shows that more than 60% of the richest 0.01% own foreign accounts, the vast majority in tax havens. US taxpayers in total hold around $4 trillion in foreign accounts, almost half in jurisdictions considered tax havens.37 • The extreme concentration of white wealth at the top deepens the racial wealth chasm. The Urban-Brookings Tax Policy Center has calculated that even if we entirely leveled the racial wealth gap for 90% of households—but not the richest 10%—the total racial wealth gap would still be more than $8 trillion. That is 80% of the total wealth gap that exists today.38 • As an illustrative example that helps to explore the racial wealth gap comparative to wealth taxation, scholars have simulated that a 44% tax on the wealth of the top 0.1% (or a 27% tax on the top 0.5%) could generate revenue sufficient to equalize white and Black per capita wealth in the US. 39 FIVE REASONS WHY A WEALTH TAX MAKES SENSE

#### The government and elites are complicit for obliterating black wealth, and responsible for rectifying injustices and the wealth gap

Asante-Muhammad and Collins 23 [Dedrick Asante-Muhammad, chief of membership, policy, and equity at the National Community Reinvestment Coalition and an associate fellow of the Institute for Policy Studies, and Chuck Collins, Program Director Institute for Policy Studies with a Masters of Science & Community Economic Development from Southern New Hampshire University, 7-13-2023, "The Racial Wealth Gap Began With Our Founding. Reparations Is How We End It", Newsweek, https://www.newsweek.com/taxes-wealthy-could-fund-reparations-create-more-equal-america-everyone-opinion-1812047]/Kankee

The Supreme Court's latest attempt at forcing "colorblindness" in a society marked by racial inequality led it to gut affirmative action in higher education. But there's still much that can be done to bridge racial economic inequality—particularly if we embrace reparations. What's more, we could fund those reparations by breaking up concentrated wealth in this country—and they could work together with other economic policies that would benefit Americans of every color. The racial wealth divide between Black and white Americans is not only vast but persistent. We found in a 2020 report for the Institute for Policy Studies that the median African American household had only 6 percent of the wealth held by the median white American household. This percentage is lower than it was four decades ago, indicating that the racial wealth divide may be growing. The root causes of this disparity are found in public policies that have perpetuated injustice—including not only slavery but also segregation, mass incarceration, housing and lending inequality, and other systemic injustices. The growing concentration of wealth over the past four decades has been a further barrier to bridging the racial wealth divide. The wealthiest 400 billionaires in the United States, we calculated, own as much wealth as the entire African American population and a quarter of all Latinx households combined. Public policy is responsible for creating the racial wealth divide—and public policy must be employed to rectify it. That policy will be more effective if it includes some form of reparations, such as cash payments to aid Black families in building wealth. But cash is only one piece of the puzzle. Communities across the nation are exploring what reparations might entail. One notable example is a nonbinding Draft Reparations Plan released in San Francisco, where the median Black income is a mere $31,000 compared to $116,000 for white people. The plan proposes allocating $5 million to each eligible African American resident as reparations. That figure is obviously unaffordable, particularly for a local government. But it succeeds at dramatizing the depth of the $10 trillion racial wealth divide for African Americans. More importantly, San Francisco's draft plan serves as a model for a comprehensive national strategy to address the Black-white racial wealth divide. It recognizes the profound scope of the divide and proposes practical steps to address various asset categories that contribute to wealth accumulation or its erosion. To create wealth, the plan recommends providing tax relief and incentives to help grow Black-owned businesses and establishing a community land trust governed by Black residents to make housing more affordable. The plan also includes steps to stop the erosion of Black wealth, including using land-use controls to reduce unhealthy establishments in Black communities and closing the school-to-prison pipeline, where police officers in schools send kids into the criminal justice system for routine disciplinary issues. It's encouraging that local communities are taking these initiatives. But these local measures would be more effective in the context of a national reparations initiative supported by the federal government. Only the federal government has the financial capacity to undertake the broad and bold endeavors necessary to address the deep-rooted issue of white socio-economic supremacy. The federal government could also ensure that the burden of funding reparations falls on the ultra-wealthy who benefit the most from inequality—not on ordinary working taxpayers. A graduated tax on wealth and inherited assets, penalties for high-end tax evasion, and closing tax loopholes for the ultra-rich could all help finance a national Reparations Trust Fund. Congress should also consider a range of progressive policies that would move our economy from one of increasingly concentrated wealth to greater shared prosperity, including passing Medicare for All, offering low-cost banking through the Postal Service, strengthening the minimum wage, and more. These would expand opportunity for Americans of every race while also narrowing the racial wealth divide, since Americans of color make up a larger share of low-income and asset poor people in this country. But that won't erase the need for reparations. To begin the journey, Congress should establish a national commission to examine the legacy of slavery and propose reparations and reconciliation programs funded by breaking up concentrated wealth in the United States. Undoubtedly, repairing the racial wealth divide comes with a cost. However, failing to make these investments will prove even more costly. As we've seen for generations, that cost is borne by groups like African Americans and Native Americans, who've been placed at the bottom of the social order when it comes to income, wealth, homeownership, educational attainment, incarceration, and health. It's crucial to understand how racial wealth inequality for African Americans began with the foundation of this nation. Yet reparations should not be dismissed as an attempt to rectify history. Instead, they are a policy tool to address present-day divisions and create a better future.

### Contention 4: Economy

#### The economy sucks now – labor market and sales

Edwards 24 [William Edwards, senior investing reporter at Business Insider, 10-12-2024, "Don't let September's jobs report fool you — the labor market is still deteriorating at a worrying rate, economists warn", Business Insider, https://www.businessinsider.com/job-market-recession-unempl b aoyment-rate-september-payrolls-report-fed-cuts-2024-10]/Kankee

The September payrolls report seemed to switch the investor narrative around the labor market on a dime. Recession fears that were largely fueled by the triggering of the Sahm Rule in August suddenly changed to worries that the Fed started easing policy too soon, and that inflation was still a prescient threat. Investors didn't exactly get a conclusive answer to that question on Thursday morning, when September's CPI came in at 2.4% year-over-year, a bit above consensus. However, some economists have warned in recent days that this oscillation in sentiment is the wrong path for the market to follow—at least for now. Perhaps unsurprisingly, one of them includes the seemingly ever-bearish David Rosenberg. The Rosenberg Research founder and former chief economist at Merrill Lynch pointed out in a client note this week how often payrolls numbers get revised downward these days: 75% of revisions in the last year have been negative. The quality of the sample and the response rate for the payrolls survey is also questionable to Rosenberg. But non-perma-bear types also echo this skepticism. Citing these exact reasons, Samuel Tombs, the chief US economist at Pantheon Macroeconomics, wrote in a note on Wednesday that he and his team "have real doubts about whether September's 254K jump in payrolls can be trusted." For Tombs, there are other reasons, too, for caution when it comes to adopting a more constructive view of the labor market. Hiring intentions among small businesses are down, for example, and are in line with private non-farm payrolls growth under 100,000 in the months ahead, he said. And despite recent easing, policy tightening from last year is still taking effect on small businesses, which are having a tougher time getting loans, which they often use to grow and hire employees. "Market-based measures of financial conditions have eased, but bank credit — the lifeblood of many small businesses — remains very tight," Tombs said. "We think the latest batch of NFIB numbers are a prime example of how the earlier tightening of monetary policy is still working its way through the economy. Given the usual lags involved between changes in rates and activity, things will probably get worse for small businesses before they get better." Neil Dutta, the chief economist at Renaissance Macro Research who earlier this year warned that recession odds were increasing, also highlighted in a note on Monday a number of reasons not to be too quick to jump on the robust labor market bandwagon that's riding around the streets again after a few months in the garage. Data from The Conference Board shows consumers say it's an increasingly difficult time finding a job, Dutta wrote. That usually means the unemployment rate is set to rise further.

Sales growth is also falling, Fed data shows, and manufacturing employment is slowing, points that give Dutta pause on the job market making a sustained reversal. "The labor market is not out of the woods just yet, and I continue to see another hiccup in the jobs market before year-end," Dutta wrote. "There are reasons to assume the upward drift in the unemployment resumes." Still, it's unclear how much pressure the labor market will come under in the months ahead. In Rosenberg's words, the US economy has a tendency to surprise to the upside. But based on their outlook for the Fed funds rate in the near term, Dutta and Tombs see a continuation of worrying trends ahead. Tombs thinks rates will fall to 2.5% by the middle of next year, a full percent below what the market expects, according to the CME FedWatch tool. Dutta sees another 50 basis point cut this year, even though market expectations for one have virtually evaporated. "While a 50-basis-point rate cut is unlikely in November, I would not rule of the idea before year-end entirely just yet," Dutta said. "Some analysts have even gone so far as to say cuts are done for the year. I would resist that idea; they are taking too much signal from one report not unlike those that made similar claims earlier in the year after Q1 inflation data."

#### Wealth taxes increase investment and economic growth

Palanský and Schultz 24 [Miroslav Palanský, Assistant Professor of Economics at the CORPTAX group at Charles University with a Ph.D. in Economics from the Institute of Economic Studies at Charles University, and Alison Schultz, Research Fellow at the Tax Justice Network with a Ph.D. in Finance from the University of Mannheim, 08-2024, “Taxing extreme wealth: What countries around the world could gain from progressive wealth taxes,” Tax Justice, https://taxjustice.net/wp-content/uploads/2024/08/Taxing-extreme-wealth-What-countries-around-the-world-could-gain-from-progressive-wealth-taxes-Tax-Justice-Network-working-paper-Aug-2024.pdf]/Kankee

Myth 3: Wealth taxes harm the economy and business, eventually causing job losses. In contrast to claims that wealth taxes could potentially harm the economy and business, recent academic research indicates that such taxes actually contribute to a more dynamic economy and foster growth. Instead of being channeled into productive investments, wealth held by the top 1 percent wealthiest individuals has been associated with dissaving by the poor and the government (Mian, Straub, and Sufi 2020) and a wealth tax incentivizes productive investment (Guvenen et al. 2019). By redirecting financial resources towards the “real” economy and encouraging investments that generate tangible benefits, fair taxation of wealth can create a healthier economic environment. This, in turn, benefits working individuals, stimulates demand for goods and services, and supports businesses and local economies, ultimately fostering job creation. A specific concern regarding taxes on net wealth is the potential necessity for business owners to liquidate (part of) their businesses to meet their tax obligations, a scenario feared to potentially harm the economy. However, this issue can be easily circumvented by intelligent implementation: Business owners who lack sufficient liquidity and cannot sell shares of the company to raise funds (for example, because the company is not publicly listed) can satisfy their tax obligations by transferring a fraction of their business equivalent in value to the taxes due to an “wealth tax trust” managed by the state. In this arrangement, the state holds the business share as an owner but without control. The original business owner has the option to repurchase their business at the original price over a predetermined period (in whole or in part, if desired). If the business owner decides not to repurchase their business, the state can auction it off to the market after a specific period. This solution has been successfully implemented for the inheritance taxation of artwork, where the state made the art it acquired accessible to the public (Grote and Schalast 2015). Myth 4: Taxes are already higher than ever.

#### Wealth taxes decrease inequality that causes slow growth

Leonhardt 19 [David Leonhardt, senior writer at The New York Times with a Bachelor of Science from Yale University, 10-2-2019, "A Wealth Tax Is Pro-Growth", NYT, https://www.nytimes.com/2019/10/02/opinion/wealth-tax-elizabeth-warren-bernie-sanders.html]/Kankee

Does this sound like a healthy economy to you? In nine of the last 10 years, the economy has grown more slowly than professional forecasters had predicted. Annual G.D.P. growth has not reached 3 percent in almost 15 years. Median net worth for American households has declined, after adjusting for inflation, since the late 1990s. Those are all big warning signs. They show that the United States is suffering through an era of slow growth — and that the gains from that growth are flowing disproportionately to a small slice of mostly affluent households, making the gains for everyone else even smaller than the disappointing G.D.P. statistics would indicate. All of which leaves me perplexed by some of the commentary about the wealth taxes proposed by Elizabeth Warren and Bernie Sanders. From a story in The Times: “The idea of redistributing wealth by targeting billionaires is stirring fierce debates at the highest ranks of academia and business, with opponents arguing it would cripple economic growth, sap the motivation of entrepreneurs who aspire to be multimillionaires and set off a search for loopholes.” There are two problems with the arguments from these opponents. First, they’re based on a premise that the American economy is doing just fine and we shouldn’t mess with success. But as the statistics above make clear, the economy is not doing fine. The country should be looking for new approaches. Second, while it’s plausible that a wealth tax might further depress economic growth, it’s also plausible that a wealth tax would accelerate economic growth. Somehow, the opponents leave out that part. How would it accelerate growth? Right now, the American economy is suffering from extreme inequality. A large portion of society’s resources are held by a tiny slice of people, who aren’t using the resources very efficiently. As my colleague Paul Krugman wrote this week, referring to Warren’s plans, “The only people who would be directly affected by her tax proposals are those who more or less literally have more money than they know what to do with.” Sure, it’s theoretically possible that some entrepreneurs and investors might work less hard because of a 2 percent annual tax on their holdings above $50 million (the tax threshold under the Warren plan), thus sapping economic growth. But it’s more likely that any such effect would be small — and more than outweighed by the return that the economy would get on the programs that a wealth tax would finance, like education, scientific research, infrastructure and more. Those basic investments all have a long record of lifting economic growth. The very wealthy, however, don’t tend to spend much of their money building roads, starting community colleges or financing clean energy. So don’t be fooled by the scaremongering. A wealth tax would have a significant effect on the economy’s distribution but probably only a modest effect on the growth rate. And if anything, the tax is likely to be pro-growth. Of course, the people who would lose money from a wealth tax understand that defending today’s severe levels of inequality isn’t a very persuasive argument. Instead, they have opted to make flimsy predictions about how a wealth tax would somehow end up hurting the nonwealthy.

#### Wealth taxes discourage unproductive saving and encourages productive investments that increases economic growth

Guvenen et al. 19 [Fatih Guvenen, Professor of Economics at the University of Minnesota, Gueorgui Kambourov, economics Professor at the University of Toronto, Burhan Kuruscu, Professor of economics at the University of Toronto, Sergio Ocampo, Assistant Professor of Economics at the University of Western Ontario, and Daphne Chen, Investigations Editor of the Milwaukee Journal Sentinel, 2019, “Use It or Lose It: Efficiency Gains from Wealth Taxation,” Oxford Academic, http://piketty.pse.ens.fr/files/Guvenenetal2019.pdf]/Kankee

8 Discussions and Conclusions Wealth taxation has been a widely used policy tool for governments around the world, although its popularity has declined significantly in recent decades. One major reason for this decline has been the lack of a good rationale for its use, which itself reflects a dearth of academic research on its effects. In this paper, we presented a case for wealth taxes based on efficiency and distributional benefits and quantitatively evaluated its effects. Under capital income taxation, entrepreneurs who are more productive, and therefore generate more income, pay higher taxes. Under wealth taxation, on the other hand, entrepreneurs who have similar wealth levels pay similar taxes regardless of their productivity, which expands the tax base and shifts the tax burden toward unproductive entrepreneurs. Furthermore, wealth taxes reduce the after-tax returns of high-productivity entrepreneurs less than low-productivity ones, which creates a behavioral savings response, which further shifts the wealth distribution toward the productive ones. Finally, the general equilibrium response of prices to wealth taxes can dampen the aggregate savings incentives, but its effect on reallocation is still in the same direction as the first two effects. The resulting reallocation increases aggregate productivity and output. An optimal tax system with wealth taxation involves a positive tax on wealth (that ranges from about 2% to 3% a year across different specifications) and improves average welfare for every cohort starting with the tax reform. The higher revenue generated by the wealth tax allows the government to substantially reduce the tax rate on labor, raising after-tax wages relative to after-tax capital and interest income, making the consumption distribution more even. These findings lead us to conclude that wealth taxation can increase efficiency, grow the economy, and reduce inequality all at once. An optimal tax system with capital income taxation involves a large subsidy to capital income and results in several drastic changes in the economy, including a much higher capital stock, output and consumption, coupled with much higher consumption inequality. Although average welfare in the OCIT steady state is higher compared to the benchmark US economy, both the population alive at the time of the reform and the cohorts that enter the economy soon after the reform experience large welfare losses. Overall, our analysis lends strong support to the consideration of wealth taxation as a more desirable alternative to capital income taxation, as it has the potential to improve aggregate productivity, grow the economy, reduce consumption inequality, and improve welfare for large parts of the US population. In building our quantitative model, we tried hard to incorporate features that we believed were key for the first-order trade-offs between wealth taxation and capital income taxation. As is the nature of quantitative analysis, we inevitably left out some other features of the real world that may be relevant for the overall effects of wealth and capital income taxation. We hope that these results would provide impetus for exploring the issues that we have not addressed in this paper. One such broad topic concerns some practical considerations that come up in implementing these policies. These questions are on our current and future research agenda.

#### Wealth taxes increase innovation – increases competition and encourage high ROI investment

López and Sturla 20 [Ramon E. López, full professor at the Economics Department of the Faculty of Economy and Business (FEN) of the University of Chile, and Gino Sturla, researcher with a PhD in Economics from the Department of Economics and Management, University of Florence, 12-2020, “Hyper-fortunes and the super-rich: why a wealth tax makes sense,” CEPAL Review, https://repositorio.cepal.org/server/api/core/bitstreams/d259c626-3efe-4ac8-99fa-9cdf35005d05/content]/Kankee

(a) Productivity, competition and innovation Articles by Guvenen and others (2019) and Shakow and Shuldiner (2000) show that a wealth tax can foster greater innovation. These authors argue that, under non-traditional wealth taxes, entrepreneurs who have similar wealth levels pay similar taxes, regardless of their productivity. This would shift the tax burden towards unproductive wealth and thus encourage its owners to deploy their assets productively in pursuit of higher returns.14 Saez and Zucman (2019b) show that a wealth tax with a threshold of US$ 50 million in the United States would only impinge on about 1% of total household wealth. The authors note that increased saving by the rest of the population (as a result of declining inequality) and by the government could offset any reduction in the capital stock. In terms of effects on innovation, they indicate that most innovation is produced by young persons who are not yet wealthy (the rich tend to be much older than average), who would not be covered by a wealth tax that has a high exemption threshold. They also argue that established firms spend resources to protect their dominant market positions, which reduces innovation. As a result, a wealth tax that only collects from owners of established firms could foster increased competition and thus innovation. (b) Synergy with income tax

#### Inequality reductions are key to increase economic growth

Hildyard 24 [Luke Hildyard, Director of the High Pay Centre with a MA from King’s College London, 2024, “Enough Why It’s Time to Abolish the Super-Rich,” JSTOR, https://www.jstor.org/stable/jj.12865309]/Kankee

Redistribution and pre-distribution would support growth and stability Of course, it would be wrong to say that all other countries have to do to solve the problem of the super-rich is to copy the policy solutions in northwest Europe. While the issues with income inequality may be less extreme than in Britain or the US, European countries also suffer from the problem of the super-rich to differing extents, and have scope to raise living standards for the majority by achieving a more even distribution. Therefore, it is important to emphasise that the evidence highlighting the malign economic impact of the super-rich goes well beyond these international comparisons. There is a substantial body of research suggesting that bolder action to address concentrations of income and wealth could make economies stronger and more resilient, rather than creating economic risks. For example, there is growing interest in the extent to which the superrich are a source of economic instability. A 2021 paper by US economists illustrates how the extreme wealth of those at the top leads to increased debt levels for ordinary households, resulting in wider economic instability and poorer conditions for growth and prosperity. The paper suggests that the increasing wealth of the richest 1 per cent in the US was associated with ‘dis-saving’ by the poorest 90 per cent of the population.9 The increase in savings by the wealthiest 1 per cent of Americans since the 1980s has risen in a similar proportion to the increase in levels of household (and government) debt. Around 30 per cent of the increase in household debt of the poorest 90 per cent was ultimately financed by the wealthiest 1 per cent. As the wealthiest become richer, their ‘savings glut’ was lent to the poor to compensate for the missing wealth that would accumulate to them if the balance of wealth distribution were maintained or made more even. Heightened debt brings about considerable stress in the households affected, and potentially long-term financial problems, plus wider economic instability when this is repeated on a national or international scale. Indebted households are also much less likely to undertake the entrepreneurial or creative/artistic pursuits on which prosperity and so much else depend, simply because servicing their debt becomes such an overriding priority. While the increase in the wealth share of the 1 per cent in the UK has been less spectacular than in the US, it has slowly increased in recent years, and is much greater than the income share of the top 1 per cent. It is intuitive that extreme concentrations of wealth and income might lead to instability – if huge gaps in income and wealth create wider differences in living standards, then the pressure on households at the bottom and in the middle to take on greater and riskier levels of debt to keep up with those pulling away from them increases. When much of this debt is ultimately owed to those at the top, the destabilising effect become self-perpetuating. This suggests that stopping such excess wealth accruing to the super-rich and redirecting it to the wider population could reduce economic instability. Similarly, it is widely agreed that richer people have a lower ‘marginal propensity to consume’. This essentially means that people who have less money are more likely to spend any additional amount that they receive than people who have more money. Again, this is intuitive. People who can’t afford to eat as much as they need are definitely likely to spend any additional income on food, creating prosperity for the businesses that produce, transport and sell food and the people that work in them. People who already have as much food (or clothes or cars or holidays) as their time and digestive capacity can process are more likely to stash any extra away. Research by the Federal Reserve Bank of Boston estimated that households in the bottom fifth of the wealth distribution in the US are roughly ten times as likely to spend additional income than those in the top fifth. The same research estimated that if the $1.1 trillion value of the 13.5 percentage point increase in the income share of the top 1 per cent in the US between 1979 and 2007 were transferred to the other 99 per cent, this would generate an additional $230 billion of annual consumer spending in the US.10 It follows that either redistributive or pre-distributive measures directing money that would otherwise go to the super-rich to the wider population would lead to higher aggregate spending, helping to stimulate the economy – a further reason to encourage policies that might lead to a more even balance of income and wealth. The super-rich exacerbate the climate, housing and social crises

#### Wealth taxes help solve inflation

White 24 [Phil White, inequality campaigner with a PhD from the University of Kent, 3-23-2024, "I have a great way to bring down inflation – make millionaires like me pay more tax", Guardian, https://www.theguardian.com/commentisfree/2024/mar/23/inflation-millionaires-tax-taxation-spending-rich-wealth]/Kankee

\*MPC: monetary policy committee of the Bank of England

The Bank of England’s monetary policy committee (MPC) has voted to keep interest rates at 5.25% in an attempt to curb inflation; the squeeze on homeowners, borrowers and renters continues. The thinking is that if we all just hunker down and get through this period of pain, the bank will meet its 2% inflation target and we’ll all start to feel better off. Except, for some of us, this isn’t our experience at all. For millionaires like me, who own our homes outright, the decisions of the MPC make virtually no difference to our outgoings. Free from the shackles of high borrowing rates, we’re able to spend to our hearts’ content. In fact, for those with cash in the bank, higher interest rates actively boost income and spending power. There is cash to be spent on original artworks to decorate their several homes; and travel between residences, adding to both the climate and housing crises. It is this unshackled spending of the very wealthiest that is keeping rates for everyone else so high. And don’t just take my word for it – take MPC member Catherine Mann’s comments. As long as the richest have so much spare cash, everyone else will have to feel the squeeze in a “collective” effort to bring down inflation. In the meantime, high rates mean the wealthiest see a nice boost to their savings – the top 10% are expected to receive 65% of the £90bn in household savings in 2024-2025. How can it be that in the middle of an unprecedented fall in living standards, the people who can least afford to pay for the inflation crisis are being told it is their spending that needs to be curbed? Not only is this counterintuitive (how can you curb the demand of families who already have so little disposable income?) – it is completely unfair. Instead, as the campaign group Stop the Squeeze has argued, we need a response to the cost of living crisis that tackles the structural inequalities that got us into this mess, not one that entrenches them. Let’s start with our broken tax system. We continue to hear about how high our taxes are, but the truth is that while our system disproportionately taxes the vast majority who get their income from work, those who are already wealthy from investments, rent and inheritances are taxed relatively lightly. Our own prime minister, who earned more than £2m last year and is married to a billionaire, pays the same effective tax rate as a teacher. The good news is, there are plenty of ways to address this imbalance. Equalising rates of capital gains tax with income tax, so that income from wealth is taxed at the same level as income from work, would raise £16.7bn a year. Removing loopholes and reliefs from inheritance tax would raise around £1bn a year. Applying national insurance more consistently across all forms of income could raise over £30bn a year. And an annual tax on stocks of wealth would raise nearly £12bn a year. Together, a package of higher taxes on wealth could raise billions to fund cost of living support in the short term and provide essential public goods such as a strong social safety net and clean, affordable energy provision in the future. As a member of the campaign group Patriotic Millionaires UK, I want rich people like me to pay our fair share of tax. And I’m not alone. Nearly 75% of millionaires also want higher taxes on wealth. The Bank of England is right to want to curb inflation. But the idea of squeezing low- and middle-income earners so that millionaires can keep spending on luxury items isn’t the way forward. We urgently need to tackle the root causes of the cost of living crisis, and we can start by introducing higher taxes on wealth.

#### Fiscal redistribution super charges the economy – increases consumer demand, infrastructure, job growth, and GDP growth

Hanauer 21 [Nick Hanauer, entrepreneur and a venture capitalist with a BA from the University of Washington, 10-4-2021, "Biden’s Plan to Tax Rich People Like Me is the Best Way to Grow the Economy", New Republic, https://newrepublic.com/article/163852/tax-rich-people-grow-economy]/Kankee

It drives me crazy when I hear Democrats say that “for the sake of the economy” we have to cut back on the $3.5 trillion spending in Biden’s Build Back Better legislation, or that we can’t possibly raise taxes on the wealthy and huge corporations as much as Biden proposed. Those folks have it totally backward. Taxing the rich is the only plan that would increase investment, boost productivity, grow the economy, and create more and better jobs. As I’ve written before (and here and here too), “Raise taxes on the rich, and almost anything the federal government does with the revenue will pump more money through the economy than what the wealthy are doing with our hoarded cash today. Tax the rich to put money back in the hands of the American people through middle-class tax cuts, and corporations will expand production and payrolls to meet the resulting spike in consumer demand. Tax the rich to invest in roads, transit, bridges, health care, schools, and to transition to a green energy economy, and we will create millions of good-paying jobs while building the physical and human infrastructure on which our collective prosperity relies.” But Biden’s Build Back Better plan is far from “almost anything.” It uses the money raised from a modest increase in taxes on big business and zillionaires like me to create the foundation for broad-based prosperity in the twenty-first century. First, it invests in the capacity of our people to realize their highest potential by making raising children more affordable and extending free public education from preschool through the first two years of college. Second, it meaningfully tackles climate change, the biggest long-term threat to our economy. And third, by lowering the cost of health care and providing paid family and medical leave, it puts more money in the pockets of working Americans to spend in their communities. By now, this should be common sense, but unfortunately some Democrats in Congress—and every Republican—still cling to the failed trickle-down theory that giving money to the rich and big corporations translates into economic growth and prosperity. But the problem with today’s economy isn’t that rich people like me don’t have enough capital to invest; it’s that we’re not productively investing the glut of capital we already have. We’d have far higher levels of economic growth today if trickle-down policies hadn’t taken $42,000 a year in wages from the average American and given that money to the wealthiest 1 percent. When ordinary Americans get more money, they spend it in their local communities, thereby creating jobs through increased consumer demand. When rich people like me get that money instead, we hoard it. And though we didn’t need another lesson about how giving corporations more tax breaks just makes CEOs and wealthy shareholders richer, we got it when the 2017 GOP tax cuts led to corporations spending $927 billion buying back their stocks. Put another way, when handed almost a trillion dollars in tax breaks, corporations chose to enrich their own executives and shareholders, rather than make new investments in products or higher wages for their employees. Corporate taxes are now at record lows as a share of federal revenues and of the economy. Only inside the Beltway is this even a debate. By now the public, including Republicans, understand that raising taxes on the rich is good for the economy. There is strong bipartisan support not only for the spending provisions in the BBB but also for its tax hikes on the wealthy and corporations. But somehow—campaign cash maybe?—the faded allure of trickle-down economics still has a hold on some Democrats in Congress. So, no: $3.5 trillion in tax hikes over the next decade for my fellow plutocrats and CEOs isn’t too much. If anything, it’s too little. Democrats who are pushing to lower that number or who are shying away from raising my taxes are sabotaging an economy that will deliver broad-based prosperity for years to come. They need to pass both the reconciliation and the infrastructure bills ASAP and stop this nonsense. And if they don’t, well, as I tweeted the other day, they’d better lose my phone number and stop calling for donations.

#### Wealth taxes fix the federal deficit

Oxfam 23 [Oxfam International, non-governmental organizations concerned with poverty alleviation, 04-2023, “Tax Wealth, Tackle Inequality Five Reasons Why a Wealth Tax Makes Sense,” Oxfam International, https://webassets.oxfamamerica.org/media/documents/Tax\_Wealth\_Tackle\_Inequality\_2023.pdf]/Kankee

\*article converted with OCR

4. It would reduce the federal debt. Today’s political gridlock around the debt ceiling was avoidable, and is a direct consequence of tax cuts on the wealthiest and corporations. These tax cuts have in fact brought us closer to the debt ceiling. Without them, debt would actually be falling. As new analysis by the Center for American Progress shows, today’s increasing debt ratio is primarily a result of recent tax cuts for the wealthiest: tax cuts since 2001 have added $10 trillion to the debt, and are responsible for over half the increase in the debt ratio since then. 54 Moreover, as the Institute on Taxation and Economic Policy has found, over 80% of the tax cuts passed between 2000 and 2018 went to the richest 40%; and most of it went to the richest 5%. 55 The tax cuts alone resulting from the 2017 Trump Tax Cuts and Jobs Act (TCJA) will have cost $1.7 trillion by the end of fiscal year 2023. 56 The availability of the trillions of dollars of new resourcing through achievable taxation on the very wealthiest Americans exposes the futility of a debt ceiling standoff. The inequality doesn’t stop there: proposed social spending cuts to resolve a standoff result in disproportionate impacts for people living in poverty; women and girls; and people of color. 5. It would help to protect democracy from oligarchy.

#### Wealth taxes raise trillions, help solve climate change, and boost the economy – they increase demand for real goods/services

Mansour 24 [Mark Bou Mansour, Head of Communications at Tax Justice Network with a MA in social and poitical studies from the University of Sussex, 8-19-2024, "Countries can raise $2 trillion by copying Spain’s wealth tax, study finds", Tax Justice Network, https://taxjustice.net/press/countries-can-raise-2-trillion-by-copying-spains-wealth-tax-study-finds/]/Kankee

Countries can raise $2.1 trillion a year by following the example of Spain’s successful wealth tax on the 0.5% richest households1 – that’s double the amount needed annually for developing countries’ external climate finance, expected to be at the centre of COP29 negotiations this year.2 The new study from the Tax Justice Network published today, and airing on BBC World TV this morning, estimates how much revenue each country can individually raise by taxing the wealth of only the richest 0.5% of its households at a feather-light rate of 1.7% to 3.5%. The wealth tax would only apply to the upper crust of the households’ wealth rather than all their wealth.3 While the study replicates the approach of the Spanish wealth tax for each country, the study extends the tax to all classes of wealth in its modelling. This removes some exemptions within the Spanish law which weaken its impact.4 The study finds that on average each country could raise the equivalent of 7% of its spending budget. The study documents that previous tax reforms targeting the superrich did not result in the superrich relocating to other countries, despite media headlines claiming the contrary. Just 0.01% of the richest households relocated after wealth tax reforms targeting the richest households were implemented in Norway, Sweden and Denmark. A UK study predicts that non-dom status reforms would see a migration rate of between just 0.02% and a maximum of 3.2%. The study’s estimates on how much tax countries can raise with wealth taxes conservatively assumes that such a migration rate of 3.2% would occur.5 Two-tier treatment of wealth is making economies insecure The huge sums to be raised from the modest wealth tax are possible due to the extreme levels of wealth collected by the very richest. The study finds that on average, in each country, just 3% of all wealth is owned by half the population, while the richest 0.5% own a quarter (25.7%) of the wealth. This extreme wealth among the superrich, the report documents, is making economies insecure and is directly linked to lower economic productivity6; to non-rich households having to spend more than they bring in7; and to poorer societal outcomes such as worse educational attainment8 and shorter lifespans9. The root of the problem is the two-tier treatment of collected wealth and earned wealth, the Tax Justice Network argues. Collected wealth – ie dividends, capital gains and rent gained from owning things – is typically taxed at far lower rates than earned wealth – ie salaries gained by working. At the same time, collected wealth typically grows faster than earned wealth. Today, only half of the wealth created around the world each year goes to people who earn for a living – the rest is collected as rent, interest, dividends and capital gains.10 While the superrich might work and have jobs, virtually all their wealth comes from owning business and real estate empires, not from working in those empires. Any work salaries they might earn are a drop in their wealth bucket. Three out of the five richest men on Forbes’ Billionaire List 2024 earn $1 salaries: Elon Musk, Mark Zuckerberg and Larry Elison.11 According to a 2011 study, the average “$1 CEO” gives up $610k in salary but gains $2m in other ownership-based compensation.12 The two-tier treatment has produced extreme results when it comes to the very richest individuals. Billionaires tend to pay tax rates that are just half the rates paid by the rest of society.13 And their wealth grows at twice the rate as that of the rest of society.14 This has contributed to the wealth of the 0.0001% quadrupling since 1987, to the detriment of economies, societies and planet.15 Crucially, the extreme accumulation of wealth doesn’t just create extreme imbalances that have harmful consequences, it renders that accumulated wealth less economically productive – for example by diverting disproportionally more wealth towards speculative derivatives instead of goods and services in the “real” economy.16 The Tax Justice Network’s spokesperson attributes this to “why the world might not feel any richer today despite there being more wealth than ever before.” The two-tier treatment of how people gain wealth amplifies this trend. By enabling collected wealth to dramatically outpace earned wealth, the two-tier treatment nudges wealth towards forms that are less productive and are out of the reach of wealth earners, while increasing indebtedness among non-rich households. The Tax Justice Network is calling on governments to put an end to the two-tier treatment of wealth by introducing wealth taxes. The report provides countries with detailed guidance on how to implement wealth tax laws modelled in the study and based on Spain’s example. Mark Bou Mansour, head of communications at the Tax Justice Network, said: “Our economies were designed to let people earn the wealth they need to lead secure and comfortable lives, but our tax rules make it easier for the superrich to collect wealth than for the rest of us to earn it. This has let the superrich collect extreme wealth to the point of making our economies insecure and making it scarcely pay to earn a living. “There’s this idea that billionaires earn wealth like everybody else, they’re just better at it. This is bogus. It’s impossible to earn a billion dollars. The average US worker would have to work for a stretch of time 13 times longer than humans have existed to earn as much as wealth as the world’s richest man has today. Salaries don’t make billionaires, dividends and rent money do. But we tax dividends and rent money much less than we tax salaries, and this is destabilising the earner model our economies are based on.17 “By definition, a billionaire owns more wealth than an average US household could spend in 10,000 years. Wealth contributes a lot less to the economy than it can when it’s pharaoh-tombed like this, making economies poorer than the sum of their parts.18 “To make our economies secure and protect the earner way of life that has defined the modern era, we need wealth taxes that end the two-tier treatment of wealth.” Governments must act on huge public demand for wealth taxes Recent polling shows overwhelming public support for wealth taxes on the superrich in several countries. A 68% majority of adults across 17 G20 countries are in favour of wealthy people paying a higher tax on their wealth as a means of funding major changes to the economy and lifestyles.18 Nearly three quarters of millionaires polled in G20 countries support higher taxes on wealth and over half of them think extreme wealth is a “threat to democracy”.19 The G20’s recent proposal for a 2% minimum wealth tax on billionaires has been positively received by policymakers and campaigners alike.20 Designed to replicate the planned global minimum corporate tax rate, the G20’s proposal will require most countries to come on board or an international agreement to be put in place. Meanwhile, countries can domestically proceed and follow the example of Spain’s wealth tax law today. While the G20 wealth tax proposal’s targeting of billionaires will primarily address the most extreme wealth concentrations in rich countries, following suit on Spain’s wealth tax law which more widely targets the 0.5% will allow all countries to tackle extreme wealth concentration in their economies. (A comparison of the two complementary proposals is shared in note 22 below.) The success of any wealth tax proposal ultimately depends on countries cooperating on tax transparency. While warnings of the superrich relocating in response to wealth taxes have proven to be unfounded, the superrich’s ability to use secrecy jurisdictions and financial secrecy to hide their wealth from tax administrations can keep wealth taxes from being fully effective. To make wealth taxes truly effective, countries must make sure the UN tax convention22 currently being negotiated delivers robust tax transparency standards, the Tax Justice Network explains. Alison Schultz, research fellow at the Tax Justice Network and one of the report’s authors, said: “The vast majority of countries are currently working on what can be the biggest shakeup in history to global tax rules, to end the scourge of global tax abuse by multinational corporations and the superrich. But a minority of rich countries still seem to be holding back from support for a robust framework convention on tax – despite this being the best opportunity that we’ve ever had, and one that their own people demand they act on with urgency. Some of the same countries are blocking real progress on climate COP29 – stopping the world from clawing back trillions in tax from tax havens in one meeting, and then claiming in the other meeting that there’s no money for the climate crisis. This needs to change now – the climate can’t wait, and nor can the people of the world.”

### Contention 5: Charity Bad

#### Uber-wealthy gift giving sanctifies and deifies the wealthy as Gods, perpetuating mass inequality and suffering

McGoey and Thiel 18 [Linsey McGoey, Professor of Sociology at the University of Essex, and Darren Thiel, lecturer in sociology at the University of Essex, 2018, “Charismatic violence and the sanctification of the super-rich,” Taylor and Francis, https://www.tandfonline.com/doi/full/10.1080/03085147.2018.1448543]/Kankee

Charismatic violence and proof of ‘success’ In the United States, the super-rich’s proportion of wealth has increased massively in the last 30 years (Galbraith, 2008; Hacker & Pierson, 2010; Piketty, 2014), and many can be seen to have used some of that increased wealth to reinforce the Tocquevillian sanctity of their position in the world order. Not only does their wealth in itself signify their exceptionality, but that exceptionality is amplified by giving away large proportions of their wealth – ostensibly to individuals or groups whom the donors do not know nor expect anything back from in return. This form of mega-giving has generated a symbolic value so exceptional that it has helped to cement a new form of secular theodicy driven by forms of quasi-religious authority and legitimation.8 Generating charisma through exceptional giving was, of course, not an unfamiliar practice to earlier elites performing, for example, potlach ceremonies – where their sacrificial offerings demonstrated their own exceptionality and godliness to their communities and to God itself. Nor is it an alien practice to the majority of organized religions where charity and assistance for the needy is enshrined in their liturgies and scriptures. Religion is also frequently bound into actual and symbolic representations of extraordinary giving – Jesus’ giving of his life for ‘us’; the monk or sadhu’s giving of their material effects and comfort for austere devotion to God; Mother Teresa’s gift of her life to help the poor; and, ultimately, God’s gift of life itself. Today’s extraordinarily gifted – the super-rich who are celebrated in scriptures like Forbes and The Times rich list and countless other media streams and outlets – are, of course, not generally understood or purported to be God’s representatives on Earth. Yet, due to their apparent exceptional gifts and their exceptional giving, they are granted an almost sacred status. In a classic Durkheimian formulation, what is godly is that which is given to humanity from the outside – and giving is itself godly. Personal gift-giving echoes God’s own sacrifice and is thus upheld as a sanctified activity that has worth far beyond any profane economic value. In this way, mega-giving by today’s philanthrocapitalists produces a form of charismatic authority – and moreover, contra Bourdieu, this giving no longer needs to be separated from private economic advantage in order to be glorified as exceptional. Philanthrocapitalist mega-gifts provoke awe not simply from those in receipt of the gift but also from most of those watching. The power of today’s megagiving is thus much broader than enrolling the direct receivers of gifts into a moral relationship, as Mauss posited, particularly through his discussions of the difficulty of rejecting a gift (1990, p. 41). Mega-giving produces symbolic power – and symbolic costs – that affects recipients and non-recipients alike. One major aspect of its symbolic costs is the way that voluntary gift-giving dissipates obligatory and collective demands for wealth redistribution, even while, paradoxically, elite donors speak of their ‘duty’ to give through extravagant gestures like the ‘Giving Pledge’. Sanctifying extreme individual wealth and privilege inevitably anoints unequal social and economic relations and, thus, inequality. Echoing Tocqueville’s concerns about the poverty and brutalization resulting from the ‘immobility’ of the nineteenth-century labouring classes, social anthropologist Johan Galtung argues that ‘when human beings are being influenced so that their actual somatic and mental realizations are below their potential realizations’ (1969, p. 168) this constitutes what he calls ‘structural violence’. For Galtung, activities that sustain or increase inequality, whether intended or not, fuel suffering by limiting the equitable distribution of resources and ‘lowering the level of needs satisfaction below what is potentially possible’ (1990, p. 292). It may also be suggested that, while buttressing the renewed power of economic liberalism, the sanctification of the super-rich also works to maintain its supporting state systems. As has been observed by many, such states are fundamentally violent – constructing the life and death of their subjects (Farmer, 2004; Mbembe, 2003) and locking weaker states into dependence (Galtung, 1971). The sanctification of privilege and its ensuing inequality underpin both structural and actual violence. One process through which structural violence is sustained is what Galtung terms ‘cultural violence’ – different forms of obfuscation that make ‘reality opaque, so that we do not see the violent act or fact, or at least not as violent’ (1990, p. 292). In Galtung’s view, the roots of cultural violence can be found most saliently in organized religion’s use of cultural symbols and meanings that ‘make direct and structural violence look, even feel right – or at least not wrong’ (1990, p. 291), i.e. the process of theodicy. Adding to this, an aspect or subset of the power of cultural violence not identified by Galtung is the quasi-religious authority generated through charisma. Charisma – here buttressed by mega-giving – grants the super-rich a place on the social pulpit through which their activities and sermons empower the inegalitarian status quo and facilitate continued structural violence. Thus, philanthrocapitalism – a notion that asserts that capitalist expansion, if left apparently unfettered by governmental restrictions, will yield universal benefits – is a fruitful narrative trope legitimating the imposition of domestic austerity measures and rising wealth transfers to corporations and affluent individuals, both domestically and internationally. However, the philanthrocapitalist’s claim to their own inherent beneficence must, at least in theory, be embraced by a laity that needs reassurances that philanthrocapitalism has a purpose: that its gods or God wield legitimate authority. While part of this authority is generated through the charisma of almost other-worldly acts of megagiving, it is also bolstered by philanthrocapitalist worldly reliance on the forceful rationality of apparently scientific ‘proof’. This proof is largely inculcated through careful efforts to delineate and disseminate a specific form of evidence of effectiveness, an effort that resonates with Weber’s suggestion that individuals imbued with charismatic authority must furnish repeated proof of their grace in order to command allegiance: If proof of his charismatic qualification fails him for long … above all, if his leadership fails to benefit his followers, it is likely that his charismatic authority will disappear. This is the genuine charismatic meaning of the ‘gift of grace’ … charismatic authority is thus specifically outside the realm of everyday routine and the profane sphere. (Weber, 2012, pp. 360–361) Weber’s emphasis on the importance of charismatic proof helps to underscore the symbolic importance of the panoply of metrics and indices that are utilized by philanthrocapitalists to legitimate their practices (Adams, 2016; Fejerskov, 2015; Herrick, 2017; Kelly & Beisel, 2011; Reubi, 2013; Storeng & Béhague, 2014; Street, 2015). Yet, the apparently scientific and objective ‘truth’ of such metrics is bolstered by the sacred and symbolic power of the mega-givers – hybridizing rational and sacred authority. It also raises new insights into the instrumental value of the host of new platforms that enable today’s megadonors to publicize their good deeds to global audiences, and how these platforms differ from the major benefactors of the past. One difference is the tendency for today’s super-rich to insist that their philanthropy contributes to narrowing wealth and health inequalities. In contrast to this, early benefactors such as Carnegie were famously sanguine about growing inequality levels; in Carnegie’s words, ‘much better this great irregularity than universal squalor’ (Carnegie, 1996, p. 1). Some of today’s super-rich such as Peter Thiel, a libertarian and, somewhat paradoxically, an explicit monopolist, adopt a similar anti-egalitarian moral stance on growing inequality. However, mega-donors with the biggest media presence, including Gates and Zuckerberg, have long made equality a pillar of their public mission statements. ‘We believe all lives have equal value’ is a phrase used by both Zuckerberg and the Gates Foundation repeatedly, with identical wording. This creates an empirical quagmire: how to furnish proof of the effectiveness of private philanthropy at a time of global instability and rising inequality. We suggest that organizations such as the Gates Foundation accomplish this in two chief ways, both of which hinge on the ability to selectively exploit advantageous metrics when it comes to data gathering and data dissemination. Firstly, these donors rely on the usefulness of what we term ‘low-hanging metrics’; and secondly, they often deliberately blur the line between the public and the private sectors, obscuring public understanding about which of those sectors are financially contributing to and profiting from new giving schemes that direct tax dollars and philanthropy bequests to private companies. In our final section below, we discuss these two points and consider their implications for understanding the persistence and worsening of social and economic inequality. Low-hanging metrics The new super-rich’s ability to uphold themselves as global saviours with the clout and ability to ‘end poverty’ hinges on a new, muscular reliance on metrics that appears to confirm that large-scale philanthropy ‘works’ in saving lives and narrowing wealth and health inequalities – but which upon close inspection reveals the opposite: that increasingly top-heavy philanthropy and new ‘Giving Pledges’ over the past 20 years have, at best, left global and national health and wealth inequality unaltered and, at worst, have exacerbated those inequalities (see Collins et al., 2016; Hickel, 2017; Reich, 2006; Reid, 2015). This seeming inconsistency – the ability of a new class of donors to insist on the efficacy of their philanthropy despite the evidence on growing wealth and health inequalities that contradicts their claims – can be explained through closer attention to the way that powerful donors like the Gates Foundation strategically draw on evidence of varying quality to defend their insistence that ‘the world is getting better’.

#### Charity is an opiate to defuse popular outcry against capitalistic exploitation and environmental catastrophe – it rationalizes the behavior of and deifies the super-rich, counteracting anti-capitalist reform

Kapoor 16 [Ilan Kapoor, professor of Critical Development Studies at the Faculty of Environmental and Urban Change at York University, 1-29-2016, "Chapter 6: Billionaire philanthropy: ‘decaf capitalism’", Elgar Online, https://www.elgaronline.com/edcollchap/edcoll/9781783474035/9781783474035.00013.xml]/Kankee

There are many consumer products that fit Žižek’s description – decaffeinated coffee, cream without fat, sugarless beverages, non-alcoholic beer – just as there is a range of contemporary social phenomena that do – phone sex, cybersex and sexting (i.e., sex without sex); green mining and environmentally ‘friendly’ or ‘ethical’ oil exploration (i.e., ecological damage without degradation); and war without war, or war without casualties (i.e., distance technological war, on the basis of which we can bomb, say, Gaddafi’s bases without involving Western ground troops in Libya, or use armed robots and unmanned drones that may well kill Afghan or Pakistani civilians, as long as no American soldiers’ lives are lost) (cf. Žižek, 2004, pp. 507–8). All are ideological attempts to evacuate from reality the dimension of what Žižek calls the ‘Real’, that is, to purify life, rid it of its inherent dangers and inconveniences. And so it is with Gates and Soros. They balance out their ruthless profitmaking with charity work, thus deploying a sort of ‘decaf capitalism’ – a capitalism with a human face, a system that exploits but still cares, wreaks social havoc but really worries, institutes a Wild West entrepreneurialism but also a welfare state.4 Decaf capitalism enables them to rationalize away their monopolistic corporate behaviour and cut-throat financial speculation, or their co-responsibility in labour exploitation and the production of feminized sweatshops. It allows them to continue with business as usual, ‘giving back’ to counteract the ills of capitalism, all the while becoming the globe’s greatest humanitarians. Today’s corporate ethics or environmentalism (e.g., corporate social responsibility, green capitalism) follows the same ideological route. The giant corporations that embrace it also engage in decaf capitalism, on the one hand grabbing as much money as possible, on the other returning a portion of it in the form of charity or green products. They, like Gates and Soros, see no contradiction, or perhaps even relationship, between profit-making and inequality creation, between wealth accumulation and ecological crisis. They so often fail to discern their own complicity in the very ‘poverty’ or pollution they seek to redress. In fact, they often rationalize the latter through the practice of what Gates calls ‘creative capitalism’, making business itself the solution to poverty reduction or environmentalism. The attempt once again is to conveniently duck the ills of capitalism, to disavow its production of inequalities, injustices and unevenness. The important point, for Žižek, is that Gates and Soros, like their corporate colleagues – and for that matter all of us5 – are ideologically produced, acting both as agents and as pawns to help further the interests of global capitalism. Ideology, in this sense, operates fundamentally at the level of the unconscious: capitalism binds us to it libidinally, with the result that we unconsciously enjoy it, according to Žižek. Thus, we may well be aware of its limitations or even critical of its excesses (like Soros and Gates), but nonetheless we continue to enjoy it, support it, reproduce it, thereby disavowing what we know to be true (Žižek, 1989, pp. 18, 32–3).6 The implication is that it is charity that helps decaffeinate capitalism. It masks and purifies corporate ills, acting as countermeasure to socioeconomic exploitation. For Žižek, it not only temporarily redistributes wealth, but also helps avoid war or stem revolution by tempering people’s resentment (arising from generalized social inequality): [I]t [charity] is the logical concluding point of capitalist circulation, necessary from the strictly economic standpoint, since it allows the capitalist system to postpone its crisis. . . This paradox signals a sad predicament of ours: contemporary capitalism cannot reproduce itself on its own. It needs extra-economic charity to sustain the cycle of social reproduction. (Žižek, 2008b, p.374; cf. 2008a, pp. 23–4; 2010, p. 240) If charity is capitalism’s necessary decaffeinating agent, allowing the latter to sustain itself while averting rebellion or crisis, it means that Gates and Soros are not philanthropists out of mere personal choice, religious belief, or good Samaritanism, they are businessmen – humanitarians acting (unconsciously perhaps) in the service of capitalism, tranquillizing its worst manifestations, or, to stick with the coffee metaphor, preventing it from overly percolating. They are, so to speak, coffee-pusher philanthropists, keeping people hooked but not wild (or wired), stimulated but not strung out. Their charity work is integral to the logic of capitalism; it helps regulate the system, calming it down when it runs amok. The irony, of course, is that it is the philanthropists’ own business activities that help hyperactivate the system in the first place. What is noteworthy (and implied in the two previous sections) is that the tycoons’ decaffeinating philanthropy targets, not systemic problems or institutions, but what Žižek calls ‘secondary malfunctions’ – narrow science-based health, technocratic policy-making, corrupt and inefficient state institutions, and so forth. ‘Precisely because they want to resolve all these secondary malfunctions of the global system, liberal communists [such as Gates and Soros] are the direct embodiment of what is wrong with the system’ (Žižek, 2009c, p. 10; cf. 2008a, pp. 23, 37). They end up trying to address only the more outwardly perceptible or ‘subjective’ violence in the form of poverty, corruption, or individual rights abuse, as opposed to the slower, more torturous, and less immediately tangible structural or ‘objective’ violence of social inequality, corporate monopoly, dehumanizing working conditions, unequal land tenure, or gender discrimination (Žižek, 2006, p.10). It is most often these latter broad malfunctions that lead to the former symptomatic subjective violence taken up by the billionaire philanthropists. Thus, pointing to the need for ideology critique to uncover, not the latent meanings of social antagonisms (e.g., poverty), but their disguised meanings (e.g., inequality), Žižek often repeats Bertolt Brecht’s famous quote: ‘What is the robbing of a bank compared to the founding of a new bank?’ (Žižek, 1989, p.30). The problem about structural violence though is precisely that it appears abstract, so that Gates and Soros are able both to hide behind and to profit from the facelessness of decaf capitalism. They are able to maintain a certain distance and anonymity from the social impacts of corporate monopoly or ruthless financial speculation, yet at the same time benefit from a system that privileges individual effort, initiative, philanthropy. Such individualization is further magnified by the rise of media hype and celebrity culture. The tendency there is to personalize ‘super-successful’ businessmen such as Gates and Soros. Žižek notes, for instance, the propensity to appeal to Gates’s familiarity as a friend: he is made out to be, not an enigmatic, evil Big Brother, but an ordinary, geeky, nice guy, someone just like us, albeit tremendously talented: ‘the notion of a charismatic “business genius” reassert[s] itself in “spontaneous capitalist ideology”, attributing the success or failure of a businessman to some mysterious je ne sais quoi which he possesses’ (Žižek, 1999, pp.347, 349). In the process, the power, influence and unsavoury practices of these business leaders are further sanitized (i.e., decaffeinated), naturalizing and familiarizing corporate neoliberalism. Such decaffeinating predilections are magnified in this instance because the tycoons in question don’t simply give (millions of dollars); they give spectacularly (billions of dollars). Mary Phillips (2008) sees such orgiastic and excessive charity as a modern form of ‘potlatch’, a gift-giving feast with the mediated public display of it as a crying out for status, glory, honour. She quotes Marcel Mauss to reinforce the point: ‘The rich man who shows his wealth by spending recklessly is the man who wins prestige’ (2008, p. 252). The spectacle of giving, and of giving so much, aims at constructing Gates and Soros as celebrity heroes, providing them with an instantly recognizable brand. For Phillips (as for Žižek, as noted above), such a phenomenon is an attempt by Gates and Soros to ward off their own mortality, but also more importantly, the crisis of capitalism itself: the tycoons’ excessive philanthropy helps defuse ‘the potential of explosive surplus produced by the US in order to avert [social, environmental] catastrophe’ (2008, p.261). A final consideration regarding decaf capitalism is its proclivity towards a ‘decaf state’ (or perhaps a ‘decap state’ — short for ‘decapitated’!). To be sure, the billionaire philanthropists’ spectacular giving fits well with the neoliberal gutting of the state: their gifts, like those of the thousands of charitable foundations that have cropped up under neoliberalism, fills a few (among many) of the gaps in state social funding. The problem, however, is that private decisions are being made for public goods (e.g., health care, education, human rights, poverty reduction) (see, for a discussion, Hay and Muller, 2014). Elites decide, according to their own priorities, prejudices, or idiosyncrasies, what causes matter, how much to spend on them, and in what manner. Enlightened benevolence and individual heroics thus replace collective will, with the (decaf/decap) state sidelined into adulation and gratefulness. The related issue here is the lack of political legitimacy and accountability: state-funded programmes have at least a modicum of public oversight and recall; their deregulation and privatization means they now answer only to a clique of private individuals. Not only are we left with the corporate world deciding what ‘poor’ or marginalized communities need, but we must also trust in corporate ‘voluntary’ self-regulation (e.g., accountability or certification codes that are part of corporate social responsibility). Yet, isn’t something amiss when private organizations such as the Gates Foundation have annual budgets greater than that of the World Health Organization and can more or less dictate policy on issues such as HIV/AIDS or malaria immunization? The flip side of the decaffeination of the state, of course, is not just that it cannot step up, but also that so often it will not. Private philanthropy appears to have sanctioned governments (in both the Global North and South) to abrogate their social responsibilities, letting them off the hook. The state can thus shirk its duties towards marginalized communities, human rights, or health, because the likes of Gates and Soros are there to fill in. It can ignore the lack of adequate regulation of big corporations or hedge funds, even though this might negatively affect jobs, consumers, business competition, or old-age pensions. The post-political landscape of decaf capitalism is one in which magnanimous elites spearhead both social programming and rabid entrepreneurialism without account, while the state is content to sit back and even applaud, equally without account.

#### Mega-charity white washes the economic crimes of the uber-rich, removing the threat of actual wealth redistribution and reinvigorating neoliberal capitalism

McGoey and Thiel 18 [Linsey McGoey, Professor of Sociology at the University of Essex, and Darren Thiel, lecturer in sociology at the University of Essex, 2018, “Charismatic violence and the sanctification of the super-rich,” Taylor and Francis, https://www.tandfonline.com/doi/full/10.1080/03085147.2018.1448543]/Kankee

The rejection of a legally enforceable obligation to relinquish one’s wealth is clearly advantageous for individual donors and the super-rich more broadly, as it enables them to withstand mandatory redistributive measures such as higher corporate and wealth taxes, even while figures such as Gates and Buffett publicly profess that inequality troubles them. Thus, returning to Tocqueville: the actions of contemporary philanthrocapitalists can be seen as a renewed embrace of an odd kind of elite duty. The question of what obliges them to give is not as clear today as it was when aristocrats were so closely and clearly reliant on their ‘subjects’ and obligated by law or custom towards them. Instead exceptionally ‘gifted’ individuals like Gates or Zuckerberg appear to choose to give away almost impossible amounts of wealth – imbuing them with ever greater exceptionality. This voluntary nature of their giving plays an important role in legitimating their elevated social and economic position, positioning them to withstand calls for redistributive policy measures even as they appear to embrace the onus to surrender their privilege. What unites today’s global wealth elite is not their (post)industrial practices, which are so varied and complex that patterns of orchestrated exploitation are often hard to criticize or prevent, but their emerging faith in a neo-feudal form of ‘noblesse oblige’ which, rather than being seen as a frightening return to a class-conscious aristocracy acting in unison to perpetuate their advantage, is viewed as an almost other-worldly action. Zuckerberg and Gates do not have to save the world, but they plan to anyway, an act of wilful largesse that makes their giving seem super-human. Conclusion In this paper, we have suggested that benefactors such as Gates, Buffett and Zuckerberg function as specialized, sanctified figureheads of the market system. We are not claiming that they represent a permanent, immoveable stratum of business aristocrats in the specific manner that Tocqueville was concerned about. Rather, out of their desire to morally justify their extreme wealth – through giving – they are effectively beginning to act in concert, and thus become more like a self-anointed collective of leaders, contributing to and solidifying the contemporary theodicy of privilege. Moreover, in today’s iteration of the ‘new’ philanthrocapitalism, we can see almost a complete reversal of Balzac’s conception of ‘noblesse oblige’. In Balzac’s time, noblesse oblige conveyed the idea that those who were conferred privileges at birth have a moral onus to serve others. Today, this responsibility is wilfully assumed by individuals such as Gates and Zuckerberg, but it is clearly and strategically upheld as a voluntary responsibility – partly or largely because these fortunes are deemed to have been generated through individual skill and hard work. Yet, if the super-rich were compelled to hand over larger proportions of their wealth to the rest of a social community through taxation, their contribution to addressing disadvantage would remain within the domain of the profane – they would be just like their congregants. Instead, through upholding philanthropy as a legitimate reason for withstanding obligatory tax liabilities, they are provided the space to appear exceptional by apparently choosing to give vast amounts away for the purported betterment of the world. Through their elective giving, mega-donors come to constitute themselves as new nobility – while not necessarily conceding that parting with their wealth is something they ‘must’ do – in the same way that most individuals must, for example, pay tax. Thus, the new business aristocracy represented by philanthrocapitalism suggests the emergence of a novel phenomenon that surpasses the entitlements and duties that nineteenth-century thinkers such as Tocqueville and Balzac attributed to a waning feudal aristocracy. Whether the new industrial masters are more ‘restrained’ or ‘dangerous’ than earlier feudal lords requires more investigation. The question itself has been dormant for too long, obfuscated by a theodicy of privilege which makes the outlandish seem reasonable: that it is laudable and even dutiful for immiserated workers to salute the donor class for directing its philanthropy at itself.

#### Billionaire charity is an anti-democratic and colonial power imposition by the uber-rich

Schwab 23 [Tim Schwab, investigative journalist educated at the University of Illinois Urbana-Champaign, 11-23-2023, "Why Bill Gates’s Philanthropy Is a Problem", Nation, https://www.thenation.com/article/society/bill-gates-philanthropy-misanthropy/]/Kankee

For a guy who publicly claims that his “total focus” is helping the global poor, Gates also appears to devote considerable time to sitting for self-aggrandizing interviews—often with news outlets that his private foundation funds. Talking to BBC, the recipient of millions of dollars from the Gates Foundation, he once again took softball questions about whether he had ambitions to go into space, using the opportunity to trumpet his philanthropic work on Earth. A child’s life can be saved for only $1,000, Gates noted, echoing similar claims he has made for years. It seems more than fair, at a point, to aim Gates’s data analysis at his own wealth. By Gates’s own figures, his $184 billion wealth could save 184 million lives—if he gave that money away. This calculation, like much of Gates’s “numbers guy” routine, is pure pablum. But however you cut the numbers, Gates’s vast wealth could help the world in far-reaching ways, for example if it were redistributed as cash gifts to the poor. That can’t happen through the Gates Foundation’s father-knows-best, look-at-me brand of bureaucratic philanthropy. Gates isn’t interested in empowering the poor; he’s interested in imposing his solutions. Following the money from the Gates Foundation confirms this. Nearly 90 percent of the foundation’s charitable dollars go to organizations located in wealthy nations, not the poor countries he claims to serve. Never mind that the Gates Foundation’s website is inundated with the images of smiling poor people of color; in practice, the Gates model is funding white-collared bodies in the Global North to fix those wearing dashikis, burqas, saris, and kangas in the Global South. A growing group of Gates’s intended beneficiaries today criticize him as doing more harm than good, and some have explicitly asked him to stop helping. “Bill Gates Should Stop Telling Africans What Kind of Agriculture Africans Need,” noted the headline of an op-ed in Scientific American, authored by Million Belay and Bridget Mugambe from the Alliance for Food Sovereignty in Africa. From farmer organizations in sub-Saharan Africa to public health experts around the globe to public school teachers in the United States, critics cite the high opportunity costs of Gates’s charitable crusades and the vast collateral damage they leave behind. No one elected or appointed Gates to lead the world—on any topic. Gates simply asserted his vast wealth to take power. He has put his hands on the levers of the world, trying to remake how we feed, medicate, and educate poor people according to his own narrow neoliberal ideology. The Microsoft founder even faces long-standing allegations of destructive monopoly power in his philanthropic ventures, as he has planted his flag and sought to take over fields like malaria research and health metrics. There are few words that better describe this model of power—where the richest guy gets the loudest voice—than “oligarchy.” And no one has done more to normalize and institutionalize oligarchy than Gates. By masking his money-in-politics efforts under the banner of charity—instead of, say, lobbying or campaign contributions—Gates commands tax benefits, endless accolades, and public applause. Philanthropy has been very, very good to our “good billionaire.” This lesson has not been lost on Jeff Bezos, Mark Zuckerberg, and hundreds of other billionaires who have pledged to follow in Gates’s footsteps, turning their vast private wealth into expansive political power through philanthropy, whether it is remaking climate policy, reshaping American public schools, or influencing the debate over how we regulate AI. That makes it all the more important that the rest of us also master this lesson. We have allowed Gates, Bezos, and Zuckerberg to become obscenely wealthy and now we are allowing these men to turn their wealth into tax-privileged political power through philanthropy. These are choices we can also un-make. But to do so, we must learn to see past the PR halo. When the super-rich engage in charity, it has a way of not just scrambling our cognition, but also our humanity. The dollars on the table tempt us into a dangerous ends-justifies-the-means logic in which we focus on the enormous public goods that can be created through private wealth and ignore the known harms caused in its creation, or the antidemocratic power it engenders, or the alternatives at hand—most simply, redistributing billionaire wealth through taxation instead of philanthropy. The word “philanthropy,” from the Greek, means lover of humanity. A charitable gift is meant to be an act of love, not an exercise of power. Giving away money is not supposed to magnify the asymmetries in power that govern society but to collapse them. And this is why, in many respects, Gates might be better described as a misanthrope—if he does not hate his fellow human, then he certainly views himself as superior. Gates’s disregard for the wishes, needs, rights, dignity, intelligence, and talent of the poor people that he claims to be serving speaks to the fundamentally colonial lens through which he executes his charitable empire. It highlights the existential limits of what he can accomplish, and it explains why the Gates Foundation has achieved so little. It’s not that Gates isn’t well intentioned, or that his charitable interventions have never helped anyone. Clearly, the tens of billions of dollars the Gates Foundation has given away have helped people at times and, yes, saved lives. But these wins should be viewed, at best, as a thin silver lining in a very dark cloud. At some point, we should understand that humanitarianism aimed at real human progress—equality, justice, freedom—requires us to challenge unaccountable power and illegitimate leaders, not worship them. And that means Bill Gates is a problem, not a solution.

#### Uber-rich charity legitimizes the rich for their crimes and advances the far-right agenda

Mechanic 24 [Michael Mechanic, senior editor at Mother Jones with a MA from UC Berkeley, 1-22-2024, "Philanthropy in America is broken", Mother Jones, https://www.motherjones.com/politics/2024/01/philanthropy-broken-giving-foundations-democracy/]/Kankee

Zuck has sizable stakes in other companies as well, and at the rate wealth compounds, he and Chan will likely remain billionaires for life. They also own hundreds of millions of dollars’ worth of real estate, including multilot compounds in Palo Alto and at Lake Tahoe, and 1,500 acres in Kauai. (Ellison owns almost the entire island of Lanai.) In 2008, before Facebook went public and when Zuckerberg was just 24 years old, he put 3.4 million shares into a type of trust routinely used by the world’s richest families to transfer gigantic fortunes to their heirs without paying a dime in gift or estate tax. Philanthropic giving also serves as what Reich calls “a legitimation project” or, put more bluntly, “a reputation-laundering exercise to construct an aura of altruistic do-gooding and distracting people from attending to the source of the moneymaking.” In his 2018 book, Winners Take All, journalist Anand Giridharadas takes aim at the Sackler clan, whose reckless, ruthless peddling of opioids contributed to the ­overdose deaths of hundreds of thousands of Americans. The Sacklers greased their ignoble ascent and cushioned their fall from grace with more than $60 million in tax-deductible gifts to universities, and millions more to cultural institutions, ­including the Louvre, the Met, and the Guggenheim, some of which were later compelled to strip the Sackler name off their buildings. Give abundantly, Giridharadas wrote of the philanthropist’s ethos, “and expect in return that questions will not be asked about the money’s origins and the system that let it be made.” Giving back also can do wonders to repair a reputation—temporarily anyway. After stepping down as Microsoft CEO in 2000, Bill Gates set about remaking his image—from “tyrannical technocrat” to “huggable billionaire techno-philanthropist,” as one Bloomberg writer put it. And although the Gateses have funded some impressive global public health initiatives, they’ve taken flak for blocking poor countries’ access to Covid vaccines and for imposing their will on America’s public education system with little to show for it. After plea-bargaining his way out of his first indictment, sex predator Jeffrey Epstein used philanthropy to ingratiate himself with celebrity scientists. Officials at elite colleges (Harvard, MIT) and financial institutions (J.P. Morgan, Deutsche Bank), as well as powerful men like Gates (whose association with Epstein may have expedited his divorce), looked the other way. “Good billionaire” philanthropist Warren Buffett has quietly arranged his financial affairs to avoid taxes almost entirely. He is also among the nation’s most prolific fossil fuel investors, adding $3.3 billion in 2023 to Berkshire Hathaway’s $40 billion-plus portfolio of polluters. Son Howard Buffett has spent more than $200 million from his own foundation to impose his values on the small city of Decatur, Illinois, and micromanage its local affairs. George Soros spends billions on liberal political causes with the aim of defeating authoritarianism. Love or hate him, he wields astounding plutocratic power. And recent shake-ups at his foundation abruptly cut off scores of dependent nonprofits—yet another way philanthropy can be destabilizing. Sometimes it is downright misanthropic. New Yorker reporter Jane Mayer—who has detailed how conservative dynasties such as the Kochs, the Scaifes, and the DeVoses have “weaponized” philanthropy to serve ideological and business interests—more recently trained her sights on the Lynde and Harry Bradley Foundation, “an ­extraordinary force in persuading ­mainstream Republicans to support radical challenges to election rules.” With $1.2 billion in assets in 2021, the Bradley Foundation “funds a network of groups that have been stoking fear about election fraud, in some cases for years,” Mayer wrote. Which brings us to another big asterisk: the wildly broad definition of what constitutes a tax-exempt charity. On the one hand, we have nonprofits “fostering appreciation” for camellias and “promoting the medium of American mime.” On the other, we have the Federalist Society, a dark-money group co-chaired by Leonard Leo, whose starring role in the Supreme Court ethics scandals “reeks of corruption,” as Sen. Sheldon Whitehouse (D-R.I.) put it. Ditto the American Legislative Exchange Council, the secretive cabal that translates the will of wealthy donors, corporate lobbyists, and right-wing politicians into model state laws. Examples include stand-your-ground legislation, laws that bar cities from restricting gun sales, and “anti-ESG” laws meant to punish institutions that divest from fossil fuels or to forbid state pension funds from factoring environmental and social factors into their investment choices. The philanthropic world, spurred by rising criticism and the dire needs exposed by the pandemic, has gone through a period of soul-searching. More foundations, though still a small minority, have imposed limits on their lifetimes. Attorney Harvey Dale—who, as president and CEO of the Atlantic Foundation, helped the recently departed billionaire Chuck Feeney stealthily give away his entire fortune—told me he was advising several other “very wealthy” people who plan to do the same.

#### The wealth tax implodes elite charities

Moylan et al. 19 [Andrew Moylan, former Executive Vice President of National Taxpayers Union Foundation with a BA in political science from UMich, Andrew Wilford, Director of the Interstate Commerce Initiative and a Senior Policy Analyst at the National Taxpayers Union Foundation with a BA in science from American University, Jacob Plott, former Director of the Interstate Commerce Initiative and a Senior Policy Analyst at the National Taxpayers Union Foundation with degrees in History and Political Science from the University of Richmond, 12-9-2019, "The Wealth Tax's Impact on Private Charities", National Taxpayers Union, https://www.ntu.org/foundation/detail/the-wealth-taxs-impact-on-private-charities]/Kankee

Wealth taxes are all the rage in this year’s Democratic presidential primary, with Senator Bernie Sanders and Senator Elizabeth Warren releasing grandiose plans to tax the wealth, not income, of the rich. While any wealth tax plan would be harmful in its own right, one underreported element of such schemes is that their architects suggest lumping the assets of charitable foundations in with those of their wealthy benefactors. Ostensibly aimed at preventing tax avoidance, this would have a profound negative effect on large charitable institutions. By more directly tying their finances to those of the wealthy Americans that donate to them, the assets of large charitable institutions would be subject to punitive taxes, meaning more money for the federal government and less for charitable giving. Background: Wealth Taxes. A wealth tax differs from most other kinds of taxes in that it does not target a specific stream of earnings or expenditures. Where an income tax only applies to the dollars a taxpayer earns in a given year, and a sales tax applies only to their consumption, a wealth tax applies to a taxpayer’s entire net worth. As a result, even very low rates can have profound impacts as the effect of the tax compounds year after year. This effect can make wealth tax rates seem misleadingly low. For example, the top marginal income tax rate following the passage of tax reform is 37 percent. Sanders’s wealth tax proposal, on the other hand, has a top bracket of “just” 8 percent, which at first glance seems far lower. But when converted to what approximates an income tax rate, Sanders’s wealth tax can approach or even exceed 100 percent. Because it applies to all assets (including cash, stock holdings, real estate, and other property like cars or art), a wealth tax must be weighed against the appreciation of the asset. In other words, an 8 percent wealth tax applied to a share of stock that appreciates at an 8 percent rate is equivalent to a 100 percent income tax rate. When applied to any asset that appreciates less than 8 percent (or even depreciates) in a given year, the equivalent income tax rate can soar well over 100 percent. Such high tax rates would be enormously harmful to economic growth. Faced with the prospect of tax liabilities that go beyond what even productive investments can be expected to yield, wealthy investors may simply forgo those investments. It would also encourage investors to make riskier investments to try and capture any after-tax return, or it could encourage the wealthy to consume a much larger share of their wealth than they would have previously. To Sanders and Warren, curbing the wealth of the rich may be the goal, but the core driver of economic growth is investments that increase productivity. Cutting investment will have long-term impacts that reduce economic growth. Wealth taxes suffer from another issue: they are poorly targeted. Broadly speaking, investment income falls into two categories: what are called normal returns and supernormal returns. Normal returns are the compensation an individual expects for their investment — the reason people invest in the first place. Generally speaking, normal returns should be exempted or lightly taxed to encourage investment and saving. Supernormal returns, on the other hand, are compensation above and beyond what is expected from an investment. These are generally less sensitive to tax policy because they are often just lucky. Early investors in Apple had an extremely high return for their investment, but since most likely did not expect that venture to pay off so spectacularly, paying taxes on that successful investment would likely not discourage them from future investments. High taxes on a more average investment would be a different story. Though their political goal is to take a bite out of the richest Americans, wealth taxes target normal returns and lightly tax supernormal returns, when optimal tax policy would do exactly the opposite. Since few investors would be affected by a rate above 1 to 3 percent,[3] a wealth tax would generally fall upon normal returns. Consider a case where a taxpayer with a net worth of $300 million invests in an asset, in essence subjecting that asset to a 3 percent wealth tax under Sanders’s plan. Whether that asset grows at a 3 percent rate or a 30 percent rate, it will still face a tax rate of 3 percent of its value. In essence, the investor earning 3 percent pays a 100 percent income tax rate, while the investor earning 30 percent pays 10 percent. Effectively, the normal returns are taxed, while the supernormal returns are exempted. Wealth taxes are also extraordinarily difficult to administer. Simply put, it can be very complicated to assign a taxpayer’s non-liquid assets a value each tax year. Not only would a wealth tax require a means of establishing (and auditing) roughly 180,000 taxpayers’net worth each year, it would create administrative headaches for the Internal Revenue Service (IRS) in determining how to treat certain assets. One of the largest headaches would be associated with treatment of private charitable foundations.The Administrative Nightmare of Attributing Foundation Assets Wealth tax advocates have argued that such a policy would have to assess tax not just based on personal holdings, but on the assets of private charitable foundations associated with a taxpayer as well. While this would be done in the name of heading off tax avoidance, it would have profound impacts on some of the largest and most effective charitable institutions in the world, by tying their financial fortunes to the tax bills of their wealthy donors. It would also introduce yet another layer of complication to a tax scheme that is already arguably impossible to enforce effectively. The complication arises from the incredible difficulty in attributing foundation assets for tax purposes. Presumably assets would only be commingled for a taxpayer and foundations in which they have some sort of control, like a role as a trustee. But determining how to attribute assets held by such foundations gets complicated very quickly. For example, perhaps the most famous wealthy American that would be impacted by a Sanders or Warren wealth tax that also targets closely-held foundations is Microsoft founder Bill Gates. His net worth is somewhere north of $100 billion, and the foundation he started with his wife, the Bill and Melinda Gates Foundation, has $47.9 billion in assets. It spends approximately $5 billion each year on disease eradication, education, and innovation projects. But figuring out how to attribute the foundation’s assets for wealth tax purposes is an incredibly difficult question. The foundation has a relatively straightforward leadership structure, with trustees being limited to Bill and Melinda Gates as well as Warren Buffett, another of America’s wealthiest individuals. Would the foundation’s wealth be attributed equally to the three trustees, despite the fact that the Gateses and Buffett have not donated the exact same amount to the foundation? The designers of Warren’s wealth tax, the economists Emmanuel Saez and Gabriel Zucman, argue that Buffett’s contributions should be considered part of Gates’s wealth, but that isn’t the only possible solution. Likely, there would need to be some effort to establish each trustee’s “basis” in the foundation by calculating their total contributions to its total assets. On top of this, many other donors give to the foundation’s causes through a closely-held 501(c)3 called Gates Philanthropy Partners. Would these assets also be added to the wealth tax bill of the Gates Foundation’s directors (or the Gateses alone), given that the foundation exercises control over its operations? If so, this could create a perverse incentive for charitable foundations to avoid outside donations in order to minimize the negative impacts of a wealth tax on its benefactors. Regardless of the method chosen to attribute foundation assets, would the same apply for foundations where the main benefactor is no longer living? For example, the Walton Family Foundation has nearly $5 billion in assets and gives almost $600 million in grants to educational and environmental causes each year, but its founders, Sam and Helen Walton (of Walmart fame) are no longer living. Would the assets associated with the foundation’s endowment in 1987 be attributed to all of its five directors, all of whom are members of the Walton family? This only becomes more complicated in cases where current trustees are generations removed from the original founder, such as in the case of the Russell Sage Foundation, which was founded in 1907. Economists Saez and Zucman offer no definitive answers to these questions, saying “To the extent that the foundation is controlled primary [sic] by one person or family (as opposed to a board that rotates), such wealth constitutes concentrated individual power and it makes sense to make such wealth taxable. At the same time, because such wealth is pledged to charitable giving, it could arguably receive preferential treatment.” The administrative details of what is taxable in their world, and what receives preferential treatment, is left to the imagination. One other option would be to simply apply wealth taxes on a forward-looking basis. This would ostensibly eliminate many of the complexities of attributing assets donated to charity in the pre-wealth tax era, but it would entail its own set of difficulties. For example, while some charitable donations made by wealthy individuals come in the form of cash or easily-valued assets like shares in publicly-traded companies, others are much more challenging to assign an accurate value to. This could include shares in private companies, real estate, or in-kind contributions like free services. For the same reason that so-called “mark-to-market” taxation is challenging to administer, these types of contributions would create significant work for the Internal Revenue Service. Impact on Charitable Giving No matter what policy choices are made to address these questions (and the dozens this paper overlooks for the sake of brevity), a wealth tax would have massive implications for American altruism. Private foundations donated $75.9 billion in 2018, funding important initiatives throughout the country and overseas. A wealth tax, especially one as expansive as those contemplated by Warren and Sanders, would have profound impacts on charitable institutions. Such tax schemes would present a choice to foundations and their wealthy benefactors: either “divorce” so that the individual no longer has any direct connection to the foundation, or effectively subject the foundation’s assets to a wealth tax as a result of maintaining a direct connection. In either case, the result would be hugely disruptive for some of the largest and most effective charitable institutions in the country. If the choice is to disconnect so as to avoid wealth tax implications, there would be significant governance concerns for many foundations. Many of the largest institutions pursue charitable goals laid out by their founders and are subject to oversight and direction to ensure they execute on their mission in accordance with the donor’s intent. In fact, the emphasis on adhering closely to donor intent has led to a growing trend of planned “sunsets,” whereby foundations spend down assets over a set period of time in order to ensure that future directors do not steer it in a fashion at odds with the will of its founder. A wealth tax would throw a wrench into the works of any foundation or donor seeking to maximize charitable impact, as it would introduce a layer of tax planning that would significantly distort their incentives. If donors and foundations do not “divorce,” however, the negative effects could be even more severe, since the assets of many large foundations would effectively be subjected to wealth tax. Foundations would have to either reduce annual giving or draw down their endowments to satisfy their newfound tax liabilities, or some combination of the two. Either way, long-term giving would decrease. While it is difficult to assess the total economy-wide impacts of such a scheme, we can look to some illustrative examples to help understand what the effects would be for select institutions. Using public tax forms and foundation-provided financial information, we can calculate rough estimates of tax liabilities to help understand what impact it might have on charitable enterprises. The Bill and Melinda Gates Foundation is a great example. If we assume the foundation is taxed as part of Bill Gates’s wealth, per the proposal drafted by economists Saez and Zucman, the foundation’s tax burden would be $3.8 billion per year under Senator Sanders’s plan. That is almost as much as the foundation gave away in 2018, when it donated $4.5 billion to a variety of causes. Had the wealth tax been in place, the foundation would have had to make a difficult choice between cutting its charitable expenditures to less than one-fifth of what it had planned, or drawing down its endowment and thus harming their ability to fund future giving. Additionally, even if the wealthy divorce themselves of control of their foundations, a wealth tax would obviously have an impact on propensity to give to charity in the first place. If donating to charity becomes less attractive relative to consumption due to the impact of a wealth tax, the likely result is fewer charitable expenditures and more consumption. This is particularly true in cases where an individual’s wealth tax bill would be substantially larger than their contribution to their charitable foundation. One example of an institution that could face severe impacts from a wealth tax is the Dell Foundation. Michael and Susan Dell, of Dell computer fame, have an estimated net worth of $32.3 billion, which would subject them to a tax of at least $2.45 billion were Sanders’s wealth tax in effect.[4]A tax of that level would presumably put in some jeopardy the $180 million in contributions the Michael and Susan Dell Foundation received from its benefactors, and the $130 million the foundation spent on health and education programming in 2017. Warren’s proposed wealth tax has lower rates, but would still represent a punitively large tax burden for the Dells. They could expect to face a tax burden of $1.9 billion — less than they would pay under Sanders’s proposal, but still an amount that could conceivably threaten their willingness to continue their generous funding of their foundation. Taxing The Wealthy Isn’t A Cure-All Sanders and Warren may counter that this data shows that their wealth taxes could extract more tax revenue from the wealthy than they are currently giving through their charitable enterprises. However, it is important to keep in perspective foundation wealth compared to the vast amounts of taxpayer dollars the federal government churns through daily. Sanders and Warren have repeatedly suggested that the solution to all revenue shortfalls is to simply levy higher taxes on America’s billionaires. And America’s billionaires do hold a significant amount of wealth - $3.1 trillion in total. Yet even if the federal government were to confiscate all of this wealth (a decidedly non-renewable revenue source) for 2020, it would only fund the federal government from January through the beginning of September. That’s not even considering the vast increases to spending that Sanders and Warren are proposing. Given this, the effective taxes on the selected foundations discussed earlier would represent little more than a drop in the bucket. Using the Congressional Budget Office’s projected FY 2020 baseline, Table F shows just how meager these potential revenues would be relative to the federal government’s spending habits. Conclusion The concept of a wealth tax is simple enough, but the administrative realities could have severe unintended consequences for some of America’s largest and most successful charities. If legislators force wealthy Americans to pay tax on both their personal assets and those of their charitable foundations, the result could prove chaotic for the world of philanthropy as donors and institutions work to minimize tax bills. This is just one of many problems that the implementation of a wealth tax faces, and a large part of why the rest of the developed world is moving away from wealth taxes, not towards them. Politicians such as Senator Sanders and Senator Warren should follow the evidence of these past failures and shelve their wealth tax ideas as well.

#### Wealth taxes substantially reduce charity

Ring and Thoresen 22 [Marius Alexander Kalleberg (A.K.) Ring, Assistant Professor in the Finance Department at the University of Texas at Austin with a PhD from Northwestern, and Thor Olav Thoresen, Researcher at Norwegian Fiscal Studies at the Department of Economics at the University of Oslo, 4-20-2022, "Wealth Taxation and Charitable Giving", SSRN, https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=4087955]/Kankee

We present new empirical evidence on capital taxation and charitable giving on two fronts and tie the results together in a simple life-cycle model that incorporates charitable giving. First, we provide novel empirical evidence on how capital taxation affects charitable giving. We obtain identifying variation in both the average and marginal after-tax rates of return on savings from substantial changes to the wealth tax treatment of housing wealth. Starting in 2013, the tax authorities began removing the preferential treatment of secondary housing wealth, while leaving it in place for primary homes. This meant that secondary home owners saw a large accounting increase in their taxable wealth, which increased their probability of paying a wealth tax and more than doubled their average wealth tax bill. This extensive-margin shock lowers marginal after-tax rates of returns on wealth and the intensive-margin shock lowers the average after-tax return on wealth. The nature of the reform allows us to control for overall estimated housing wealth while obtaining identification from pre-reform portfolio allocation into secondary versus primary housing wealth. We use this variation in a difference-in-differences (DiD) instrumental variables (IV) framework. For many years prior to the reform, treated and control households were on identical trajectories in terms of their giving behavior. However, as soon as the reform occurs in 2013, we find a sharp reduction in the giving of secondary home owners. Using our IV specification, we find that a one percentage point increase in the tax rate on wealth decreases giving by 26%. Theoretically, our negative giving estimate is the combination of two forces: A negative income effect of paying more in wealth taxes on the intensive margin and a positive intertemporal substitution effect from extensive-margin wealth taxation increasing the relative price of future giving. We empirically disentangle these two forces by exploiting the first-stage heterogeneity caused by progressive taxation (as in Gruber and Saez 2002). We find that the negative effect of wealth taxation on giving is, in accordance with theory, driven by households paying more in wealth taxes on the intensive margin. Interestingly, we find no evidence of offsetting positive effects of paying a wealth tax on the extensive margin. Inconsistent with intertemporal substitution effects being important, our point estimate is economically and statistically close to zero. In other words, the pseudo avoidance strategy of giving more now to reduce life-time wealth taxes is not present in our data. We further examine whether capital taxation affects whether households give. We show that the average treated households is about 0.8 percentage points (2.4%) less likely to give by the end of our sample period. This finding indicates the presence of fixed costs of giving. By reducing the optimal giving amount, fewer households find it worthwhile to give. Interestingly, we find that the participation effect is entirely driven by reduced entry into giving. This indicates that fixed costs of giving consist entirely of a one-time entry cost as opposed to per-period participation costs. Second, we use a bunching framework to estimate the elasticity of charitable giving with respect to its after-tax own price. This elasticity, although nominally unrelated to wealth taxation, provides a crucial empirical moment for calibrating a structural model of giving. In Norway, charitable giving is deductible in the income tax base and charitable organizations report giving amounts directly to the tax authorities. Importantly, the presence of a deduction limit creates a large discontinuity in the marginal after-tax price of giving, which allows us to make novel use of a bunching framework to infer the compensated after-tax own-price elasticity. While there is clear evidence that households bunch at the deduction limits, the implied elasticity is economically modest at about -0.44. Furthermore, we test the common assumption that the compensated own-price elasticity is a constant parameter. By using regression-based techniques to uncover bunching heterogeneity (Bastani and Waldenstr¨om, 2021), we find that the magnitude of the elasticity is decreasing in income and wealth, but that this heterogeneity is economically small. We further find no evidence that wealth taxation causally affects the compensated own-price elasticity, suggesting that the elasticity is causally invariant to disposable income. Together, these findings support the common assumption of a constant compensated elasticity.

#### Wealth taxes kill charitable donations from wealthy elites

Blomquist 21 [Cord Blomquist, researcher for philanthropy issues, 12-21-2021, "The Risks a Wealth Tax Poses to Private Philanthropy", Philanthropy Roundtable, https://www.philanthropyroundtable.org/the-risks-a-wealth-tax-poses-to-private-philanthropy/]/Kankee

With Congress considering trillions of dollars in new tax obligations, the implications of some of these proposed measures on charitable pursuits are unclear. But one proposal in particular, a wealth tax, could pose a serious threat to private philanthropy. As wealth tax proposals have gained traction and legislative sponsors in Congress, proponents are grappling with the sheer scope of technical and administrative difficulties a wealth tax entails. Just one of these myriad challenges is the question of how a wealth tax should treat assets held by charitable foundations. In truth, this issue highlights the difficulty of administering a wealth tax and preventing avoidance. A major concern of proponents is the possibility taxpayers will “hide” wealth, and many allege that Americans of means cynically use private charitable foundations to protect their assets from taxation. Emmanuel Saez and Gabriel Zucman, prominent European economists who advised Sens. Elizabeth Warren and Bernie Sanders on their wealth tax proposals, have suggested as much in their writings. Their solution to this perceived problem is to assess tax bills based not just on personal assets held by wealthy Americans, but on their charitable foundations’ assets as well. Given that American charitable foundations contributed nearly $89 billion last year to nonprofit organizations, any reduction in assets available for giving would have a substantial impact on the communities currently benefiting from foundations’ altruism. In addition to the likely complexity of implementing necessary anti-avoidance measures, such a tax would substantially curtail charitable giving. Earlier this year, the National Taxpayers Union Foundation (NTUF) calculated the impact of Warren’s proposed 2-3% wealth tax on charitable foundation assets. They found it would eat up between 6% and 25% of the annual disbursements of five selected foundations including the Dell Foundation, the Omidyar Network and Dalio Philanthropies, among others. If these foundations have to pay large tax bills, one could expect their capacity to give would be reduced nearly proportionally to the size of their tax bills. Generally, foundations manage their assets in such a manner as to be able to continue their philanthropic activities for years to come — and any new tax payments would necessarily reduce the amount of philanthropic activity they could responsibly fund. In fact, even if assets held by charitable foundations were exempted entirely, any wealth tax, especially one as significant as what Sanders and Warren propose, would likely reduce giving to charitable foundations, and in turn reduce charitable foundations’ activity. NTUF’s analysis of Warren’s wealth tax found the tax liability of foundations’ donors would represent a significant percentage of their annual giving. For example, the $1.4 billion that Michael and Susan Dell (of computer maker Dell Technologies) would owe under Warren’s wealth tax would represent more than 1,006% of their $136.9 million contribution to the Dell Foundation last year. The $658 million wealth tax bill for eBay founder Pierre Omidyar, meanwhile, would represent 1,719% of his contribution last year to the Omidyar Network. Wealth tax advocates may suggest this is good news, a forcing mechanism of sorts to turn private wealth to the public benefit. But even large tax bills for the wealthiest Americans are a drop in the bucket of federal spending. For example, the $658 million wealth tax bill Pierre Omidyar would face would fund the government for less than an hour. The federal government would chew through the entire $88.55 billion charitable foundations spent in 2020 in less than five days. The truth is private foundations can often do more good than federal programs. Charitable foundation activity not only supplements government efforts, it also fills in gaps, helping people and communities missed by the vast bureaucracy at the head of often broken and mismanaged welfare programs. Whichever way proponents propose to address the administrative and technical challenges inherent in a wealth tax, it is unavoidable that such a tax would pull resources from charitable foundations. That’s just one more reason to be wary of wealth taxation.

#### Progressive taxation kills anti-democratic neoliberalism advocacy campaigns by elite charities

Collins 19 [Chuck Collins, Program Director Institute for Policy Studies with a Masters of Science & Community Economic Development from Southern New Hampshire University, 09-11-2019, "The Perils of Billionaire Philanthropy", Nation, https://www.thenation.com/article/archive/philanthropy-charity-inequality-taxes/]/Kankee

Indeed, the discussion about solutions to most social problems are too often sidetracked by stories of beneficent billionaires and their charitable deeds. Lost in a fog of generosity is the recognition that philanthropy is not a substitute for a fair and progressive tax system and robust public investments in poverty alleviation, infrastructure, economic opportunity, and social protection. To be sure, there is strategic philanthropy in the United States that sustains a vibrant independent sector. But that sector is in jeopardy, thanks to the increasingly top-heavy nature of philanthropy and the ways that the super-wealthy are creating a taxpayer-subsidized extension of their private wealth and power. Philanthropy mirrors the wealth inequality trends of society overall, with more wealth and therefore more giving clout concentrating in the hands of billionaires like Dell. Charitable giving vehicles, such as donor-advised funds, are now part of the menu of tax avoidance strategies that the ultra-rich use to stash their wealth. The risk in this increasing inequality is not only to the independence of the nonprofit sector, but also for our democracy and society as a whole. The list of philanthropic abuses goes beyond President Trump using his personal foundation to illegally funnel tax-exempt funds to campaign consultants or toward the purchase of paintings of himself. The ways in which philanthropy is being abused include: Self-serving policy advocacy. Some wealthy donors, especially those in the Koch brothers’ network, are “weaponizing philanthropy,” using their considerable wealth and power to undermine democratic institutions and rig the rules of our economy in their favor. As journalist Jane Mayer documents in her book Dark Money: The Hidden History of the Billionaires Behind the Rise of the Radical Right, wealthy donors are funneling tax-exempt funds to think tanks and advocacy groups to further a wealth-protection agenda in the political arena. Corruption of higher education. Wealthy parents bribing college coaches, test proctors, and others to rig college admissions, while funneling funds through tax deductible foundations, is only the tip of the iceberg of abusing the charitable giving system. Daniel Golden, a former Wall Street Journal reporter and author of The Price of Admission: How America’s Ruling Class Buys Its Way into Elite Colleges—and Who Gets Left Outside the Gates, chronicles the “wealth effect” on college admissions and how charitable donations open doors for affluent family members to gain admission. Distortion of K-12 public education. Foundations in affluent public school districts enable parents to make tax-deductible contributions to support their children’s schools, compounding inequalities between school districts. This effectively does an end run around state efforts to create equitable school funding approaches that shift financing away from local property taxes. Self-dealing foundations. Some foundations pay family members to serve on boards, staff foundations, and subsidize family reunions, in the form of board meetings. Other philanthropy at least pretends to be geared toward solving social problems, providing symbolic or token contributions to solving large, complex, and systemic problems. As Anand Giridharadas observes in his new book, Winners Take All, billionaire philanthropy is funding hundreds of solutions to social problems, while defining the terms of the debate to exclude such strategies as progressive taxation and expanding worker rights. Perhaps surprisingly, Republicans have been quicker to call for oversight of the charitable sector than Democrats. As part of his tax reform proposal, now-retired Republican representative Dave Camp suggested rule changes governing charitable giving in the last Congress. But most lawmakers, including progressives, have largely maintained a laissez-faire attitude toward the philanthropic sector. Half a century has passed since the last significant reform to the rules governing philanthropy. Progressive lawmakers should advance a philanthropic reform agenda beginning with modernizing rules and charity oversight practices. At its root, fixing philanthropy is vital for the future of our democracy. For every dollar a billionaire donates to charity, we the people chip in anywhere from 37 to 57 cents in the form of lost tax revenue, depending on how aggressive the donor’s tax avoidance strategies are. In other words, taxpayers effectively provide matching funds for the donation priorities of private donors, whether for a new wing of an art museum or a brand-new performing arts center at a private high school. The public interest in charity oversight rests on this partnership; if a donor doesn’t want government oversight and public accountability of their charitable giving, they should simply forgo the charitable deduction. If we are to have any hope of taking back our political system from the grips of the super rich, there needs to be strong, unified trans-partisan support for a philanthropic reform agenda that boosts the independent sector, encourages broader giving, protects our democracy, minimizes gaming and tax-avoidance, and prohibits self-dealing. Top-Heavy Philanthropy According to Giving USA, charitable giving increased in 2018 to $427.77 billion, slowing slightly after a decade of significant growth due to volatility in the stock market at the end of 2018 and the 2017 Trump tax cut that reduced the number of itemizing households. Foundations increased their giving by an inflation adjusted 4.7 percent to $75.86 billion. But increases in donations mask a troubling undercurrent. As a report I coauthored, “Gilded Giving,” revealed, donations by low and middle income givers have been steadily declining over the last 10 to 15 years. Almost all the growth in giving, enthusiastically trumpeted by Giving USA over the last decade, has been the result of growing mega-gifts, donations over $1 million. In the early 2000s, households earning $200,000 or more made 30 percent of all charitable deductions. By 2017, this high-earner group accounted for 52 percent of donations. And the total share of charitable deductions from households making over $1 million dollars grew from 12 percent in 1995 to 30 percent in 2015, according to IRS data. Reflecting the concentration of wealth, the superrich have created foundations at a rapid pace. The number of grant-making foundations grew from 64,845 in 2002 to 86,203 in 2015, a 28 percent increase. And the amount of assets held in those foundations doubled over that same period. Giving by foundations quintupled between 1985 and 2015, growing by more than 441 percent (from $10.8 billion to $58.46 billion). In comparison, giving by individuals grew only 109 percent from 1985 to 2015 (from $126.47 billion to $264.58 billion). Foundations made up only 7 percent of all giving in 1985; they make up 18 percent of all giving today. Meanwhile, the percentage of households that give to charity has declined significantly. Between 2000 and 2014, the proportion of households giving to charity dropped from 66 percent to 55 percent. Giving trends by middle and modestly affluent donors track the economy’s larger economic insecurity indicators. For example, small-donor declines are highly correlated with the declining homeownership rate, stalled wages, and growing personal debt. It makes sense: If people feel less economically secure, they are less likely to give to charity. As the donor base shrinks to the wealthy and affluent, the resulting philanthropy reflects the social priorities of advantaged groups. As Catholic University law professor Roger Colinvaux warns, “Philanthropy will increasingly become a self-serving vanity project for one segment of society, and less worthy in a true philanthropic sense.” Warehousing Wealth in Donor-Advised Funds Wealthy individuals are using charity mechanisms called donor-advised funds, or DAFs, to claim substantial tax benefits, while often failing to move funds in a timely way to independent nonprofits addressing urgent social needs. Originally a creation of community foundations, DAFs are holding accounts designated specifically for charitable giving. DAFs have been recently adopted and aggressively marketed by a number of for-profit Wall Street firms, such as Fidelity Investments, Goldman Sachs, Charles Schwab, and Vanguard. And their clients are responding by putting an increasingly significant amount of money into DAFs. There is currently no legal incentive to move money out to charities once it has been put into a DAF. And, in the case of Wall Street–sponsored DAFs, there are often financial incentives for staff at the DAF, and for fund managers and client advisers at its for-profit affiliate, to keep money in the fund. As a result, funds may sit in the DAF for years, or potentially forever, before being donated to active charities addressing community problems. DAFs are now the fastest-growing recipients of charitable giving in the United States. Donations to DAFs increased from just under $14 billion in 2012 to $23 billion in 2016—a growth of 66 percent over five years. In contrast, charitable giving by individual donors nationwide grew by just 15 percent over the same five years. In 1992, the biggest recipients of charitable gifts in the United States were the American Red Cross, the American Cancer Society, and the United Way. Starting in 2016, the largest recipient of charitable giving in this country was the Fidelity Charitable Gift Fund. And in 2017, six of the top 10 recipients of charitable donations were DAFs. As currently structured, DAFs foster a wealth preservation mentality among donors, rather than incentives to move donations to qualified charities. This delays the public benefit from those donations, which has an opportunity cost for society. DAFs also open up loopholes for both donors and private foundations to get around tax restrictions and have little transparency and accountability. How We Fix This

#### Elite charity reinforces inequality and develops cults of personality around the rich

McGoey et al. 18 [Professor of Sociology at the University of Essex, Darren Thiel, lecturer in sociology at the University of Essex, Robin West, Senior Lecturer in Sociology at the School of Social Sciences and Professions at London Metropolitan University, 2018, “Philanthrocapitalism and crimes of the powerful,” Cairn, https://shs.cairn.info/journal-politix-2018-1-page-29?lang=en]/Kankee

Charismatic authority and perpetual immunity Three main factors make it difficult to effectively criticize philanthrocapitalist foundations and their ensuing market philosophies. First, as we have suggested, there’s the ‘chilling’ effect whereby those who are often the most knowledgeable about the adverse effects of the increased power of the Gates Foundation, often work in the fields where its grants are focused. These individuals compete for slices of a funding pie – and it is thus more strategic to ignore or to silence their concerns than to voice them.43 A second reason why it’s difficult to effectively criticize the influence of these foundations is that even if there is critique, that very criticism rarely weakens influence and, indeed, has the opposite effect: it justifies the need for more and better projects – for more economically robust market models.44 This kind of ‘perpetual immunity’ from effective criticism is somewhat akin to the religious and spiritual problems of establishing supernatural authenticity: if engaging in rituals toward God does not yield expected outcomes, the parishioners have either failed to understand God’s ways or there needs to be more ritual offering – any alternative view would be heresy. In this vein, the answer to failed philanthrocapitalist endeavours is more ‘efficient’ solutions – whereby the failure of philanthropy is its success. Thus despite the current economic climate, or, because governmental finances are particularly strapped, mega-givers like Gates appear even more indispensable – and therefore any criticism all the more counterproductive. Somewhat ironically, the greater global and domestic inequality grows the more likely the Gates Foundation will be insulated from criticism, even when its presence may be compounding the very economic inequalities which it purports to be ameliorating.45 Thirdly, while an individual like Gates is undeniably gifted at computer programming and amassing wealth, his influence doesn’t simply rest on how his fortune was made. Indeed, Gates himself was, in the past, vilified for Microsoft’s anti-competitive behaviour which was deemed unlawful by the U.S. Department of Justice and the European Commission. His exemplary acts, then, don’t necessary stem from having amassed his wealth – but rather in his wilful surrender of some of his fortune. The religious overtones involved in the process of perpetual immunity are not simply hyperbole but reflect the sacred status of mega-giving. As Weber suggested, even in secular times and situations, religious notions continue to underpin human conduct and morality.46 One form of such spiritual authority is the charisma generated by ‘saintly’ actions that are perceived as somehow other worldly and connected with God.47 While philanthropy is not necessarily or usually linked to organized religion, gift-giving is nonetheless upheld as a sign of moral grace, if not superiority – and mega-giving is thus publicly spectacular. The sanctification generated by acts of mega-giving helps to deflect criticism of philanthropic trusts – not simply because of a ‘chilling’ effect, but because of what we call ‘charismatic love.’48 A key attribute of the charismatic authority generated by mega-giving is the ability of the charismatic individual to capture the imagination and devotion of a group of congregants in way that allows a ‘laity’ to associate the figure with what they themselves most cherish about life itself – whereby the bearer of charismatic authority comes to imbue and to impersonate the sacred sphere. 49 Consequently, even though today an increasing proportion of philanthropic foundation giving is channelled to for-profit actors – because these acts are still called philanthropy, they are perceived by the public as acts of charity – and due to the almost incomprehensible personal sums given away, they are perceived as extraordinary acts of charity.50 Mega-donors like Gates and Zuckerberg thus come to symbolize a spirit of abnegation and self-sacrifice, personifying actions that many people revere most about life itself. After all, what ‘normal’ and profane person would give away most of their wealth to people they do not know? Rather than viewing the rhetorical inviolability surrounding large-scale philanthropy as primarily rooted in fear or a chilling effect, we thus argue that muted criticism is also attributable to the fact that philanthropic giving resides within the realm of the sacred – which grants it a form of perpetual immunity. Such reverence for giving is, however, a view that ignores the financial, social and moral costs involved in the generation of the extraordinary personal wealth that allows it. This leads us back to our overarching question: why are people increasingly persuaded by the notion that the new philanthrocapitalists can ‘save’ the world when, at best, large-scale philanthropy has left global and national inequalities unaltered – and, at worst, has fomented increased inequality?51 In the next section we draw on work from ignorance studies and critical criminology in order to highlight the continued non-acknowledgement of various forms of market-based costs and harms. Corporate costs and hidden harms

#### Elite charity redefines public goods and reconfigures public opinion to deify oligarchs

Beckert 22 [Jens Beckert, Director at the Max Planck Institute for the Study of Societies with a doctorate in sociology from the Free University of Berlin, 7-29-2022, "Durable Wealth: Institutions, Mechanisms, and Practices of Wealth Perpetuation", Annual Reviews, https://www.annualreviews.org/content/journals/10.1146/annurev-soc-030320-115024]/Kankee

6. CHARITABLE GIVING Charitable institutions are a further instrument in the creation of durable wealth. This may sound paradoxical at first, since giving to charity entails doing away with some of the privately owned wealth by spending it on general, not private, welfare. In the United States charitable donations are exceptionally high, reaching over $400 billion in 2017 (Collins et al. 2018). This compares with about $12 billion in charitable donations in Germany, a country with about one-fifth of the gross domestic product of the United States (Gricevic et al. 2020). Highly publicized initiatives like the giving pledge, started by wealth titans Bill Gates and Warren Buffet, suggest that some of the wealthy feel morally obligated to not perpetuate dynastic wealth (exclusively) within the family but to spend it on public purposes. Is the concern about durable wealth premature after all? In recent years a series of scholarly publications on philanthropy have shed critical light on philanthropic foundations and identified them not as instruments of wealth equalization but of opportunity hoarding (Callahan 2018; Giridharadas 2019; Kohl-Arenas 2016; McGoey 2015; McGoey & Thiel 2018; Reich 2013, 2018; Sklair & Glucksberg 2021). Being enshrined in perpetuity allows the “dead hand of the donor [to] potentially extend from beyond the grave to strangle future generations” (Reich 2018, p. 147), something that stands in contradiction to enlightenment thinking which sees usufruct rights as belonging to the living (Beckert 2008, p. 72). In addition, charitable giving in fact extends the power of the super-rich by giving them sway over the definition of the public good (Callahan 2018, McGoey & Thiel 2018). This line of critique stands in connection with a drift in philanthropic giving in the United States, where philanthropy has become increasingly top heavy. Analyses of the distribution of charitable donations show that smaller donations are receding and the number of households that give to charity is actually in decline, while at the same time an increasing share of philanthropy consists of mega-gifting that can reach hundreds of million dollars given by a single donor (Callahan 2018, Collins et al. 2018). Charitable giving of this magnitude can be instrumentalized for pursuing material and political interests. The “weaponizing of philanthropy” (Mayer 2016, p. 31) makes foundations “a voice of plutocracy” (Reich 2013, p. 2) with the potential to undermine the democratic process “by shifting decision-making from the public to an elite-driven private realm” (Collins et al. 2018, p. 22). By spending parts of their wealth on public purposes, super-rich wealth owners gain in public esteem far beyond the status they obtain from merely being rich. The mega-gifts produce a “form of charismatic authority,” which grants the donors an “almost sacred status” (McGoey & Thiel 2018, p. 120). The claim of the super-rich to define the public good stems from a sense of superiority that finds defense in their previous business success. In a chain of arguments that can be found already in the writings of Andrew Carnegie (Beckert 2008), contemporary “philanthrocapitalists” (Bishop & Green 2008) see themselves as having a superior ability to identify pathways to resolve social problems and as making sacrifices for the rest of society. As McGoey & Thiel (2018, p. 121) argue, this theodicy entails, at the same time, structural violence because it reifies “the inegalitarian status quo.” In the same vein Giridharadas (2019) has argued that the rich constantly seek to do more good but never to do less harm (see also Kuusela 2020). Charitable giving contributes in still another, more direct way to the creation of durable wealth. Foundations and donor-advised funds are used by super-rich wealth owners as vehicles for wealth preservation (Dutta 2014, Harrington 2016, Rawert 1999, Reich 2018, Tait 2019)—they become “wealth-warehousing vehicles” (Collins et al. 2018, p. 6). The charitable foundation can be set up in ways that provide continued control over the wealth for the donor and their family. Though the legal instruments differ between countries, such legal constructs are possible in many jurisdictions (Dutta 2014, Harrington 2016, Tait 2019). Family members can be employed by the foundation and compensated for their work. They can be members of the board. In the United States foundations are mandated to pay out only 5% of their assets annually and can even give this money to a donor-advised fund that they control and that can store this money because it has no payout requirement. Since the donations to the charitable foundation are tax deductible, the public is participating in this wealth preservation strategy, making it a lucrative investment strategy, even though ownership of the wealth is legally handed to the charitable foundation. Finally, philanthropic engagement is used by rich families to stabilize wealth intergenerationally by using it as an instrument to regulate intrafamily relations and to socialize family members into their roles as heirs to a large fortune (Herlin-Giret 2019, Kuusela 2018). The philanthropic projects provide a purpose and legitimation for the privileges of great family wealth, and engagement in the foundation can be a first step in taking over responsibility for the family fortune. Alternatively, positions in the family foundation can recompense family members who are not selected for an active role in the family business (Sklair & Glucksberg 2021). The family foundation can thus be used to mediate family conflict that stems either from distributional questions or from the unease of younger family members with regard to the privileges gained from being born into great wealth (Sherman 2017). Involvement in the family foundation contributes to creating commitment from the younger generation to the future stewardship of the family fortune and to creating networks that can later be drawn on for steering the family business. In all of these intrafamily functions, charitable giving must be seen as part of a strategy of durable wealth preservation. 7.  CONCLUSION

#### Tax fund outweighs undemocratic private philanthropy – elite charity white-washes inequality, are badly run, and fail to reduce poverty

Malleson 23 [Tom Malleson, Assistant Professor in the Social Justice and Peace Studies program at King's University College at Western University with a PhD from the University of Toronto, 03-2023, "How Much Inequality Is Acceptable?: The Case for Maximum Limits on Income and Wealth", OUP Academic, https://academic.oup.com/book/45694/chapter-abstract/398098393?redirectedFrom=fulltext]/Kankee

\*note: missing letters in source text replaced

A final normative objection to limitarianism is that rich people often do valuable things with their money in the form of private philanthropy. For example, Bill Gates donates billions of dollars to the Bill & Melinda Gates Foundation, which supports a number of antipoverty and health initiatives, such as treating AIDS, malaria, and tuberculosis. In their critique of limitarianism, Volacu and Dumitru (2019, 256) offer this paean to the rich: “[S]ome wealthy people are strongly engaged in activities associated with combating climate change, from dissemination of scientific studies to the general population, to research in renewable energy etc.; others are fundamentally interested in funding great artistic endeavours such as sculptures, poetry and whatever can generally be accounted for under the label of artwork; others, still, use their wealth in order to contribute to the establishment and development of democracy-building non-governmental organizations in countries that are in a process of transition from autocratic or totalitarian regimes to democratic ones.” There is nothing wrong with the act of private charity, and by many accounts Bill Gates himself is a kind and generous man. However, it is a mistake to consider such good deeds in an overly abstract way. Of course, it is better to treat disease than to not treat disease. But that is not the point. Consider the case of the kindly king in the feudal era. The king is a king—he claims divine right to rule over others, and his wealth derives from perpetual, systemic domination of the masses of peasants. Yet in his personal interactions with his peasants he is benevolent. He provides some financial relief to starving peasants after a bad harvest and directs some of “his” resources to setting up a handful of hospitals for sick peasants to visit, as well as building beautiful churches for them to pray in. Now of course it’s true in the abstract that it is better if the king is kindly than cruel. But it’s also true that this is missing the bigger point. The real ethical issue here is not the virtue of an individual action in the abstract, but whether the social system is a good one. Should kingdoms exist, or should they be abolished and replaced by an alternative system, such as a democratic system? Likewise, the real question in our case is not whether it is right or wrong for an individual to donate to the fight against malaria, but whether the current form of big private philanthropy— directed and controlled by the superrich—is better or worse than an alternative arrangement of public philanthropy (where instead of receiving tax breaks, the rich are forced to pay taxes that the government then democratically directs to philanthropic causes). The answer, I believe, is that a public system is significantly better. The first reason is that private philanthropy is undemocratic and paternalistic. The Bill & Melinda Gates Foundation, for instance, has an endowment of over $50 billion—larger than the entire GDP of some African nations. The sheer size of such foundations means that we are not talking about a simple “good deed”; we are talking about power. How this money is spent, who receives it, and who is cut off after previously having received it will have serious impacts on many people’s lives. Yet the money is not allocated with any public accountability. Neither the American public (which would have received the money if not for the tax breaks) nor the African public (which may receive such money if the donor benevolently deigns it so) nor the various NGOs whose projects and employment stability will rise and vanish with a flick of the Foundation’s pen, will have any say over how this money is allocated. These huge resources are simply directed, unilaterally, from the top, according to the wealthy individual’s view of what is best. Indeed, big philanthropists do not even need to be transparent about how they spend their funds. For example, the $8 billion Simons Foundation International does not even have a public website (Madrigal 2018). For such reasons Rob Reich (2018) is right to argue that “big philanthropy is an exercise of power, and in a democracy, any form of concentrated power deserves scrutiny, not gratitude” (Reich quoted in Madrigal, 2018). The second reason to prefer a system of public, democratically accountable philanthropy is that, on the whole, it is likely to make better-quality decisions. Government decisions are clearly not flawless or unbiased—far from it—but at the very least a public, accountable system has to justify and give publicly scrutinizable reasons for their actions. Private philanthropists do not. Moreover, we have very good reason to suspect that the rich will often be particularly poor decision-makers and narrow in their worldview. The psychological evidence shows that compared to average people, the rich are statistically more solipsistic (Kraus et al. 2012), more hypocritical (Lammers, Stapel, and Galinsky 2010), more entitled and narcissistic (Piff 2014), more favorable toward greed (Piff et al. 2012), less generous, trusting, or helpful (Piff et al. 2010), and, importantly, less compassionate (Varnum et al. 2015). For instance, richer individuals display fewer physiological signs of concern (such as heart rate deceleration) and report less compassion when observing a video depicting others’ suffering, relative to lower-class individuals (Stellar et al. 2012). Rich individuals tend to be more antisocial, unethical, and dishonest in a number of ways. The powerful tend to cheat more in games (Lammers, Stapel, and Galinsky 2010) and also cheat more on their spouses (Lammers et al. 2011). The rich tend to shoplift more frequently (Blanco et al., 2008). They are also more likely to cheat on exams, take office supplies from work, lie to customers, cut off others in traffic, accept bribes, cheat on taxes, and avoid paying fares on public transit (Piff et al. 2012; Wang and Murnighan 2014). The rich are even more likely to take candy that would otherwise go to children (Piff et al. 2012).15 Clearly these are not the kinds of psychological traits that we want in someone making important social justice decisions. Ken Stern (2013) points out, “Of the 50 largest individual gifts to public charities in 2012, 34 went to educational institutions . . . like Harvard, Columbia, and Berkeley, that cater to the nation’s and the world’s elite. Museums and arts organizations such as the Metropolitan Museum of Art received nine of these major gifts, with the remaining donations spread among medical facilities and fashionable charities like the Central Park Conservancy. Not a single one of them went to a social-service organization or to a charity that principally serves the poor and the dispossessed.” A democratic system of public philanthropy has to be accountable to a much wider group of people than just the rich, and so its aims are likely to benefit from the epistemic superiority that comes from including broader perspectives—such as including poor and racialized people, or at least their representatives—in decision-making. A further advantage of public philanthropy is that it is more adaptable than private philanthropy. Government-managed philanthropy can change direction when new needs or new evidence arises. Private philanthropy, on the other hand, is typically more rigid because the donor’s intent must be respected in perpetuity, even long after the initial foundation was set up or the donor has died. None of this is to imply that private individuals should be banned from making private donations; such acts are kindly ones and should be encouraged. The point is simply that the act should not be tax-exempt. We shouldn’t rely on the rich to solve the world’s problems. Far better to tax the rich and solve them ourselves. Private philanthropy abounds today because we live in an era of remarkable wealth idolatry. Consider the neverending stream of television shows, blogs, podcasts, and social media memes admiring Bill Gates, Jeff Bezos, Elon Musk, Warren Buffett, and Steve Jobs. Such people are widely revered. Yet the problem with Netflix shows discussing, for instance, how smart Bill Gates is,16 or memes celebrating his generosity, is not that they are wrong per se. It’s that they obfuscate a more important truth, which is that a society which allows any individual to accumulate billions of dollars from the collective labor of the many is deeply unethical. Such media are distasteful because they celebrate what should be criticized. Their celebration acts as an implicit defense of that which should be rejected. They are analogous to the priests of earlier eras, singing hymns to the magnanimity of the king. The point is not that the superrich are individually evil; it’s that their existence is structurally immoral. As individuals they should not be harmed, but their social position—like that of feudal kings—is incompatible with a just society and should be abolished. The Practical Case for Imposing Limits

#### The religion of the ultra-rich undergirds neoliberal capitalism and the damnation of those who can’t live in paradise

Whyman 19 [Tom Whyman, writer and philosopher, 11-05-2019, "The worship of billionaires has become our shittiest religion", Outline, https://theoutline.com/post/8187/billionaires-are-not-people]/Kankee]/Kankee

One billion dollars is far, far more money than anyone could realistically spend, on their needs, within the span of a human lifetime. If you have one billion dollars, you are completely shielded from all ordinary human concerns: Never again will you know hunger, or lack shelter, or suffer from inadequate medical care. Of course, there may very well be lots of comfortable, middle-class people who will also be lucky enough to never know those wants again, but the difference is that the billionaire is isolated even from the possibility of experiencing those wants. They are like the Christian who has been saved from despair in Kierkegaard’s The Sickness Unto Death, who is eliminating the possibility of despair at every moment. If you have in your possession one billion dollars, then almost literally anything you desire — anything anyone might possibly conceive of desiring — can be yours, just as soon as you happen to desire it. But with no real friction between desire and reality, how does wanting even function? Can someone who lives like this even be said to know desire, anymore, at all? And just as nobody can spend a billion dollars in their lifetime, nobody can earn it either. People have taken to saying “every billionaire is a policy failure”, because that sort of money makes nakedly obvious the truth Marx tells us about all wealth accumulated under capitalism: that it’s part of a process that is only possible because the people who own the means of production are, effectively, stealing it from their employees, by paying them a wage worth less than the value said employees’ labor bequeaths unto things. If you find yourself in possession of one billion dollars, and keep it, then you are wilfully refusing to stand in solidarity with the whole of the rest of the human species. We often think of new technologies as maybe allowing a new sort of humanity to emerge: “post-humans” like the artist Neil Harbisson, legally recognized by the British government as a cyborg, who has an antenna planted in his brain which translates color into audible sound. But who needs microchips in your brain, when you’ve a billion dollars in the bank? Having a billion dollars makes one far less connected to the ordinary flow of human wants and pains and needs than any transhumanist modification ever could. So it’s telling that billionaires and their defenders have met a dawning suspicion of their right to horde wealth with cries that insulting billionaires is somehow dehumanzing. Earlier this year, the short-lived presidential campaign of ex-Starbucks CEO Howard Schultz kicked off a controversy about “anti-billionaire bias” after he insisted on calling billionaires like himself “people of means,” as if openly referring to their wealth was a slur. And like most awful American things, this Billionaire Discourse is now being imported to the UK. One of the ways it’s kicked off has been with BBC presenter Emma Barnett responding, in an interview, to Labour MP Lloyd Russell-Moyle’s assertion that “I don’t think anyone in this country should be a billionaire” with an incredulous: “Why on earth shouldn’t people be able to be billionaires?” “Some people aspire to be a billionaire in this country,” said Barnett. “Is that a dirty thing?” Cue the right-wing press reporting on the exchange as if it made Russell-Moyle’s party look crazy and unelectable. Billionaires — they’re a good thing. And don’t let those woke snowflake PC thugs tell you otherwise! If we didn’t have billionaires, we would all be Venezuela. And so forth. Billionaires are powerful, and some people are just psychologically conditioned to be toadies. Why does Billionaire Discourse of this sort exist? Obviously, there are brute material reasons. Rich people own newspapers and other media organizations, so it is in their interests to make questioning the right of the wealthy to possess their wealth look dangerous and/or weird. That in itself can’t quite explain why there are people who feel compelled to agree with them — but then again, I’m sure that if they’d had social media in the Middle Ages there would have been plenty of Brutal Feudal Overlord Discourse as well, with various uppity yeomen flooding your mentions to defend droit du seigneur. Billionaires are powerful, and some people are just psychologically conditioned to be toadies. But I think the Billionaire Discourse is indicative of something far more spiritually profound. Particularly important — for Barnett, for example — is the idea that one might aspire to be a billionaire: that being in possession of a billion dollars is an ambition every bit as legitimate as wanting to learn an instrument, or visit Australia. Suppose my ambition is to learn a musical instrument. This seems pretty anodyne — although of course, not everyone who possesses this ambition will be lucky enough to be able to fulfill it. To successfully learn a musical instrument, I must possess (for instance) enough of an ear for music, and enough of the right sort of mechanical ability, to be able to play and learn the instrument with some degree of fluency and expertise. I must also be lucky enough to be able to afford the money and time that learning the instrument of my choosing will take. But the luck involved here is not remotely miraculous — countless people successfully learn instruments. And my experiencing this success is unlikely to deprive anyone else of the opportunity to learn an instrument themselves. Becoming a billionaire is not at all like that. Becoming a billionaire is a matter of extreme luck, often experienced not by any one individual but rather spread out, over generations — it is, after all, a lot easier to accumulate one billion dollars if you start out, as Kylie Jenner did, with family wealth (and a family media platform). And what is more: your good luck, in becoming a billionaire, must simultaneously be felt — often directly, and perhaps very violently — as the bad luck, of possibly hundreds of millions of others, whom your wealth exists as theft from. In capitalism, even if atonement — and salvation — is denied to God, it is not denied to billionaires. So why, given this, would anyone defend “becoming a billionaire” as an aspiration? When Russell-Moyle suggested that Labour were going to stop people from becoming billionaires, Barnett responded almost as if he had been a priest, and suggested that the church were thinking of doing away with heaven. There is something almost religious about the idea of “aspiration” being touted here: in a capitalist economy, the aspiration to become a billionaire must be defended, because it is in extreme wealth that capitalism locates the possibility of salvation. “A religion may be discerned in capitalism,” Walter Benjamin tells us in a 1921 fragment, “Capitalism as Religion.” “That is to say, capitalism serves essentially to allay that same anxieties, torments, and disturbances to which the so-called religions offered answers.” But capitalism is, for all this, a strange religion: “purely cultic,” as Benjamin puts it, with “no specific body of dogma, no theology.” Everything in capitalism only makes sense in relation to capitalism — to the economy — itself. This cult is also pure because it is permanent: under capitalism, “there is no day that is not a feast day, in the terrible sense that all its sacred pomp is unfolded before us; each day commands the utter fealty of each worshipper.” The point of capitalist ceremony, according to Benjamin, is to “make guilt pervasive.” Indeed, capitalism is “probably the first instance of a religion that creates guilt” for its own sake, not for the sake of atonement. According to Benjamin, guilt under capitalism — the feeling that one is wretched, lazy, undeserving, never doing quite enough to justify one’s own existence — is so pervasive that even God himself is included in “the system of guilt.” “God’s transcendence,” Benjamin writes, “is at an end. But he is not dead; he has been incorporated into human existence.” Under capitalism, the whole universe is in despair — and so God must feel guilty for having dared ever create it. There is certainly something to this thought. But I’m not sure it’s quite right. Because in capitalism, even if atonement — and salvation — is denied to God, it is not denied to billionaires. The fact is, today’s billionaires really do have everything that Christ once promised those who follow him: through their wealth, they can feel assured of eternal life — their names forever resplendent on those of higher education institutions; new wings of hospitals; art collections. Through their wealth, they can afford to access — although perhaps few do — something like paradise on earth. And yet, for all this, the possibility of salvation that “aspiring to have one billion dollars” represents is an essentially absurd one. The billionaire’s salvation is almost everyone else’s damnation. “The Christian doctrine of death and immortality,” Adorno posits in Minima Moralia, in the aphorism “Monad,” where he writes about how weak atomistic individualism has made us, “would be wholly void if it did not embrace humanity. The single man who hoped for immortality absolutely and for himself alone, would in such limitation only inflate to preposterous dimensions the principle of self-preservation.” The billionaire is essentially someone who has managed to complete, per impossible, this particular conjuring trick: They have transcended the ordinary limits of human finitude not through Christ (who is of course also the Holy Spirit — thus the religious community), but through their own selfishness alone. Every billionaire is thus more than a simple failure of policy. Every billionaire is evidence of a basic glitch in the fabric of the moral universe: their lives, and acts, ring out with the gospel that only what we call evil will be rewarded — that the selfish get to live as angels, and all good people will be damned. Challenging capitalism also means challenging its religion.

#### The aff is the prerequisite to kritik – radical movements are coopted by big philanthropy that remove their revolutionary potential

Pan 20 [J.C. Pan, former staff writer at The New Republic, 7-17-2020, "Will Big Philanthropy Defang Our Radical Moment?", New Republic, https://newrepublic.com/article/158545/will-big-philanthropy-defang-radical-moment]/Kankee

In many ways, that kind of funding comes at a critical time. Though Black Lives Matter has gained national name recognition over the last half-decade, an organizer with Black Lives Matter Los Angeles, Melina Abdullah, told the Associated Press in June that organizers had been working with very little in terms of budget over the last seven years. “We’re not paid,” she said. “But we also have real costs, even if we’re not taking salaries.” The new commitments also seek to address long-standing disparities: As one analysis of the philanthropy sector found earlier this year, Black and Latinx organizations still receive less funding on average than their white counterparts and often have more restrictions on the money they do get. (“If we’re going to say ‘Black lives matter,’ we need to say ‘Black organizations and structures matter,’” Open Society Foundations president Patrick Gaspard told the Times.) For a number of cash-strapped groups, then, a new infusion of foundation money explicitly intended to underwrite Black activism could mean the difference between continuing their programs and shuttering, especially during a pandemic and economic depression. Yet, at the same time, the outpouring from the philanthropic sector in the wake of weeks of national unrest also hints at an uneasy relationship that has existed between large funders and social movements since at least the early twentieth century. No matter how willing foundations might seem to embrace radical rhetoric of the moment—and they are undoubtedly embracing much of the language of the moment—partnerships with big philanthropy run the risk of defanging radical grassroots work. It’s clear that the resources are desperately needed, but they never come without strings. The modern philanthropic system bloomed from the vast economic inequality of the (first) Gilded Age, when wealthy industrial magnates—otherwise known as robber barons—funneled portions of their enormous fortunes into foundations, or charity vehicles that directed money toward solving the social ills of the day (while also conveniently letting their founders stay rich). “They were launched, in essence, as immense tax-exempt private corporations dealing in good works,” journalist Joanne Barkan, who has reported extensively on philanthropy, wrote in 2013. “But they would do good according to their own lights, and they would intervene in public life with no accountability to the public required.” Several big foundations established during the early twentieth century—such as the Carnegie Corporation and the Rockefeller Foundation—today remain major funders in the arts, education, and other fields; by design, their endowments were meant to last forever. As Barkan notes, early critics of the philanthropy model insisted that foundations—which commanded huge sums of tax-sheltered money doled out at the discretion of their trustees with zero public input—allowed elites to appear generous with their money while also disguising how they had amassed their riches in the first place. More recently, political scientist Rob Reich has argued that philanthropy enables a small handful of elite donors to exert undue influence on public life, thereby perpetuating many of the same inequalities they claim to ameliorate, and even eroding democracy. For instance, the Gates Foundation, which has an endowment of nearly $49 billion and recently partnered with the state of New York to “reimagine education,” has notoriously undermined the public school system in the past by using its enormous influence and financial resources to push experiments with few or no proven benefits for students onto already struggling schools, like breaking up large high schools into smaller ones. Philanthropy also serves as yet another tax advantage for the already wealthy. “We’re at a moment in American society in which the winners in the marketplace attempt to diminish their tax burdens, both corporately and individually, as low as they can legally go,” Reich told The Atlantic in 2018. “Then having diminished their tax burden as low as it can go, they turn around and set up a private foundation, taking a further tax break.” Today philanthropic institutions’ tax breaks cost the U.S. Treasury around $50 billion in lost tax revenue each year. Despite these criticisms, approximately a century after the philanthropic sector was born, foundations have only multiplied—with Silicon Valley the latest hotbed of philanthropic activity—and opposition frequently goes unheard. After all, who can afford to criticize one of the last options for funding? As the government continues an austerity regime that withdraws support for social services, the arts, education, and other public programs, few nonprofits today are in a position to spurn funding where they can find it. As a result, even groups pressing for wide-scale social change and wary of the strings attached to philanthropic dollars often find themselves trapped in an uneasy dance with such funders in order to keep the lights on. Yet, when it comes to radical agendas, in particular, philanthropic involvement can often result in diverting movement energy into establishment channels. The Ford Foundation, which recently increased support to Black organizations—and also gave $40 million to support the Movement for Black Lives in 2016—has one such history. Karen Ferguson, a professor of African American studies at Simon Fraser University and the author of Top Down: The Ford Foundation, Black Power, and the Reinvention of Racial Liberalism, has argued that in the 1960s, in the wake of riots, the foundation provided funding to the active Black Power movement as a means of managing (rather than advancing) Black militancy. Though its support was controversial at the time, Ford poured money into a number of signature Black Power programs, including high-profile “community control” experiments in New York and Afrocentric arts institutions. Yet the foundation was also quick to cut off support to the more militant elements of the movement when they ran up against Ford’s ideology, and it ultimately sought less to overhaul society than to assimilate Black Power into mainstream life. As Ferguson wrote, “Their solution was to foster the creation of a new black leadership class that could broker for the black poor from within the American establishment—a kind of elite pluralism that would at once demonstrate the nation was living up to its egalitarian ideals and dampen black insurgency.” Megan Ming Francis, an associate professor of political science at the University of Washington, tracks a similar phenomenon—a process she calls “movement capture”—in her research on the relationship between the NAACP and the philanthropic Garland Fund. In the 1920s, Francis writes, the then-underfunded NAACP’s primary campaign was fighting lynching and other forms of racist mob violence. However, when the Garland Fund began granting money to the organization, that financial backing allowed it to nudge the NAACP’s agenda toward a focus on education, which Garland saw as a less contentious issue. As Francis notes, that shift would eventually lead to the NAACP’s involvement in a number of important civil rights reforms, including the landmark Brown v. Board case, but also represented a marked departure from the organization’s stated mission at a critical time. “I’m concerned that sometimes even with the best of intentions, the priorities of the poorest and marginalized get replaced by the priorities of the rich and powerful,” Francis told Vox last year. In other words, attracting the attention of foundations has long been a double-edged sword for social movements, and the influence of the foundation world has only increased in recent years. These days, it’s easy enough for foundations to profess radical commitments or even acknowledge certain limitations of the philanthropic model while the fundamental structure of philanthropy stays unchanged. Current Ford Foundation president Darren Walker, for instance, has often signaled his openness to criticisms of philanthropy. “Philanthropists need to engage in repairing the very mechanisms that produce, preserve, and promote our privilege,” he said last year. “I believe we must practice a better vision of philanthropy, one that improves itself and the societies of which we are members.” And yet, as Ferguson noted a few years ago, Walker also remains at least partially convinced of the potential of the market to right injustice. “Let us bridge the philosophies of Smith, and Carnegie, and King, and break the scourge of inequality,” Walker wrote in 2015. “For when we do, to paraphrase another of Dr. King’s most powerful insights, we at last will bend the demand curve toward justice.” That capital-friendly mentality has paid off handsomely for foundations, but as a new mass groundswell of protest comes face to face with the same philanthropic system that neutralized so many that came before, its utility for the rest of us is far less clear.

#### Charity has no positive impact and deflects needs for government interventions

Kramer and Phillips 24 [Mark Kramer, senior fellow at Harvard’s Kennedy School of Government and a former senior lecturer at Harvard Business School and visiting lecturer at the Haas School of Business at University of California, Berkeley, and Steve Phillips, columnist for The Guardian and graduate of Stanford University and University of California College of the Law, San Francisco Summer 2024, "Where Strategic Philanthropy Went Wrong,” Stanford Social Intervention Review, https://ssir.org/articles/entry/strategic-philanthropy-went-wrong]/Kankee

Philanthropy Is No Alternative to Government US charitable giving has grown ninefold, from $55 billion in 1980 to $485 billion in 2022—a 300 percent increase after inflation adjustments. Specialized social impact consulting firms, such as FSG, Bridgespan, and Arabella; academic research centers; and publications such as SSIR have produced ever more sophisticated thinking about philanthropy. Yet there has been no discernible progress on our nation’s urgent challenges, including poverty, chronic disease, educational disparities, housing shortages, racial inequity, and climate change. According to Giving USA, nearly two-thirds of annual US charitable giving goes to support religious institutions, universities, art and cultural institutions, medical research, or international causes that, at best, address these challenges only indirectly. But for the roughly $150 billion in annual giving that does directly target such issues, there has been little to show.2 While charitable giving skyrocketed between 1980 and 2022, the poverty level was virtually unchanged. During this time, homelessness grew nearly 600 percent and the racial wealth gap steadily increased by an average of 0.1 percent per year. Mortality rates in 2022 were 3 percent higher than in 1980, and maternal mortality rates doubled over those years, with a mortality rate three times higher for Black women than white women.10 Carbon emissions are well below their 2007 peak but were still about 5 percent higher in 2022 than in 1980. Educational attainment has gradually and steadily improved at roughly the same rate over the years, independent of growth in charitable support, until the COVID-19 pandemic resulted in learning setbacks for all children. Over the past four decades, the percentage of college graduates doubled from 17 percent to 35 percent, yet the poverty rate has remained unchanged, exacerbated for 44 million people by $1.8 trillion in student debt. Even religion, still the largest single charitable recipient, has seen a continuous decline in affiliation that hundreds of billions of dollars in contributions have never reversed. One could argue that social and environmental conditions would have worsened even more without philanthropic interventions. Philanthropy has funded numerous impactful programs that have aided many millions of people. Yet abundant evidence proves that philanthropy cannot solve societal problems on a national scale. Indeed, the United States leads the world by a wide margin in philanthropic giving per capita, but it ranks near the bottom of Organisation for Economic Co-operation and Development (OECD) countries on many measures of social well-being and at the top among many social ills. From 1990 to 2022, while real charitable giving doubled, the United States’ ranking on social progress compared to other countries dropped from 8th to 31st. This mismatch between charity and well-being is not limited to the United States. Countries with the highest per capita charitable giving—the United States, Canada, and the United Kingdom—tend to perform poorly on measures of social progress. The countries that perform best—Scandinavian countries, Germany, and Japan—give to charity as little as 2 percent of what the United States gives per capita, relying on government rather than philanthropy to meet their society’s needs. The United States has also demonstrated that the government can alleviate poverty in ways that philanthropy cannot. During President Johnson’s War on Poverty in the 1960s, “Congress passed legislation that transformed American schools, launched Medicare and Medicaid, and expanded housing subsidies, urban development programs, employment and training programs, food stamps, and Social Security and welfare benefits,” Martha Bailey and Nicolas Duquette explain in an article in the Journal of Economic History. “These programs more than tripled real federal expenditures on health, education, and welfare, which grew to over 15 percent of the federal budget by 1970,” and they cut the poverty rate in half from 24 percent to 12 percent. More recently, the emergency COVID-19 relief payments temporarily lifted more than 12 million people out of poverty and halved childhood poverty by expanding the Child Tax Credit. (When Congress rescinded the expanded credit in 2023, childhood poverty rates immediately increased to pre-COVID rates, according to data from Columbia University’s Center on Poverty and Social Policy.) No philanthropic program has achieved a comparable impact in such a short time. The government’s ability to expedite or derail social progress is also evident in comparisons between the cost effectiveness of philanthropy and lobbying. Annual philanthropic contributions vastly exceed political contributions and corporate lobbying: During the 2020 election cycle, philanthropy exceeded political contributions by a ratio of roughly 40:1.11 In 2022, for example, the US fossil fuel industry spent $180 million on federal lobbying and political contributions to preserve federal subsidies and obstruct climate-change regulations. In the same year, charitable contributions to nonprofits to combat climate change totaled $7.5 billion. But whose dollars had more impact? In fact, Congress was well aware of the power of political expenditures when, nearly 60 years ago, it quashed the philanthropic sector’s ability to leverage this option. Following foundation support for civil rights in the 1960s, conservative members of Congress passed the Tax Reform Act of 1969, which restricted foundations from engaging in lobbying and partisan political activity. The Ford Foundation’s support of voter engagement among populations of color—which helped elect the country’s first Black mayor, Carl Stokes of Cleveland, Ohio—was specifically cited in Congress as one of the dangers of foundations’ meddling in politics. Today, individuals are able to hire lobbyists with taxable dollars, but only corporations can lobby—often against the public interest—and deduct those expenses from their taxable income. The restrictions on foundation lobbying have had a profoundly chilling effect on the nonprofit sector’s willingness to engage in political activity or even to protect the most basic functioning of our democracy. Without changing government policy, even the most well-funded and effective charities cannot come anywhere close to meeting needs on a national scale.12 At its peak in 2013, for example, Teach for America provided teachers for roughly 400,000 students annually, but those students represented only 2 percent of the 20 million low-income students entitled to free school lunches. Or consider Nurse Family Partnership (NFP), a well-funded and rapidly growing example of venture philanthropy that provides home nursing support for low-income, first-time mothers. Backed by millions of grant dollars with strong management and consulting support over its nearly 30-year history, NFP now serves 55,000 mothers annually across 40 states—an extraordinary achievement, but one that helps less than 4 percent of the 1.5 million babies born to low-income families in the United States each year. The challenge of achieving social progress through the nonprofit sector goes beyond scale to the even more fundamental question of whether philanthropic initiatives can solve the underlying problems, rather than just alleviate the symptoms. Poverty, for instance, is the direct result of government policy and corporate behavior shaped by a history of structural racism that no nonprofit program can redress. Fifty-four percent of those in poverty in this country are children, the elderly, or people with disabilities—most of whom are unable to work. The US federal government support for this unemployable population is roughly half of OECD country average.13 That gap alone is more than double the total US annual philanthropic contributions.14 Among the remaining 46 percent who are employable, a majority are trapped in low-wage jobs. Forty-four percent of all US workers ages 18 to 64 have a median annual income of less than $18,000. Even hourly workers who are paid above the minimum wage often work unpredictable shift schedules that prevent them from working a 40-hour week or taking a second job. For more than a decade, low-wage jobs have been the fastest-growing segment of the US economy. As a result, the United States simply does not have enough living-wage jobs available to employ its entire workforce.15 In short, the US government has made intentional choices neither to provide an adequate livelihood for those deemed unemployable nor to require companies to pay living wages with humane and predictable work schedules to those who are employed.16 The impact of those choices cannot be offset by nonprofit programs. Similar arguments could be made about climate change and government’s subsidy of the fossil fuel industry, or about obesity and the Farm Bill, which subsidizes the corn syrup used to sweeten processed food products. The degree to which government choices and corporate behavior determine social and environmental conditions—and the nonprofit sector’s inability to meaningfully alter those conditions—applies across most issues that strategic philanthropy aims to address. In fact, the current model of philanthropy is not only misleading but dangerous. Philanthropists’ central focus on using the nonprofit sector to address society’s challenges deflects attention from the dire need for a functioning, representative, multiracial democracy, without which we can never achieve a more equitable and sustainable nation. The more we highlight philanthropy as the solution, the more we excuse government and corporations from the need to change. The libertarian dream of minimalist government is imaginable only if the nonprofit sector can meet social needs in government’s place—something the social sector cannot possibly do. If we really want to create an equitable and sustainable society, we must leverage the power of a multiracial democracy. Strategic philanthropy has long professed to seek the “root causes” behind each societal challenge, but what if the primary root cause behind every social and environmental issue facing the United States is the failure of our political process to ensure the well-being of our entire population? An Unrepresentative Government

### Contention 6: One-Off Tax Solvency Mechanism

#### One-time wealth taxes solve issues with tax evasion, future investor behavior, and liquid assets

O’Donovan 21 [Nick O’Donovan, Senior Lecturer at MMU's Future Economies Research Centre, 09-2021, “One-off wealth taxes: theory and evidence,” Wiley Online Library, https://onlinelibrary.wiley.com/doi/full/10.1111/1475-5890.12277]/Kankee

2.1 Economic issues From the perspective of economic theory, a well-executed one-off wealth tax has much to recommend it. If we are concerned about taxes distorting the decisions of economic actors – making people consume, work, save, invest and produce differently (and often less efﬁciently) to how they would choose to act in a tax-free world – then an unheralded one-off wealth tax is highly attractive. The fact that the tax liability for such a charge is computed on the basis of a one-time assessment means that taxpayers cannot change how much they pay by reconﬁguring or consuming their assets after this assessment date. Provided the tax is unheralded, or the assessment could be backdated to a point before taxpayers became aware of its impending introduction, then the tax should not alter behaviours prior to its announcement either. Clearly, a one-off wealth tax means that some people will have less wealth with which to pursue their various ends than would otherwise have been the case, and it will correspondingly reduce the yield on other taxes that might have been levied on that wealth and its various uses (such as consumption or estate taxes), but it should not alter the incentive structure on the basis of which economic decisions are made. The potentially distortionary effect of a one-off wealth tax is not, however, merely a technical matter depending solely upon the timing of the tax assessment relative to its public announcement (ofﬁcial or otherwise). It also depends upon taxpayer expectations that such a levy is genuinely a one-off, not to be repeated. If the introduction of a one-off wealth tax means that taxpayers believe a similar measure is more likely to be deployed again by future policymakers, then it will distort behaviours, discouraging the accumulation of taxable wealth and prompting high net-worth individuals to consider changing their tax residency. (By the same token, if the introduction of a one-off wealth tax means that taxpayers anticipate that such a levy is less likely to occur in the future, or that it renders other tax rises unnecessary, then it could reduce distortions in behaviour arising from expectations around future tax policy changes.) Certainly, the fact that the state has invested effort in designing such a tax, resolving issues around valuation, liquidity, collection and enforcement, means that taxpayers might reasonably conclude that future governments will ﬁnd it easier to repeat a one-off wealth tax, or to introduce are curring wealth tax that uses similar legal and administrative methods. As has happened so often in the history of taxation, temporary measures may end up being extended beyond their intended lifespan, potentially even indeﬁnitely. Why, then, should taxpayers trust politicians? An analogy might be drawn with the credibility challenges facing monetary policymakers. Crudely put, democratic governments have incentives to stimulate the economy in the here and now, causing inﬂationary pressures and amplifying the effects of the business cycle over the longer term. Moreover, ﬁrms and workers will anticipate these decisions, demanding higher prices for their output upfront, and thereby negating any stimulus effect – resulting in both inﬂation and economic stagnation. In the past, problems with the perceived credibility of future promises in monetary policy were resolved through a range of institutional innovations and commitment mechanisms – in particular, the creation of independent central banks with inﬂation-targeting mandates and control over interest rates.9 It is hard to imagine a democratically elected government adopting such a hands-off approach to tax policy. On closer examination, however, the credibility problem confronting a one-off wealth tax is not as problematic as it might initially appear. To begin with, it is far from clear whether the analogy to monetary policy holds, because it is far from clear that democratic governments face an incentive to tax wealthy people. While, in theory, redistributive taxes should be favoured by rational median voters, as the recent history of wealth taxes reveals, tax rises – even tax rises on the wealthy – are often unpopular, and democratically elected governments often face pressures to cut rather than raise taxes. 10 Even where people claim they are in favour of taxing the rich, their voting behaviours suggest that they are concerned about the broader economic implications of such policies.11 It is noteworthy that, in the case studies of recent ‘temporary’ wealth taxes discussed later in this paper, while both the Icelandic and Irish governments extended the temporary charges they had introduced, both faced a backlash over this move and both taxes expired shortly afterwards. Democracy might thus act as an institutional check against repetition of a one-off wealth tax (or perpetuation of a temporary tax), although this depends upon voters remaining sceptical of the desirability of increasing the tax burden on wealthier members of society, and on politicians taking heed of these voters. There are some grounds for believing that these attitudes are beginning to shift in developed democracies today; 12 moreover, if politicians were to override sceptical voters and levy a one-off wealth tax once, they may still be viewed as more likely to do so again in the future. Credibility problems might also diminish if the government can advance a clear justiﬁcation for a one-off wealth tax, highlighting its exceptional nature. 13 Approaching the credibility problem from the perspective of common sense rather than formal modelling, if the circumstances that justify a one-off wealth tax are clearly one-off in nature, then it would be irrational to expect the policy to be repeated in ordinary times. Surveys of post-war capital levies highlight no signiﬁcant issues with the credibility of government claims that such levies were one-offs,14 not least because it was manifestly obvious to taxpayers that these charges were related to the extraordinary costs of conﬂict, which future governments would strive (if not always successfully) to avoid. By contrast, if a country levied a one-off wealth tax to fund everyday public spending – such as the policy proposed by Donald Trump in the late 1990s, to pay off the US public debt that had mounted rapidly following the self-ﬁnancing tax cuts of the Reagan years – then it would be perfectly rational to assume that this levy might be repeated whenever governments failed to control public spending or raise adequate tax revenues (or both). The ﬁscal costs of dealing with a once-in-a-century pandemic – funding for additional healthcare provision, furlough schemes, emergency support for households and businesses, as well as the shortfall in ordinary tax revenues – seem to be closer to the war example than the Trump example. Rational actors should not interpret precedents that governments set in extraordinary circumstances as indicative of how policymakers will behave in ordinary times. However, it also follows that policymakers interested in offsetting the extraordinary costs of the COVID-19 pandemic through a one-off wealth tax should resist the temptation to levy a little extra on the side in order to pay down ordinary debt levels, as this may compromise their credibility. In contrast to a credible one-off wealth tax, a recurring wealth tax could have a far larger impact on the behaviour of taxpayers. In order to minimise their wealth tax liabilities, wealthy individuals might opt to alter the composition or location of their asset holdings, to consume rather than to save and invest, to exploit exemptions and evasion opportunities, or simply to emigrate. 15 Admittedly, many(though not all) of these problems could be mitigated by a well-designed tax – for example, one with a global approach to taxable asset wealth, sensible residence deﬁnitions and suitable exit provisions.16However, any tax-motivated increase in avoidance, evasion or exit, or decrease in wealth accumulation rates, would reduce the amount of revenue that a recurring wealth tax would generate. Moreover, it would affect the yield of other taxes besides, such as charges on capital gains and income, while also having a negative effect on the wider economy, potentially reducing efﬁciency, investment and employment. In theory at least, none of these behavioural responses should apply in the case of an unheralded one-off wealth tax, assuming that taxpayers receive no warning about its introduction, and that they believe government assurances that it is a ‘one-off’. One implication of this is that one-off wealth taxes can be levied at higher rates, and thus raise more money in the short term, than their recurring counterparts. Whereas, with a recurring wealth tax, the government’s desire for more revenue must be offset against increasing tax resistance as tax rates rise, as well as the risk of wider economic fallout as wealthy people choose to relocate themselves and/or their assets, these considerations do not act as a constraint on one-off wealth taxes. Indeed, historically, some one-off wealth taxes have been levied at extremely high levels – for example, the West German Lastenausgleichsabgaben (burden-balancing taxes), discussed later in this paper, were levied at a rate of 50 per cent. This is not to say that there are no economic constraints on the amount that a one-off wealth tax can feasibly raise (to say nothing of the political constraints that apply in democratic societies). Clearly, the transfer of assets from the private to the public sector can have serious implications for the trajectory of growth in and of itself. Pursuing such a policy during an economic downturn might be particularly unwise: as with any net increase in the tax burden, it would reduce households’ willingness and capacity to spend, exacerbating the shortfall in aggregate demand. (Admittedly, were it introduced as part of a broader revenue-neutral rebalancing of the tax system, a one-off wealth tax might boost demand, falling as it does on wealthier individuals who tend to have a lower marginal propensity to consume.) Furthermore, as such a tax is based upon wealth as a whole, it might prompt many taxpayers to liquidate a range of ﬁnancial instruments, residential property and other assets in order to fund their tax liabilities. This sell-off could depress asset prices and damage market conﬁdence, potentially precipitating a ﬁnancial crisis. Unsurprisingly, then, the more successful historical examples of one-off wealth taxes have contained provisions to avoid such scenarios.17 These could include payment deferrals, payment by instalment, and payment in kind (for instance, the transfer of assets into a publicly managed wealth fund, rather than their liquidation to pay a tax liability).18 All of these measures could also help to resolve liquidity issues for assets that are difﬁcult to dispose of rapidly and/or partially.19By way of summary, Table 1 highlights the key characteristics of a one-off wealth tax when compared with an annually recurring wealth tax. While both types of tax are predicated on a more or less comprehensive measure of wealth, and both may involve payments made over a number of years, a one-off wealth tax has a once-only assessment date, which (if unheralded, and deemed credibly one-off) limits scope for behavioural responses that are distortionary and that reduce tax yields. This means that they can be levied at higher rates than recurring wealth taxes.2.2 Tax compliance and administration

#### One-off wealth taxes solve valuation problems

O’Donovan 21 [Nick O’Donovan, Senior Lecturer at MMU's Future Economies Research Centre, 09-2021, “One-off wealth taxes: theory and evidence,” Wiley Online Library, https://onlinelibrary.wiley.com/doi/full/10.1111/1475-5890.12277]/Kankee

2.2 Tax compliance and administration Aside from the direct ﬁnancial cost of a wealth tax, one of the most burdensome aspects of such a charge concerns valuation. For many assets, prices will be difﬁcult to determine and open to dispute: no two properties are identical in all respects, for example, and valuing works of art or private businesses is notoriously difﬁcult. Even for assets such as ﬁnancial instruments or cash deposits, where the assets are fungible and up-to-date price information is available, this information must still be compiled and disclosed by the taxpayer, unless it can be automatically retrieved by the tax authority. Furthermore, irrespective of whether tax authorities or taxpayers perform that initial valuation, in many cases there will be duplication of effort as the other party seeks to audit this assessment. Disputed valuations may lead to complex legal cases, which could prove very costly to resolve for taxpayers and governments alike. For annually recurring wealth taxes, these valuation exercises need to take place periodically –potentially every year – imposing substantial costs on all concerned. By contrast, with a one-off wealth tax, the costs of valuation are also a one-off. This is signiﬁcant because a higher-rate one-off wealth tax that is paid in instalments could generate a similar pattern of revenue ﬂows to a lower-rate recurring wealth tax, at least over the short term. The ratio of compliance costs (for taxpayers and governments alike) to revenue raised would thus be lower in the case of the one-off wealth tax than the recurring wealth tax, over this limited time horizon. A one-off wealth tax would also allow time for tax authorities to challenge and investigate valuations – which might also be preferable for taxpayers, who would only need to deal with enquiries on a single valuation, rather than face a series of unresolved challenges to annual valuations. However, if updating existing valuations for wealth tax purposes were to prove substantially less burdensome than creating them in the ﬁrst place, then any compliance cost advantage would correspondingly diminish. Similarly, it might be inefﬁcient for a government to invest in the new policies, processes and systems needed to assess the wealth of individual taxpayers, if this investment were to be used only once. Finally, taxpayers may devote more time and money to ﬁghting one-off valuation disputes, rather than disputes that would need to be fought anew every year. Furthermore, ﬁxing a tax liability to be paid in instalments, as opposed to recalculating that liability on a regular basis, will mean that risk (both upside and downside) will be transferred to the taxpayer. One-off wealth taxes could see taxpayers paying well over the odds for the ownership of assets whose value subsequently plummets, or paying less than they would do under a recurring wealth tax in the event of subsequent asset price surges. For volatile assets and/or risk-averse taxpayers, ﬁxing the tax liability upfront in this way might prompt taxpayers to liquidate assets prematurely, or adopt hedging strategies to mitigate these risks. Were many taxpayers to behave in this way simultaneously, a sufﬁciently large one-off tax charge could trigger a crash in asset prices.2.3 Politics

#### History proves the benefits of retributive wealth taxes

Sverdan 22 [Mykhailo Sverdan, researcher at the National University of Life and Environmental Sciences of Ukraine, 2022, “Lump-sum Tax is an Alternative to Wealth Taxation,” Three Seas Economic Journal, http://www.baltijapublishing.lv/index.php/threeseas/article/view/1969/1978]/Kankee

Over the past century, a number of countries have tried to introduce one-time wealth taxes or capital taxes. A one-time wealth tax involves a lump-sum charge based on the value of assets held by individuals. These can be different assets (e.g., property, savings, investments). In the twentieth century, one-time wealth taxes were widely discussed and somewhat less used. In the twenty-first century, interest in this form of fiscal policy has been revived. Some of these taxes can be viewed as a type of one-time wealth tax, offering interesting variations on the traditional capital tax format. A one-time wealth tax involves shifting the tax burden to people with a higher marginal propensity to consume. Historical examples provide valuable insights into the design and administration of one-time wealth taxes today. After the First World War, one-time wealth taxes were levied in countries such as Italy, Austria, Hungary, and Czechoslovakia (Italy even repeated this policy in 1937). Finland introduced a one-time wealth tax after the first Russo-Finnish war in 1941. After the Second World War, wealth taxes played an important role in the reconstruction of France, West Germany, Japan, Belgium, the Netherlands (twice), Finland (again), Luxembourg, Norway, and Denmark. These taxes proved to be successful. They often brought in substantial revenues for the state. The fact that these taxes often stretched over several years (usually three to seven years, although in the case of West Germany up to 30 years) meant that wealthy business owners could afford to pay even high tax rates (up to 50% in West Germany) (O’Donovan, 2021). One-time wealth taxes are an unusual form of taxation. They are a highly efficient form of wealth taxation that does not distort the economic behavior of citizens and, moreover, contributes to economic stabilization. The global history of taxation has extensive experience and practice of using one-time taxes. One example of one-time taxation is the German experience of the nineteenth century. This was due to the formation of the German Customs Union (Zollverein). The territories located outside the common customs border had to participate in the expenses of the empire by paying an "aversum" (a lump sum or an amount of justification). Hamburg paid this tax. The taxation system in Hamburg is specific compared to other states of the German Empire because of the relationship that existed between Hamburg as a free port and the imperial government. The main sources of revenue for the imperial government were import duties and taxes on consumer goods. Hamburg is not considered an inland city because it is a free port; some consumer goods (spirits, beer, sugar, salt, tobacco, etc.) are not directly taxed. But since Hamburg is a state of the German Empire and receives benefits and advantages from institutions maintained by imperial revenues, it was necessary to find a way in which the city of Hamburg could contribute its due share to the imperial treasury. This is done with the help of the so-called "aversum". In addition to this "aversum" there is collected from "aversum" a per capita tax of 5 marks, which is levied in consideration of the fact that Hamburg's population, being a well-to-do people, consume more of the taxed articles than the population residing within the Zollverein (Henderson, 1939).

#### One-off wealth taxes help inequality

Ahmed 22 [Nabil Ahmed, Director, Economic and Racial Justice at Oxfam America with a BSc in international studies from the University of Manchester, 2022, “Inequality Kills,” Oxfam International, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621341/bp-inequality-kills-170122-en.pdf?sequence=9&isAllowed=y]/Kankee

The international community must also agree to wide-scale debt payment cancellation, including payments to private creditors, and establishing an international and autonomous framework to oversee temporary standstills and handle debt restructuring. And rich countries must also deliver on their commitment to spend 0.7% of gross national income (GNI) on aid to low- and middle-income countries. 2020 marked 50 years since they made this promise. Since then they have under-delivered by a total of $5.7 trillion.286

But an absolutely pivotal, and achievable, part of the response and recovery to the pandemic is to claw back the trillions gained by the very richest people in society. Governments must act now to claw back the exponential rise in billionaire wealth during COVID-19 by implementing one-off solidarity taxes to release billions to fight inequality As this paper shows, billionaire wealth has grown exponentially during the pandemic, at record rates. A one-off set of solidarity taxes to claw back this wealth would put this money back into the service of the real economy and would save millions of lives. For example, Argentina has shown that billions in dollars of revenue can be generated for the recovery from a one-off wealth tax on the wealthiest people. A crucial way to claw back the huge gains made by billionaires during the crisis is to tax the new wealth that billionaires have made since the start of the pandemic. By way of illustration, a one-off 99% emergency tax on new, pandemic-era billionaire wealth of just the top 10 richest men alone would raise $812bn. These resources could pay to make enough vaccines for the entire world and fill financing gaps in climate measures, universal health and social protection, and efforts to address gender-based violence in over 80 countries. As a group, they would still remain $8bn richer than they were at the start of the pandemic, and every single one would still be a billionaire.287 This is not an original idea. The French government, for example, taxed excessive wartime wealth at a rate of 100% after the Second World War.288 One-off wealth taxes were also levied elsewhere in Europe and in Japan. In the USA, President Franklin D. Roosevelt proposed a 100% tax on “excess incomes” during the war. A top marginal income tax rate of 94% was settled on; it would average 81% between 1944–1981.289 Governments must continue—and make permanent—progressive taxes on capital and wealth, and put an end to tax havens and corporate tax dodging Beyond this set of one-off solidarity taxes, governments must also put in place, or where relevant increase, permanent wealth and capital taxes to fundamentally and radically reduce wealth inequality. The IMF has called for the use of capital and wealth taxes and has noted that “marginal tax rates can be raised without sacrificing economic growth.”290 These highly progressive taxes can both fund the recovery and reduce inequality. Beyond the objective of raising revenue, it is also legitimate to use wealth taxation to fundamentally reduce the total numbers of billionaires and multi-millionaires. With this in mind, in line with the work of Gabriel Zucman, we have also modelled the revenue from a 10% annual wealth tax on the world’s billionaires, which would seek to steadily reduce the total number of billionaires in the world. This would be a strategic reversal to an economic approach that for decades has imposed the majority of the tax burden on the labor and consumption of the many—in the form of regressive taxes that fall upon the poorest people, and in particular women291—rather than the capital of the few. In 2017, just four cents in every dollar of tax revenue collected globally came from taxes on wealth such as inheritance or property.292 In addition, governments need to finally put an end to the tax havens that deprive them of vital revenue. The Pandora Papers revelations are the latest among many scandals that have exposed how wealthy people and politicians use tax havens to the detriment of everyone else. Governments also need to put an end to the harmful race to the bottom on corporate taxation, which will mean going beyond the unfair and unambitious minimum tax agreed under the OECD in October 2021.293 2. Redirecting that wealth to save lives and invest in our future

#### One-off wealth taxes solve inflation and restabilize the economy

Markowitz 22 [Shane Markowitz, assistant professor at the Institute of European Studies and International Relations at Comenius University and an associate fellow at the GLOBSEC Policy Institute, 10-20-2022, "Combating inflation: the case for one-off wealth taxes", Social Europe, https://www.socialeurope.eu/combating-inflation-the-case-for-one-off-wealth-taxes]/Kankee

Fiscal answers Prior crises, in fact, reveal that the answer to the current predicament lies in progressive fiscal measures, rather than in overly aggressive monetary policy and spending cuts which hit the poor hardest. Following the second world war, for example, West Germany successfully implemented temporary wealth taxes on the most affluent to fund its reconstruction efforts and level up society. Wealthy taxpayers absorbed tax rates as high as 50 per cent on their assets, spread across multi-year periods. The now-celebrated measures contributed additional revenue of up to 1 per cent of gross domestic product per year, helping to alleviate surging debt, curtail inflation, promote social cohesion and ultimately finance the postwar economic boom. In the aftermath of the 2008-09 financial crisis, Ireland imposed a five-year 0.6 per cent wealth tax on private-sector pensions to address the fiscal repercussions of its banking-sector collapse. The Irish policy was credited for generating up to 0.5 per cent of GDP in annual revenue—€2.4 billion over five years—for government coffers. These funds were channelled towards a ‘Job Initiative’ which buttressed Ireland’s recovery, even as the country abided by the 3 per cent deficit targets stipulated by its bailout packages supervised by the the International Monetary Fund, the European Commission and the ECB. Because the West German and Irish taxes could be plausibly sold as one-off policies of short duration, crafted as exceptional responses to distinct crises, any detrimental effects on economic behaviour and productivity appeared negligible. The temporary measures generally averted the tax resistance and/or asset relocations which might have accompanied recurring levies. The policies also proved politically palatable. The Irish tax, in fact, saw minimal public pushback—society proved willing to absorb it against an economic backdrop which offered few viable alternatives. Temporary tax hikes The current wartime climate, undoubtedly, also falls within ‘emergency’ parameters. Though the European Union itself has not been directly at war, Europe has been severely affected by Russia’s invasion of Ukraine and the lingering effects of the pandemic on recovery. European leaders, therefore, can credibly introduce taxes on select groups without harming economic activity. These fiscal tools, paired with modest monetary action, can be deployed to mitigate inflation, shore up public budgets and provide necessary assistance to the most vulnerable. On inflation, for instance, governments can combat demand through temporary tax hikes targeted at the wealthiest households in Europe. These tax increases—applied to income, wealth and/or luxury consumer goods—would serve to reduce consuming spending. Expenditures on housing, services and goods by the affluent can indeed have a significant knock-on effect on prices more broadly. These processes, moreover, would soften the need for steep interest-rate leaps which could jeopardise employment, housing affordability and debt sustainability across the continent. The revenue streams from the new taxes could be deployed to assist citizens weather inflation and soaring energy prices. Funds could also be allocated to resolving supply constraints, by boosting the availability of affordable housing, bolstering the transition to alternative energy sources and accelerating the digital transformation. Spain, for example, has introduced a new wealth tax on individuals whose personal worth exceeds €3 million. The levy has been billed as a ‘solidarity’ measure, with the taxes applying only in 2023 and 2024 and ranging from 1.7-3.5 per cent, depending on the scale of assets. The United Kingdom, by contrast, has revealed the folly of alternative paths which rely strictly on monetary tightening to stem inflation and deficit spending to assist consumers to cope. The prime minister, Liz Truss, was forced to backpedal on proposed tax cuts skewed to the wealthy, following market turmoil and a potential sterling crisis which compelled the Bank of England to buy bonds. Continued gap

#### One-off wealth taxes solve traditional wealth tax issues

Advani et al. 20 [Arun Advani, Associate Professor at the University of Warwick with a PhD in Economics from the University College London, Emma Chamberlain, visiting professor of law at both Oxford University and the LSE International Inequalities Institute, and Andy Summers, Associate Professor of Law at the London School of Economics and an Associate of the International Inequalities Institute at LSE, 12-09-2020, “A wealth tax for the UK,” London School of Economics, , https://www.lse.ac.uk/International-Inequalities/Assets/Documents/OLDWealthTaxCommission-Final-reportold.pdf]/Kankee

Alternative tax rises which could also raise £250 billion over five years include: • Basic rate of income tax to rise by 9p (20p to 29p) • All income tax rates to rise by more than 6p • All VAT rates to rise by 6p (taking main rate from 20p to 26p) • Corporation tax to rise by 5p and VAT to rise by 4p. A one-off wealth tax would be economically efficient. Since it is based on wealth at a (past) point in time, a one-off wealth tax does not distort behaviour. In contrast, income taxes on employment and self-employment reduce incentives to work, capital taxes reduce investment, corporation taxes encourage companies to reduce (UK taxable) profits. The efficiency case relies on the wealth tax being credibly one-off. If it were anticipated the tax would be levied again, this would not be the case. This explains why historically one-off taxes have largely been used after major crises, providing a compelling rationale for their unique nature. The UK has also had past one-off taxes, including the 1981 windfall tax on banks (under Margaret Thatcher) and the 1997 windfall tax on privatised utilities (under Tony Blair). It also relies on people not being able to respond before the tax is introduced. By construction, a one-off wealth tax will raise more tax from those who have more wealth. How much more depends on the tax design: different tax rates and thresholds will raise different amounts of money and from different people. In a report published alongside this one, we detail the distributional effects of alternative options.2 However, it is important to note that a one-off wealth tax is not (necessarily) about redistribution per se. Rather, it is a relatively progressive way of raising revenue, compared with alternative approaches that might be considered. The extent of progressivity is a matter of choice. Well-designed one-off taxes are very difficult to avoid, since they are based on behaviour that has already occurred and past values. Assuming that a one-off wealth tax was assessed by reference to wealth on the same day as (or shortly before) the policy was announced, there would be very little chance to respond, although we still account for a tax gap from legal avoidance and non-compliance in the revenue estimates above. However, the cost of this is that a one-off wealth tax is necessarily insensitive to subsequent changes in wealth, since the tax due is fixed at the outset. Design

## Negative

### Contention 1: Economy

#### The economy is gangbusters – labor market, wage growth, and stocks

Schafer 10-04 [Josh Schafer, reporter on the Yahoo Finance Markets team educated at S.I. Newhouse School of Public Communications at Syracuse University, 10-04-2024, “US jobs report crushes expectations as economy adds 254,000 jobs, unemployment rate falls to 4.1%,” Yahoo! Finance, https://finance.yahoo.com/news/us-jobs-report-crushes-expectations-as-economy-adds-254000-jobs-unemployment-rate-falls-to-41-131017848.html?guccounter=1]/Kankee

The US labor market added far more jobs than projected in September while the unemployment rate unexpectedly ticked lower, reflecting a stronger picture of the jobs market than Wall Street had expected. Data from the Bureau of Labor Statistics released Friday showed the labor market added 254,000 payrolls in September, more additions than the 150,000 expected by economists. Meanwhile, the unemployment rate fell to 4.1%, from 4.2% in August. September job additions came in higher than the revised 159,000 added in August. Revisions to both the July and August report showed the US economy added 72,000 more jobs during those two months than previously reported. Wage growth, an important measure for gauging inflation pressures, rose to 4% year over year, from a 3.9% annual gain in August. On a monthly basis, wages increased 0.4%, in line with August's reading. The key question entering Friday's report was whether the data would reflect significant cooling in the labor market, which could prompt another large Fed interest rate cut. Robert Sockin, Citi senior global economist, told Yahoo Finance that the better-than-expected jobs report makes it less likely the Fed moves with the "urgency" it did at its September meeting when the central bank cut interest rates by half a percentage point. "This pushes the Fed out a lot," he said, adding that it's uncertain the Fed will make a 50 basis point cut again this year. Following the report, markets were pricing in a roughly 5% chance the Fed cuts interest rates by half a percentage point in November, down from a 53% chance seen a week ago, per the CME FedWatch Tool. "Looking at the labour market strength evident in September’s employment report, the real debate at the Fed should be about whether to loosen monetary policy at all," Capital Economics chief North America economist Paul Ashworth wrote in a note to clients on Friday. "Any hopes of a [50 basis point] cut are long gone." Futures tied to major US stock indexes rallied on the news. S&P 500 futures (ES=F) put on nearly 0.8%, while Dow Jones Industrial Average futures (YM=F) added roughly 0.5%. Contracts on the tech-heavy Nasdaq 100 (NQ=F) moved 1.1% higher. Renaissance Macro head of economics Neil Dutta wrote in a note following the release that September's jobs report was "undeniably good news" for the equity market. "At the end of the day, the Fed is still cutting policy rates even as the economy grows," Dutta wrote. Also in Friday’s report, the labor force participation was flat from the month prior at 62.7%. Food services and drinking places led the job gains, rising 69,000 in the month. Meanwhile, healthcare added 45,000 jobs, and government jobs ticked higher by 31,000. Earlier this week, data from ADP showed the private sector added 143,000 jobs in September, above economists' estimates for 125,000 and significantly higher than the 99,000 seen in August. This marked the end of a five-month decline in private-sector job additions. "This is a pretty healthy, widespread rebound," ADP chief economist Nela Richardson said. "And probably unexpected by many people who thought the job market was on a downward slide. This month, of course, gives pause to those kinds of assessments. Hiring is still solid."

#### Wealth taxes destroy wages and capital stocks

Feigenbaum 20 [James Feigenbaum, Associate Professor at Utah State University with a Ph.D. in economics from the University of Iowa, and Austin Brooksby, Center for Growth and Opportunity researcher with a Bachelor’s in Economics, 7-30-2020, "Is a Wealth Tax the Best Way to Fight Wealth Inequality?", CGO, https://www.thecgo.org/research/is-a-wealth-tax-the-best-way-to-fight-wealth-inequality/]/Kankee

If the government’s needs are held constant and taxes on capital are cut, presumably taxes on labor income must be increased, and vice versa. Thus one would intuitively expect a decrease in capital taxes to hurt laborers since they will be paying more of the country’s tax bill. However, this ignores the effect of capital taxes on the before-tax wage. Lower capital taxes should also yield more capital and higher wages. These conflicting effects make the overall effect of capital taxes on the welfare of laborers ambiguous, a priori. Surprisingly, if capitalists are price-takers and taxes on both labor and capital income are flat, the effect of capital taxes on wages always dominates the contrary effect of changes to the tax on labor income.33 We only need a handful of very wealthy people who manage their fortunes like infinite-lived dynasties for a tax on capital to have the deleterious effects predicted by the workhorse models of the 1970s and 1980s. Although a wealth tax can generate efficiencies that a tax on capital income does not, the segregated-economy model demonstrates that a wealth tax of even 2 to 3 percent might have devastating effects.34 In order for capitalists to hold a significant amount of capital, as they do empirically, they must discount the utility from future consumption at a slower rate than workers.35 A progressive wealth tax that applies only to capitalists would effectively increase their discount rate by the percentage rate of the tax. If the total capital stock consistent with both capitalists’ preferences and the wealth tax is smaller than what workers would save on their own, there will be no niche for capitalists to fill; they will quickly consume all of their wealth and disappear from the economy. Since we only need a difference in discount rates of about two percentage points per annum in order to get capitalists to accumulate the roughly 20 percent of the capital stock owned by the 0.1 percent, a wealth tax of 2 percent a year would be sufficient to wipe out the capitalists and eliminate their contribution to the aggregate capital stock. This would permanently reduce the capital stock by 20 percent, which would in turn reduce output and wages by roughly 7 percent.36 That is nearly twice the reduction in output that occurred, albeit only temporarily, during the Great Recession. This is not to say that capital income or wealth should not be taxed under any circumstances. The preceding discussion pertained to the effects of a tax on capital or wealth in the long run. A one-time tax on capital or wealth may be a useful tool of public finance. Indeed, any attempt at a Pareto improving37 tax reform would have to be kick-started with a tax increase on the very wealthy. Because they optimize over a longer time horizon, the top 0.1 percent can accept a short-term sacrifice in exchange for long-term benefits and still come out better off. That is not possible for the rest of the population. Is there a fiscal reform that can improve wealth inequality without hurting the income of the lower 99.9 percent? As Mankiw first observed, while the segregated-economy model, like the infinite-horizon model, does not exhibit crowding-out effects, it does starkly predict that wealth inequality should increase with the debt-to-income ratio.38 The reason for this is simple. Government borrowing does not crowd out private investment because the capital stock in the segregated-economy model is determined by the preferences of capitalists. The only policy variables that do affect the capital stock are taxes that affect the rate of return on capital, such as taxes on wealth or capital income.39 Meanwhile, it is the capital stock that determines the factor prices, which direct household behavior. An increase in government debt causes two things to happen. First, an increase in taxation must occur to pay the higher interest bill. As discussed earlier, a tax on capital hurts both capitalists and laborers40, so it is more reasonable to suppose instead that higher debt would lead to higher taxes on labor income. Before-tax wages will not change, so after-tax wages (i.e., the income of laborers) must fall. Second, since there is no crowding out and the capital stock is unchanged, private wealth must expand to accommodate the increase in public debt. Effectively, the government is converting public wealth into private wealth by issuing the debt and securitizing the value of future tax revenue. Since the available income of the laborers has fallen due to the labor income tax, they cannot afford to finance the new debt. The capitalists, with their income left unchanged, must therefore be the ones to accumulate the wealth of the newly issued debt. Due to this dynamic, the more the government borrows, the more wealth will be owned by capitalists. Policy Implications Raising taxes on wealth or capital to reduce wealth inequality is like cutting off your nose to spite your face. It will reduce wealth inequality but at great cost to workers since it also reduces the capital stock, which in turn depresses wages. We can reduce wealth inequality much more efficiently if we reduce total private wealth without reducing the capital stock, which can be accomplished by paying down the government’s debt. That, of course, would require an increase in taxation. While a permanent wealth tax would be ill advised, a short-term wealth tax could ameliorate the pain that workers would otherwise bear from a course of debt reduction. The two standard models of neoclassical macroeconomics have been found wanting in their predictions regarding the consequences of government debt. Overlapping-generations models with finite-lived households suggest that government debt should drive up interest rates when in fact the opposite has happened. At the other extreme, infinite-horizon models, however unreasonable their assumptions, can account for the observed behavior of interest rates but not the accompanying rise in wealth inequality. However, if we combine these two classes into a hybrid model where most households are finite-lived while only a few behave as infinitely lived dynasties, we can accommodate all of the stylized facts regarding debt, interest rates, and inequality. In such a segregated-economy model, wealth taxes are ultimately self-defeating, yet the model offers another policy prescription that would reduce wealth inequality without reducing GDP: pay off the public debt by utilizing wealth taxes with a short-term sunset provision. Before we close, we should address the current fiscal crisis faced by the United States. The federal government has already authorized emergency expenditures of two trillion dollars in response to the COVID-19 pandemic. It is likely that additional stimulus packages will follow if the country is to get through this recession without unnecessary pain. How this aid should best be allocated is the subject for another article. What is relevant here is how these aid packages should be paid for. Obviously, the government cannot raise taxes when we already have record unemployment. It will have to finance these expenditures primarily through borrowing.41 This is the exact opposite of what we just recommended, but it cannot be avoided. What concerns us is the temptation to leave these expenses on the country’s tab indefinitely. While the federal government responsibly paid down a large chunk of the debt incurred during World War II in the prosperous peacetime that followed, this has not happened after the last two recessions. If interest rates stay at current levels, we are likely to hear a similar refrain arguing that it is too expensive to pay down the debt while the cost of servicing it is so low. To echo Adam Smith, we should be cognizant that much of this advice “comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.”42 To prevent further encroachments of inequality, we should begin to pay down this debt as soon as it is practicable. History suggests the wealthy will recover from the recession sooner than the rest of the population, so their taxes should go up first, though any taxes on their physical capital should be temporary.

#### Wealth taxes fail – implementation and excluding income taxes

Noah 21 [Timothy Noah, New Republic staff writer and graduate from Harvard, 9-15-2021, "Taxing Wealth Is a Fool’s Errand", New Republic, https://newrepublic.com/article/163670/taxing-wealth-fools-errand]/Kankee

Why do I make such a fuss about the distinction between taxing capital income on the one hand and taxing wealth on the other? Because it muddies the central problem, which is that taxes on capital and business income have been eviscerated over the past generation to the point where, starting in 2018, the effective tax rate on capital income fell below the effective tax rate on labor income, according to Berkeley economists Emmanuel Saez and Gabriel Zucman. The immediate culprit was Trump’s sharp cut in corporate and estate taxes in 2017, but, as Saez and Zucman demonstrated in their 2019 book, The Triumph of Injustice, for two decades previously, both parties had been whittling away at taxes on capital, starting with President Bill Clinton’s lowering of the top capital gains rate in 1997 from 28 percent to 20 percent. (Biden proposes raising the top capital gains rate to 39.6 percent; the House Democrats propose raising it to a paltry 25 percent.) “Capital income,” Saez and Zucman wrote, “is becoming tax-free.” That’s a calamity. But fixing it with wealth taxes would be a fool’s errand. For starters, the United States doesn’t have any wealth taxes at the national level, so you’d have to create an entirely new tax. Doing so, as Treasury Secretary Janet Yellen noted in a February New York Times interview, would pose “very difficult implementation problems.” Wealth taxes haven’t worked very well in Europe. A 2018 report by the Organization for Economic Cooperation and Development found that the number of OECD countries with wealth taxes dwindled after 1990 from 12 to four because wealth taxes were “more distortive and less equitable” than taxes on capital income and estate taxes. Revenues from wealth taxes in the four countries that kept them were surprisingly low, accounting, in 2016, for 0.5 percent of total revenues in France and Spain and 1.1 and 3.7 percent, respectively, in Norway and Switzerland. “The main difficulty that European countries have had when they’ve tried to impose this,” William Gale, an economist at the Brookings Institution, explained to me, “is that if you make the exemption small enough, then you start hitting regular people, and if you start exempting certain types of assets like family farms … that induces all sorts of shifting or relabeling to go on.” Warren and Sanders avoid this problem by avoiding exemptions and setting their proposed threshold very high, but valuation is still a mess, Gale said, “for assets that are either intangible, like the value of a business,” or assets that aren’t traded, like art. The revival in recent years of interest in wealth taxes derives in large part from Thomas Piketty’s influential 2014 book, Capital in the 21st Century, with its distressing conclusion that r > g where r is return on capital and g is economic growth. That raised the specter of a return to the aristocracy of inherited wealth that dominated most Western societies through the nineteenth century. But in the U.S., most of our largest fortunes are built on income, not wealth. The growth in U.S. wealth inequality over the past three decades has resulted less from Rockefellers and Waltons accruing interest on family capital than from corporate CEOs and financial buccaneers being grossly overcompensated for their labor. Income is still where our economy lives, as it has since the Industrial Revolution mooted farm acreage as the measure of financial well-being. By all means, tax those Rockefellers and Waltons when they die. But while they live, it’s a lot simpler to tax people’s income. There’s absolutely no reason we can’t tax the wealthier among them a whole lot more, as the Biden administration seeks to do.

#### Wealth taxes decrease innovation – discourage investment and breakup startups

Cataneo 24 [Julia Cataneo, Senior Fellow DeWitt Wallace Chair Editor and graduate of Northwestern University and the Medill School of Journalism, 4-22-2024, "Why You Shouldn’t Worry Too Much About US Wealth Inequality", American Enterprise Institute, https://www.aei.org/economics/why-you-shouldnt-worry-too-much-about-us-wealth-inequality/]/Kankee

According to the authors of the 2023 analysis “Social Security and Trends in Wealth Inequality,” top wealth shares have not changed much over the last three decades when Social Security is properly accounted for. This is because Social Security wealth increased substantially from $7 trillion in 1989 to $39 trillion in 2019 and now represents 49 percent of the wealth of the bottom 90 percent of the wealth distribution. The value of Social Security has grown faster than traditional wealth, such as financial assets, due to expanded earnings coverage, an aging population, and falling interest rates, which disproportionately benefits the bottom 90 percent. Rather than wishing for a world without billionaires, as some radical thinkers do, we might want to think about the immense value that uber-successful entrepreneurs provide. Nobel Prize-winning economist William D. Nordhaus, in a 2004 study, found that innovators capture a mere two percent of the total social benefits from what they invent. Consumers reap the vast majority of these rewards. Billionaires such as Jeff Bezos and Musk have helped create trillions in value for the rest of us. Markets and capitalism don’t always produce what some might consider to be ideal societal outcomes, especially regarding income and wealth. And while tax and transfer payments aim to correct such imperfections, it’s crucial to encourage and reward innovation and wealth creation. Without the possibility of amassing significant wealth, we wouldn’t have benefited from the contributions of entrepreneurs like Bezos and Bill Gates. Before pushing for wealth taxes in hopes of reducing inequality, we should consider how such taxes could lead to scenarios where innovative companies struggle or fail because their founders are forced to sell shares to pay the tax. This, in turn, could stifle the development of groundbreaking products and services that benefit society as a whole. As University of Chicago economist Steven Kaplan has calculated: If a wealth tax had been in place, Musk might not have had enough money to keep SpaceX and Tesla afloat during their critical early stages. A wealth tax could have forced Steve Jobs to sell Pixar, which nearly went bankrupt before becoming successful. Under a proposed wealth tax plan, Bezos would have had to sell a large portion of his Amazon shares in 2000, potentially hurting the company’s stock price and growth. Bottom line: Do we want a future where innovation is slowed or suppressed, and amazing new inventions are never realized? Or do we want a future where the next Musk, Bezos, or Jobs has the opportunity to push boundaries, create immense value for society, and make the seemingly impossible, possible? Would we see an emerging Age of AI in the sort of world that wealth worries are promoting? We shouldn’t let personal envy or doomer films (no matter how entertaining) nudge us to make the wrong decisions.

#### Wealth taxes cause capital flight that destroys the economy – exit taxes fail to deter

Smith 20 [Karl Smith, Vice President of Federal Tax and Economic Policy at the Tax Foundation and former professor of economics at the University of North Carolina with a PhD in economics from North Carolina State University, 3-17-2020, "A Wealth Tax Will Hurt the Economy, Not Help", Boston Review, https://www.bostonreview.net/forum\_response/karl-smith-wealth-tax-will-hurt-economy-not-help/]/Kankee

While they make a convincing case against concentrated power, they fail to show why a wealth tax, and only a wealth tax, would effectively combat the ills they intend to address. Their central contentions—that such a policy would diminish the power to influence government policy, stifle competition, and shape ideology—are simply taken for granted. They devote hardly any space to their most import assertion, that the income of today’s superrich is earned at the expense of everyone else—and thus that everyone else’s well being will be improved if a wealth tax were implemented. In fact, by their own estimates, the radical wealth tax they endorse would bring in less and less revenue over time, since it would erode very large fortunes and prevent new ones from being created. For the same reason, it would also reduce revenues raised by the capital gains tax, the income tax, and the estate tax. A radical wealth tax could thus leave the less well off worse than they are today. For their argument to work, the decline in wealth over time must produce meaningful gains for the average American. But there are a number of problems with this presumption. First, a wealth tax would encourage existing wealth to be transferred overseas. The most straightforward way this can happen is for wealthy people to renounce their U.S. citizenship and move abroad. To discourage such defection, both the Warren and Sanders plans call for an exit tax on 40 percent of all wealth. That may seem like a hefty disincentive. But if the alternative is exposure to a wealth tax designed to erode fortunes to a very large extent over time, it may not be much of a disincentive after all. Moreover, there would be an enormous incentive for the wealthy to attempt to avoid the exit tax by lowering the assessed value of their assets for the single year in which they leave. The economists Larry Summers and Natasha Sarin estimate the avoidance rate for the estate tax, a similar one-time levy, to be around 60 percent. An exit tax, which could be planned for far more effectively than one’s death, should see avoidance rates at least as high. That means the exit tax would amount to an effective rate of only 24 percent. For many of the very wealthy, that option would likely be far preferable to having their wealth eroded to a much greater degree over time. So much for existing fortunes. But a wealth tax would also encourage entrepreneurs to leave the United States even before their fortunes are made. According to the Forbes 400, over half of the fifteen richest people in the United States made their fortunes within their lifetime. A wealth tax would incentivize them to have done so from Toronto or Vancouver rather than New York City or Silicon Valley. It is not clear how any of the issues that Zucman and Saez want to address would be improved by having by shifting the distribution of North American billionaires to Canada. It is more likely that, over time, the U.S. advantage in economic innovation would be eroded as a growing concentration of successful entrepreneurs abroad—in Canada, Singapore, or other potential wealth tax havens—lures venture capitalists and startups out of the United States. Second, reducing wealth does not necessarily reduce power. Jeff Bezos is the wealthiest person in the United States, but a great deal of his power comes from his position as CEO of Amazon, of which he owns roughly 12 percent. If a wealth tax jeopardizes executives’ ability to hold on to their positions at the top of the companies they run, there would be even stronger incentive for them to leave the country. When I challenged Saez and Zucman on this point last fall, they responded that effective CEOs would not have to worry because they could still maintain the support of their board; the wealth tax would only make it easier for ineffective executives to be removed. Yet, to the extent that effectiveness is measured in increasing Amazon’s profits, Bezos retains every incentive, if not more incentive, to use Amazon’s size to influence government policy and stifle competition. Third, a wealth tax will face enormous opposition from those who feel threatened by it. The super-wealthy are ideologically diverse. Some, including Bill Gates, are supporters of progressive causes, including some types of wealth tax. Others, such as the Koch brothers, are strong supporters of free market policy. By far, however, most donations by the super-wealthy are to non-political causes. By politicizing wealth itself, a wealth tax would encourage billionaires to enter the political process against it. Michael Bloomberg reportedly committed upwards of $2 billion toward a political campaign that was at least in part designed to prevent Bernie Sanders from getting the Democratic nomination. Far from pushing the wealthy out of politics, then, the threat of policies such as a wealth tax appears to be drawing them in. Passing a wealth tax would do little to discourage this in the short term. Each year both the existing super-rich and the newly super-rich would face the prospect of donating to efforts to repeal the wealth tax or simply seeing their wealth eroded away. Over time, pressure to repeal the wealth tax would decline only if wealth creation were moved largely outside the United States. All these factors suggest that a wealth tax would drive the already existing super-rich and those looking to become super rich outside of the United States. Once the center of wealth creation relocates, stable equilibrium might re-emerge. But control over large multinational corporations operating inside of the United States would remain with the same small set of founders and CEOs that run them today. In that case, what has the average American citizen gained? The overall U.S. economy will be weaker, and Americans will have less access to innovative companies and high-paying jobs. The country as a whole will be poorer, and the tax system would have less revenue. There may be other ways to decrease economy inequality, encourage competition, and reduce the impact of money on politics, but a wealth tax isn’t it.

#### Wealth taxes discourage growth and entrepreneurship – illiquid assets break up companies and causes monopolization

Wilford 20 [Andrew Wilford, Director of the Interstate Commerce Initiative and a Senior Policy Analyst at the National Taxpayers Union Foundation with a B.A. in Political Science from American University, 1-15-2020, "Wealth Taxes and Their Impact on Entrepreneurs", National Taxpayers Union, https://www.ntu.org/foundation/detail/wealth-taxes-and-their-impact-on-entrepreneurs]/Kankee

Wealth Taxes and Entrepreneurship Entrepreneurship is a crucial driver of economic growth. The relationship between the two may seem obvious, but it is indirect. Entrepreneurship drives innovation by introducing new ideas and products to the market, which forces established players in the market to either innovate or make way for younger, more innovative challengers. This innovation in turn leads to growth, resulting in job creation and wage increases. Unfortunately, in recent years American entrepreneurship has decreased. While the number of new businesses has held relatively steady over the last 20 years, the number of jobs supported by businesses less than a year old has fallen, from 4.1 million in 1994 to 3 million in 2015. Though entrepreneurship rates have been growing in the last 10 years since the end of the Great Recession, the number of new businesses that opened in the recession’s wake is the lowest of any post-recession period. The vast majority of entrepreneurs that stand to be affected by a wealth tax are not the founders of the megacorporations people often think of. There are nearly 6 million businesses in the United States. Eighty-nine percent employ fewer than 20 people, with 98 percent employing fewer than 100. Many of these businesses would be subject to a wealth tax, under the proposals from Senators Warren and Sanders. At a time when new entrepreneurship should be fostered, a wealth tax would do the opposite. Any entrepreneurial activity, whether by established businesses or prospective ones, entails substantial risk that the investment will prove unproductive. A wealth tax adds one more negative factor to the cost-benefit calculation that potential entrepreneurs have to make, by potentially either subjecting them to a new wealth tax should their business’s expansion cause their assets to exceed the threshold, or by pushing them into a higher wealth tax bracket. While the rhetoric surrounding wealth taxes suggests taxing ultra-successful entrepreneurs, wealth taxes actually are poorly targeted to hit above-average investment returns. Instead of targeting windfall investment returns and lightly taxing or exempting normal returns, wealth taxes do the opposite. An investor earning 5 percent is taxed at the same rate as someone earning 20 percent, meaning the effective tax rate for the lower-return investor is significantly higher. Even the nearly 540,000 businesses between 20 and 99 employees have an average payroll below $2 million annually. While that is nowhere near high enough to be considered a large business, owners of businesses this size could still find themselves subjected to wealth tax liability. Diluting Ownership Under any wealth tax plan, business ownership would be considered part of an individual’s net worth. This could mean that an individual is wealthy on paper but lacking in cash on hand. Entrepreneurs would be put in a difficult position, where they could be forced to dilute their ownership interests just to satisfy their annual tax bills.[2] This would be problematic for entrepreneurs who are household names, like Jeff Bezos of Amazon or Elon Musk of Tesla, but it’s also a problem for thousands of entrepreneurs who are not household names. Medium-size businesses could be forced to diversify their ownership as company founders liquidate their holdings in order to pay their tax bills, bringing new, potentially unwanted voices into the company’s management and structure. Founders, who have worked tirelessly to improve their business, would now be penalized for their success. Additionally, entrepreneurs would be subject to taxation whether the business is profitable or not. It is easy to imagine a situation where the wealth tax would accelerate closure for struggling businesses, as the additional tax burden is too much for the owner to afford. Such large tax bills for medium-sized businesses could also push them towards premature sales as entrepreneurs look for ways to lower their tax liability or eliminate it entirely.[3] It could limit competition as larger firms buy their smaller competitors. Proponents of the wealth tax counter that these concerns are unjustified. Owners would have new options to mitigate liquidity constraints. One idea floated is to allow entrepreneurs to transfer shares of their closely-held business to the Internal Revenue Service (IRS), which would in turn auction the shares to the highest bidder. Putting the IRS, which already struggles to administer our exceedingly complex tax code, in the auction business is a scary thought. Such a system, even if administered well, could cause serious disruption. It would make it much easier for large firms to swoop in and buy up smaller competitors, thus eliminating potential competitive threats or allowing them to acquire valuable technology or facilities at fire-sale prices. Medium-sized companies could find themselves in the position of having part of their company owned by someone who they do not want as a business partner. Federal ownership and IRS auction of shares in companies is an unserious solution to a serious problem. Entrepreneurs might want to escape the wealth tax by selling their company altogether, long before their desired sale date. The tax might also result in businesses deciding not to expand or grow. The proposals released by Senators Sanders and Warren would not affect all entrepreneurs, just those with sufficient net worth. However, that tax cliff would create a large incentive not to grow your business, and therefore, personal net worth, above the tax exemption. Under a wealth tax such as those proposed by Warren or Sanders, the future Elon Musks or Steve Jobses of the early days of Tesla or Apple would have their stake in their businesses steadily chipped away at. Take a hypothetical founder who holds sole ownership of his business, valued at $100 million.[4]This founder would owe $1.2 million in wealth taxes under Sanders’s plan, and $1 million under Warren’s. This founder would have to sell between either 1.2 or 1 percent of his company in the first year alone just to raise the liquidity to pay a wealth tax bill. All of these results are bad for entrepreneurs and bad for the economy. Risk-tasking is an essential part of economic growth. Ownership Dilution Triggers Additional Tax Headaches

#### Wealth taxes encourage startups to sell-out to avoid tax bills, stifling innovation

Wilford 20 [Andrew Wilford, Director of the Interstate Commerce Initiative and a Senior Policy Analyst at the National Taxpayers Union Foundation with a B.A. in Political Science from American University, 1-15-2020, "Wealth Taxes and Their Impact on Entrepreneurs", National Taxpayers Union, https://www.ntu.org/foundation/detail/wealth-taxes-and-their-impact-on-entrepreneurs]/Kankee

Business Consolidation Such large tax bills for small-to-medium businesses could also push them towards premature sales. Wealth taxes could lead to less market competition and increase corporate consolidation as small businesses either cash in to avoid high wealth tax bills or stunt their growth to stay below certain wealth tax thresholds. This could have tremendous consequences for innovation. Consider the famous case where Netflix’s founders offered to sell to Blockbuster for $50 million back in 2000, or roughly $75 million in 2019 dollars. Netflix was laughed out of the room, a move that ultimately sunk Blockbuster but likely accelerated the shift from brick-and-mortar movie stores to streaming video. It’s hard to imagine that Blockbuster would have been so keen to bail on its nearly ten thousand brick-and-mortar locations had it not been forced to by competitive pressure from Netflix. This would have meant the switch to streaming video, which Americans voted for with their dollars, would likely have been a slower and less committed process. It’s purely speculative, but not unreasonable to think that Netflix ownership’s willingness to sell would have been greater had its members been incurring a wealth tax bill at the time— after all, Netflix’s financial position at the time of the Blockbuster meeting was so dire that it had to think twice about ponying up $20,000 for the private flight to make the meeting on time. Alternatively, had Netflix’s owners not wanted to sell, would it have changed the calculus behind the company’s ensuing flood of investment in its streaming platform? Businesses do not avoid productive investments because of tax bills, but high tax bills can make productive investments unproductive. The streaming platform was not subjected to this counterfactual, of course, but future entrepreneurs and industry disruptors could face a very different landscape under a wealth tax. At the very least, they may think twice before making investments that could shoot them up into a new tax bracket, comparing the potential increase in revenue against both the usual investment risk but alsoa higher tax bill. Would a Lookback Period Be a Solution?

#### Wealth taxes destroy illiquid assets and discourage innovation

Sheppard and Stern 23 [Parker Sheppard, Director at the Center for Data Analysis at the Heritage Foundation with a doctorate in economics from North Carolina State University, and Richard Stern, Director at the Grover M. Hermann Center for the Federal Budget at the Heritage Foundation and graduate of Emory University and holds a bachelor of arts in Economics, 8-21-2023, "Democrats’ Proposed Wealth Tax Spells Doom for Entrepreneurs and Economic Growth", Heritage Foundation, https://www.heritage.org/taxes/commentary/democrats-proposed-wealth-tax-spells-doom-entrepreneurs-and-economic-growth

Rep. Barbara Lee (D-CA) claims the legislation is designed to “tax extreme wealth, reduce inequality, and combat the threat to democracy posed by aristocracy.” But it would more accurately be described as an economic devastation bill. Indeed, it should alarm anyone who wants to start a business, build up wealth for retirement, leave an inheritance for their children, or just see the economy grow for everyone. First, let’s examine the practical effects of the bill. Consider Jeff Bezos, who has a net worth of around $155 billion. Under the OLIGARCH Act, he would owe about $9.7 billion at the end of the year. Does Bezos have that amount just sitting in a bank account? No, his wealth is tied up in businesses and real assets. Redistributing Bezos’s wealth requires disrupting Amazon’s business operations. He would have to sell shares to pay his tax bill, which would make it harder for Amazon to raise capital, create jobs, provide selling opportunities for other businesses, and scale its operations to lower prices for customers. The result would be decreased availability of goods and increased costs for tens of millions of American families. The bill’s authors make the cavalier assumption that wealth is simply a pile of gold that the wealthy sit on—that it’s just sitting around, waiting to be taken and redistributed. That’s nowhere near the case. Almost all the wealth of the people targeted by this bill is tied up in businesses that produce goods and services, provide jobs, and drive the innovation that raises our standard of living. The bill would also discourage future entrepreneurs. What about the next innovator working in a dingy office with an old door for a desk and his company’s name badly spray-painted on a nearby sign? How many entrepreneurs would be willing to risk their savings, to hustle and grind to bring a product to market when the government will just tax away their reward for their hard work? The inventions and innovations that produce “extreme” wealth would likely never come to fruition. However, the true problem with this bill is much deeper than its economic effects. The bill’s authors fundamentally misunderstand wealth and its value to society. They assume that wealth is bad, that extreme wealth is worse, and that it’s the government’s job to stop people from getting too wealthy. They have it exactly backward. Building wealth is something to be lauded and celebrated, and the government should let each of us get as wealthy as possible. Everyone’s lives have improved, especially those at lower income levels, thanks to innovators and pioneers whose passion for doing things smarter, better, faster, and cheaper resulted in them creating things no one thought possible. These entrepreneurs and inventors got rich because they cured diseases, perfected treatments, invented safer tools, brought conveniences to the mass market, and improved the lives of millions of people other than themselves. The wealth they accumulated reflects the value they created. Moreover, their wealth allows them to continue to guide their businesses or to invest in the dreams of other innovators, passing on their knowledge to the next generation. Consider the case of Gary Michelson, the billionaire spinal surgeon. Michelson built his wealth by developing breakthrough tools and methods of spinal surgery after seeing his grandmother afflicted with neurogenic spinal degeneration. His work made spinal surgery safer and more consistent, increased the longevity of spinal implants, and reduced recovery time for patients. His inventions were so prolific that he eventually accumulated more than 900 patents to his name, which he later sold for more than $1 billion. Michelson then used his wealth to found a multitude of charitable organizations that direct funds to promising medical research, fighting neglected diseases, making college more affordable, and improving animal welfare. In fact, most of the world’s biggest charitable organizations were founded by “extreme” wealth. Under the wealth tax in the OLIGARCH Act, those charities wouldn’t exist, or they would be a shadow of themselves. In total, innovators only end up getting a fraction of the benefits from their breakthroughs. The bulk of the value benefits the rest of us through newer and cheaper products, which continue to raise our standard of living. An honest accounting of successful entrepreneurs in America should focus not on the wealth some have accumulated but on the multitude of benefits that their work brings to society as a whole.

#### Wealth taxes harm illiquid assets, adding company debt and discouraging startups

Pennell 21 [Jeffrey N. Pennell, Richard H. Clark Professor of Law at Emory University, 5-10-2021, "An Alternative to a Wealth Tax: Taxing Extraordinary Income", Tax Notes, https://www.taxnotes.com/featured-analysis/alternative-wealth-tax-taxing-extraordinary-income/2021/05/07/59nmg]/Kankee

For example, a wealth tax likely would generate a constitutional challenge in the United States. Under Article I, sections 2 and 9, of the U.S. Constitution, Congress may not impose a direct tax (on property) that is not apportioned based on population. The unapportioned federal income tax is specifically authorized by the 16th Amendment, and the wealth transfer taxes (estate, gift, and generation-skipping transfer taxes) are justified as an impost on the transfer of wealth rather than a naked tax on the wealth itself.10 The wealth taxes recently proposed by Warren and Sanders are akin to state and local property taxes. Scholars debate whether these proposals would thus be regarded as unconstitutional. Without a specific constitutional amendment similar to the 16th Amendment, a wealth tax may be regarded as a direct tax that must be apportioned based on population. My proposal avoids that question. A wealth tax also would have high implementation costs, lack an effective enforcement mechanism, increase procedural costs, and (most especially) generate administrative difficulties concerning the valuation of illiquid assets. One observer opined: Enforcement of the tax would be cumbersome on both the taxpayer and the IRS. Since the tax is based on the net assets of the individual, it would require the individual to seek an independent valuation of assets in order to determine the fair market value of all of his or her assets on an annual basis. If all the individual’s assets were in cash and/or publicly traded securities, then the calculation would not be too difficult. However, it would be expected many of the wealthy also own interests in privately held companies with no liquidity or interests in various real estate projects or farmland. Determining the fair market value of privately held company interests or real estate could prove difficult and would certainly be subjective, potentially leading to tax planning opportunities, such as discount valuation strategies.11 Based on IRS Statistics of Income data from federal estate tax returns filed in 2019, liquid assets (marketable securities, bonds and notes, cash, and retirement funds) were just 54 percent of reported estate wealth.12 Some undetermined portion of that wealth is held offshore. Thus, predictions about the effective administration and reach of proposed wealth taxes likely are correct. A wealth tax would fail in the United States, as it has in other developed countries, if these critical issues cannot effectively be addressed.13 I analyze several of them below. The most problematic issue in the design of a comprehensive wealth tax system is the valuation of illiquid assets.14 The potential for undervaluation creates a challenge for the IRS, which would need to develop valuation protocols for unique assets. Unlike the process undertaken for the one-time wealth transfer tax, an annual wealth tax would require annual reevaluation of difficult-to-value assets. Imagine, for example, the annual assessment of a 10,000-bottle wine cellar, a yacht, a private airplane, a family farm, or a minority interest in a closely held business.15 The IRS and the Tax Court would require more resources to resolve the multitude of potential valuation cases. Venture capital would be hard hit by a wealth tax that magnified the risks associated with successful start-up entities that appreciate in value but do not generate an income flow,16 subjecting investors to wealth taxes without liquidity with which to pay. Worse would be start-ups whose value tanks after an initial valuation that generated a wealth tax. This could cause a shift for many Americans toward investment only in publicly traded assets, undermining investment in ventures that benefit the economy in general. The tax also would imperil conservative buy-and-hold investment strategies unless dividend policies changed to provide cash flows to wealthy taxpayers who need liquidity to pay the annual wealth tax.17 A regime (similar to the passive foreign investment company rules) could impose a wealth tax only upon a realization event, with a deferral charge that reflected the delay in payment of an otherwise annual wealth tax. But even a deferred tax would imperil investments with significant growth and might harm innovation, risk-taking, and entrepreneurship. Thus, an annual wealth tax is challenged by valuation issues and the need to convert enough wealth into liquidity to pay the tax.18 If measured by wealth alone, the need for liquidity may require liquidation of investments, or borrowing against the value of that wealth, to finance payment of the tax — all to the detriment of the investment itself. Consider owners of real estate development projects that have high value but negative cash flow and zero profits before completion. Selling an interest in that project could be nearly impossible without a significant discount to reflect lack of liquidity, and borrowing might be entirely impossible if the project itself is highly leveraged already. Moreover, adding debt could disrupt operations and the ultimate success of the venture from a working capital perspective, and indirectly affect owners as well as employees. An even more difficult example would be the valuation and payment of tax on agriculture, whether a corporate enterprise or a family farm. Given the United States’ proclivity to protect farmers and ranchers, some advocates for the wealth tax might favor an exemption to this sector of the economy. But disparate treatment of different investments (or worse, different landowners) is horizontally inequitable and could encourage wealthy taxpayers to invest in forms of favored property in ways that artificially affect the market. Finally, the tax would be a godsend for tax specialists and valuation experts, who would devise strategies to circumvent or minimize the impact of the tax.19 Those strategies might not be the best economic use of valuable resources. An Alternate Proposal

#### Wealth taxes are anti-growth

Rappeport and Kaplan 19 [Alan Rappeport, economic policy reporter for NYT with master’s degrees from the Columbia University Graduate School of Journalism and the London School of Economics, and Thomas Kaplan, investor with a PhD from Oxford, 10-1-2019, "Democrats’ Plans to Tax Wealth Would Reshape U.S. Economy", NYT, https://www.nytimes.com/2019/10/01/us/politics/sanders-warren-wealth-tax.html]/Kankee

 “We are living in the second Gilded Age,” said Bruce Ackerman, a professor of law and political science at Yale University, referring to the stark wealth gap produced by the Industrial Revolution. “What we have once again is people both on the right and the left being provoked by the perception they are being left behind.” But the idea of redistributing wealth by targeting billionaires is stirring fierce debates at the highest ranks of academia and business, with opponents arguing it would cripple economic growth, sap the motivation of entrepreneurs who aspire to be multimillionaires and set off a search for loopholes. “You’re going to completely disincentivize capital investment, which is going to be very, very bad for economic growth,” Treasury Secretary Steven Mnuchin said in an interview in September. “Taxing capital is not a good thing for creating economic growth, and if anything we should be looking at how we create more incentives for economic growth.” Income inequality has surged in the United States in the last 50 years, with the top 0.1 percent now controlling about a fifth of the nation’s wealth. That concentration of wealth has coincided with stagnant wages, rising college costs and the lingering effects of the Great Recession, which erased trillions of dollars in household wealth, ravaging the middle class. New figures from the Census Bureau released last week show that income inequality in the United States reached its highest level last year since the government began tracking it in 1967. Image The dueling policy proposals from Ms. Warren and Mr. Sanders come as they compete intensely for support from the same universe of liberal voters and activists. Their tax proposals are helping to galvanize those on the left, but their ideas will also provide fodder for Republicans eager to paint them in a general election as tax-happy and too liberal. Polls have found widespread support for the idea of taxing wealth. A poll conducted for The New York Times by the internet research firm SurveyMonkey this summer found that two-thirds of Americans, including a majority of Republicans, backed a 2 percent tax on households worth over $50 million, which is the heart of Ms. Warren’s plan. The proposals for a wealth tax are among a variety of ideas for collecting more tax revenue that Democratic presidential candidates have put forward. On Monday, Mr. Sanders proposed a new tax on corporations that have a huge gap between what they pay their chief executive and their median worker. Jared Bernstein, who was chief economist for Vice President Joseph R. Biden Jr. from 2009 to 2011, said he has discussed with the Biden campaign a proposal to tax financial transactions. On the campaign trail, Ms. Warren explains the concept of a wealth tax by putting it in familiar terms, likening it to the property taxes that many Americans pay on their homes. For the superrich, she said in South Carolina on Saturday, “how about we include in yours not only your real estate, but also your stock portfolio, the diamonds, the Rembrandt and the yacht?” Mr. Sanders is blunt about his desire to reduce the size of America’s biggest fortunes, even highlighting how much individual billionaires would have to pay in taxes under his proposal. He said last week that he did not believe billionaires should exist in the United States. “There’s no question to my mind that the United States is moving toward an oligarchy,” Mr. Sanders said. “This is an issue that has to be addressed, and this wealth tax begins to do that.” The United States largely taxes individuals based on the income they earn through their jobs and investments. Wealth taxes impose annual levies on an individual’s accumulated assets, everything from vacation homes and art collections to stakes in companies and family heirlooms. The tax proposed by Ms. Warren would apply to households worth over $50 million. She would impose a 2 percent tax on net worth above $50 million, and a 3 percent tax on net worth above $1 billion. The plan from Mr. Sanders would apply to a larger number of households, and it would be particularly aggressive on billionaires. His tax would start out at 1 percent on net worth from $32 million to $50 million for married couples, and it would top out at 8 percent on net worth over $10 billion. Emmanuel Saez and Gabriel Zucman, the two University of California, Berkeley, economists who helped Ms. Warren and Mr. Sanders develop their plans, project that Ms. Warren’s proposal would hit about 70,000 households and generate $2.6 trillion in revenue for the federal government over a decade. They project that Mr. Sanders’s proposal would apply to 180,000 households and raise $4.35 trillion over 10 years. Mr. Zucman said in an interview that he believes a wealth tax would have a modest but positive impact on growth. By reducing the power of the wealthiest, he argued, it would make markets more competitive and spur innovation. But redirecting such vast sums could have unintended effects on the United States economy that go beyond promulgating economic fairness. While Ms. Warren ticks off the social programs that can be funded if the richest Americans pay just 2 cents on every dollar they have above $50 million — a number that is unimaginable to most Americans — skeptics warn of economic stagnation, depressed business confidence and a legal battle that would go to the Supreme Court. At a conference sponsored by the Brookings Institution in September, N. Gregory Mankiw, a Harvard economist, debated Mr. Saez and Mr. Zucman about the merits of taxing wealth. Mr. Mankiw, the former head of President George W. Bush’s Council of Economic Advisers, offered a searing critique, arguing that a wealth tax would skew incentives that could alter when the superrich make investments, how they give to charity and even potentially spur a wave of divorces for tax purposes. He also noted that billionaires, with their legions of lawyers and accountants, have proven to be experts at gaming the system to avoid even the most onerous taxes. “On the one hand it’s a bad policy, and then the other thing is it’s a feckless policy,” Mr. Mankiw said. Image Left-leaning economists have expressed their own doubts about a wealth tax. Earlier this year, Lawrence Summers, who was President Bill Clinton’s Treasury secretary, warned in an article with Natasha Sarin, a law professor at the University of Pennsylvania, that wealth taxes would sap innovation by putting new burdens on entrepreneurial businesses while they are starting up. In their view, a country with more millionaires is a sign of economic vibrancy. “Turning the tax code into a vehicle for confronting what some call ‘oligarchic drift’ would undermine business confidence, reduce investment, degrade economic efficiency and punish success in ways unlikely to be good for the country or even to be appealing to most Americans,” they wrote. Corporate America has also come out against a wealth tax. At a recent briefing by the Business Roundtable, a lobbying group for large companies, Jamie Dimon, the chief executive of JPMorgan Chase, said he feared that the federal government would squander the additional revenue. “I know a lot of wealthy people who would be happy to pay more in taxes; they just think it’ll be wasted and be given to interest groups and stuff like that,” Mr. Dimon said. Other obstacles that often raise concern about wealth taxes are how to value assets like art and private businesses when determining wealth, and the potential impact on stock markets if rich shareholders suddenly have to liquidate their holdings to pay their tax bills. Despite the many obstacles, a wealth tax in the United States could prove to be a political winner for Democrats and serve as a rejoinder to Mr. Trump, who has allowed deficits to swell by cutting taxes without curbing spending.

#### Wealth taxes destroy asset valuations and angel investor start-ups

Economist 24 [Economist, 06-19-2024, "How to tax billionaires—and how not to", https://www.economist.com/leaders/2024/06/19/how-to-tax-billionaires-and-how-not-to]/Kankee

One of these manoeuvres in America is to buy assets, offer these as collateral for loans and roll over the loans until their death. At that point any capital gains accrued over the owner’s lifetime are zeroed out and the clock starts anew for their heirs, who then themselves “buy, borrow and die”, as this (perfectly legal) device is known. However, taxing unrealised gains is complex and wrongheaded. It is also unnecessary. A similar end could be met with much less controversial means. Taxes should be simple to administer and collect. Ideally, they should also raise revenue while distorting behaviour as little as possible. Taxing unrealised gains fails on each of these counts. Calculating someone’s net worth is nightmarishly complicated even once, at their death, let alone every year. America’s Internal Revenue Service took 12 years to put a value on Michael Jackson’s estate. France, Sweden and a few other European countries that have tried to levy wealth taxes have abandoned their efforts after generating lots of administrative headaches but little actual revenue. Taxing unrealised gains would also cause wild swings in the liabilities of people who own volatile assets, including Mr Huang and his Nvidia shares. Mr Biden’s proposal, which assesses the tax over five years, smooths out some of this volatility. But some taxpayers would still fail to get a rebate for their unrealised losses. That could discourage angel investors and other risk-takers from backing promising ventures whose stratospheric valuations could suddenly collapse, and which can be hard to price. In America taxing unrealised gains may also be unconstitutional. The Supreme Court is about to rule in a case in which the plaintiffs claim that a one-off levy on foreign investments in 2017 was illegal because it taxed their unrealised gains. Even if the justices issue a narrow ruling that leaves the principle intact, Mr Biden’s idea will be challenged. What, then, are the tax authorities to do? In America they could start by ending the rule that lets inheritors reset the clock for capital-gains each time someone dies. This provision of the tax code, called “step-up in basis”, was introduced in 1921, five years after estate taxes, which are assessed on the market value of assets at the owner’s death. The goal was to avoid double taxation. If heirs paid estate tax on this fair value, they should not also pay tax on any further capital gains. This rationale looks flimsy now that the biggest estates are built not on earned income, which would have been taxed throughout an estate-builder’s life, but on assets’ appreciation, which was not. Heirs who get rich thanks to their benefactor’s buy, borrow and die are therefore treated very differently from those who inherit a fortune amassed out of taxed income. Scrapping step-up in basis could yield perhaps a quarter of the $500bn that Mr Biden hopes to get from his wealth tax, at a far lower administrative cost. Taxing capital gains at death would raise the same again. He could realise much of the rest by closing other loopholes, notably the “carried interest” provision which lets buy-out barons pay capital-gains tax rather than (usually higher) income tax on their private-equity firms’ investment profits. Going after unrealised gains is easy to understand and hence good politics. But it is bad economics.

#### A wealth tax chills investment and reduces asset values through early sell offs

Schrager 23 [Allison Schrager, economist, Senior fellow at the Manhattan Institute, MA in economics from Edinburgh, Ph.D. in Economics from Columbia University, 2-1-2023, "Wealth Taxes Have Always Been a Terrible Idea", Bloomberg, https://www.bloomberg.com/opinion/articles/2023-02-02/wealth-taxes-have-always-been-a-terrible-idea]/Kankee

But new bills introduced this week by California and Washington propose taxing their richest residents 1% to 1.5% each year. Four other states including New York and Illinois propose taxing unrealized capital gains, or taxing wealth based on how much it grew in the last year whether or not you sold any assets. How these states will handle assets that lost value is unclear. Crafting good tax policy starts with a question: How much will it distort economic behavior? Taxes that impose the fewest distortions incur the least waste and harm to the economy. Many economists argue that wealth taxes create the most distortions, followed by income and consumption taxes. The problem with wealth taxes is that they discourage saving and investment. A 1% or 2% wealth tax may sound small, but it’s actually very large compared with current tax rates. Since it’s levied each year, it’s better compared to our current taxes on realized capital income. If your assets return 4% in a year, a 1% wealth tax is the same as a 25% capital income tax, and that is on top of existing federal capital gains taxes. These plans drastically reduce the return on risky investment, and rewarding risk is an important element of economic growth. But even if you don’t think such things are important, the wealth tax bills are a bad idea because they’ll be impossible to implement effectively. They may not even be constitutional. But they’re certainly impractical. Income is relatively easy to measure: Your employer sends you a regular paycheck that can be documented and has an objective value. Overall wealth, and unrealized capital gains in particular, are much harder to measure. On what day do you assess the tax liability? What if asset values fall between when the tax is assessed and the tax bill is due? If the result of such a tax is that people sell their stocks and bonds around the same time each year to pay their tax bills and just generally lower the return on investments, it can depress asset values for everyone, not just the wealthy. Very rich people also tend to hold a lot of their wealth in assets that aren’t publicly traded, either in private equity, in the businesses they’ve started, fine art or other possessions. California claims it will hire people to make this assessment. But it’s not easy. The arbitrary nature of valuing a private asset is a big reason why many people think private equity returns are unreliable. And because privately held assets are so hard to value and easy to manipulate, it creates an incentive to keep assets private for longer and avoid public markets. That would deprive most other Americans the opportunity to invest in the best public companies — imagine if Amazon.com Inc. never went public — and reduces transparency. This is why other countries have mostly abandoned wealth taxes. They are very hard to implement on the federal level, let alone by individual states who have far fewer resources to collect and assess data on wealth holdings. A possible model is Switzerland where individual cantons (similar to our states) have their own wealth tax, but the tax is very small and accounts for a trivial share of Switzerland’s tax revenue. A wealth tax is a bad policy based on the economics and feasibility. Collecting it will require tremendous resources that states don’t have and it won’t produce the revenue they’re counting on. It’s notable that many states now considering it are the very ones that are losing population to tax-friendlier states like Florida and Texas, and are dependent on the few rich people who already contribute a disproportionate share of their tax revenue. But what may be the worst part of these plans is that they inflame the politics of envy, where success is not seen as adding to growth and prosperity, but something to be eliminated. These states all face future fiscal challenges. Promising that a few extremely rich people can pay for everything is a compelling message but bad economics. States would be better off making their consumption taxes larger and more progressive. For example, states can put larger taxes on luxury goods, like designer clothes, private jet travel or second homes. We can better enforce our existing wealth taxes by eliminating loopholes in capital gains and estate levies. For now, odds are the bills going before the state legislatures won’t get much traction. The legal challenges alone will be a big hurdle. But wealth taxes will continue to be in the conversation as states and the federal government need more revenue and are reluctant to raise taxes on anyone who earns more than $400,000 a year. Eventually everyone is going to need to pay more, but there are good and bad ways to raise revenue. Wealth taxes are not the solution.

#### The wealth tax would annihilate the US economy

Enache 24 [Cristina Enache, economist, Secretary-General at the World Taxpayers Associations, General Manager of the Spanish Taxpayers Union, and former Director of Research at Civismo, an economic research organization, 06-26-2024, "The High Cost of Wealth Taxes", Tax Foundation, https://taxfoundation.org/research/all/eu/wealth-tax-impact/]/Kankee

Wealth Taxes Disincentivize Entrepreneurship and Incentivize Risk-taking One of the arguments in favor of a wealth tax is that on top of capital income taxes, it could encourage taxpayers to use assets more productively. For example, if a household owns land that is not being used, no income is generated and no income tax is being paid. However, if a wealth tax is levied, the household will have an incentive to make a more productive use of the land or to sell it to someone who will.[11] A 2017 paper suggests that replacing capital income taxes with a wealth tax shifts the tax burden onto unproductive entrepreneurs and that this reallocation increases productivity and output.[12] Efficiency gains can occur because capital is reallocated to high-return individuals, and because the higher yield of high-return individuals can motivate the accumulation of greater savings.[13] Wealth taxes do not discourage investment in general, but they do discourage investments in low-return assets and strengthen the incentives to invest in higher-return assets or consume one’s wealth because there is an additional cost to holding assets, which is not linked to the return they generate. Nevertheless, an OECD report argues that these taxes can discourage risk-taking and entrepreneurship, harming innovation and impacting long-term growth.[14] However, it also suggests that, in some cases, a net wealth tax could spur investment and risk-taking (particularly if it replaces an income tax). Since the wealth tax would erode the after-tax return for an entrepreneur, that entrepreneur might engage in even riskier ventures to maximize a potential return. However, a wealth tax would be a particularly poor way to encourage risk-taking because wealthy individuals could choose to increase their consumption to reduce their wealth. A 2020 Tax Foundation analysis found that a potential wealth tax in the U.S. would reduce economic output and shrink national income owned by Americans. A wealth tax would induce foreign inflows of hundreds of billions of dollars a year to replace reductions in U.S. savings, which would cause international investors to replace home-grown billionaires as owners of capital.[15] Another recently published paper describes a different mechanism through which wealth taxes affect corporate financial policies.[16] The study finds that a significant increase in dividend payouts occurs when a substantial increase in stock prices is paired with the existence of individual wealth taxes. This pattern is more pronounced in closely held companies. As the value of a company rises to the point of substantially increasing the wealth tax of controlling shareholders, these shareholders can induce companies to make a dividend payout. Additionally, these larger dividend payouts are associated with lower levels of subsequent investment. Wealth Taxes Reduce Employment, Wages, Investment and Output Another argument in favor of the wealth tax is that it is a well-targeted means of reducing inequality. In his book, Capital in the Twenty-First Century, Thomas Piketty considers that wealth taxes would be able to take from the very rich without supposedly hurting the poor or middle class. His initial proposal of a wealth tax involves applying a 1 percent rate for net assets between EUR 1 million and EUR 5 million, and a 2 percent rate for assets above EUR 5 million. Although this plan includes a tax exemption for the first EUR 1 million, he also considers it effective to introduce an additional 0.5 percent rate for net assets between EUR 0.2 million and EUR 1 million. A Tax Foundation analysis from 2014 found that the effect of a potential version of Piketty’s wealth tax on the U.S. economy, even with a EUR 200,000 exemption, would be devastating. Over a 10-year period, wages would be 5.2 percent lower, 1.12 million jobs would be lost, the capital stock would be 16.5 percent lower than otherwise, and the overall economy would have 6.1 percent less output than the status quo, resulting in a loss of USD 1 trillion (EUR 0.92 trillion). Additionally, the revenue generated by the new tax, accounting for the GDP decline, would amount to only USD 63 billion (EUR 58 billion). Even though it is theoretically a tax only for the rich, all social classes, including the poorest, would be affected by the wealth tax due to the reduction in economic activity. In monetary terms, people in the highest income percentiles would see their after-tax incomes reduced by between 11 percent and 13 percent. Similarly, those in the lower percentiles (between the 40th and 60th) would also see their incomes fall by 8 percent. This supposed reduction in inequality between the rich and the poor is achieved at the cost of both groups seeing their incomes diminished, although some more than others. Is it worth reducing the incomes of the middle class by 7 percent so that the rich (the top 1 percent) see their incomes reduced by 13 percent? No matter what, households at the bottom of the wealth distribution and middle-income households would be most affected by the drop in employment (1.16 percent), lower wages (5.2 percent), and the reduction in the supply of goods and services. A wealth tax can reduce income and wealth inequality but at the cost of making everyone poorer. Spain’s experience of enacting a similar wealth tax to the one proposed by Piketty corroborates the idea that wealth taxes are not an effective tool to redistribute wealth and narrow wealth inequality. Collect Little Revenue

#### Wealth tax kill US competitiveness and makes investment less attractive

Smith 19 [Karl W. Smith, Bloomberg Opinion columnist, former vice president for federal policy at the Tax Foundation, and assistant professor of economics at the University of North Carolina, 12-22-2019, "Warren’s Wealth Tax Would Hurt U.S. Investors", Bloomberg, https://www.bloomberg.com/view/articles/2019-12-22/warren-s-wealth-tax-would-hurt-u-s-investors]/Kankee

According to Elizabeth Warren, economists who say that her proposed wealth tax would stifle investment and growth are “just wrong.” Leaving aside the question of whether economic projections, which by definition require assumptions about future human behavior, can be right or wrong, it is true that her proposal has spurred a vigorous debate among economists. A lot of the points they make do not bode well for her plan. There is widespread skepticism about whether the tax would raise the revenue its proponents suggest, for example. Meanwhile, one comprehensive budget model estimates that Warren’s proposal would shrink the U.S. economy by between 0.9% and 3.5%. One possible consequence of her plan that has received too little consideration is its effect on international investment flows. There are good reasons to believe that a wealth tax would put U.S. investors at a disadvantage relative to their foreign counterparts. First, the wealth tax would result in a sharper fall in national income than in GDP. If taxes on U.S. corporations themselves stayed competitive and the regulatory environment remained favorable — two things that Warren is also looking to change — the U.S. would remain an attractive place for global investors. The implication, however, is that a greater share of U.S. wealth would be owned by foreigners. Wealth inequality within the U.S. might fall, but not because of a redistribution of wealth within the U.S. Instead, U.S. businesses and workers would be increasing the fortunes of foreign investors. Second, greater foreign ownership of U.S. assets would lead to a higher trade deficit. Before they can invest in the U.S., foreigners have to purchase dollars. That would drive up the value of the dollar and make U.S. exports less competitive — and foreign imports more competitive. This effect would hit U.S. manufacturing and agriculture particularly hard, undermining Warren’s goals of reviving those sectors. Even worse, unlike past increases in the trade deficit, this one wouldn’t represent an increase in total U.S. investment but rather the effect of foreigners replacing lost domestic investment. Third, the wealth tax would put private businesses at a disadvantage. Unlike their publicly traded rivals, they depend more heavily on domestic investment. The biggest international corporations, meanwhile — which Warren argues already have too much monopoly power — are almost all publicly traded. Her wealth tax would give them even more power. Lastly, the wealth tax has the potential to change the nature of U.S. entrepreneurship — and not for the better. Emmanuel Saez, one of the economists who helped design the tax, has said that one of its purposes is to prevent founders of successful companies from maintaining control of their enterprises. Immigrants come to the U.S. to start businesses not just to make money, but to realize their vision. If the U.S. tax code makes that harder, over time the rest of the world outside of America would start to attract a greater share of entrepreneurs. It wouldn’t happen overnight, but eventually U.S.-born entrepreneurs might start moving to Singapore or Dublin to form startups. The wealth tax could wind up decreasing the U.S.’s exports of goods and increasing its export of talent. These types of economic changes are difficult to model. But the threats they pose are very real, and economists are right to warn Warren about them.

#### Wealth tax caused capital flight, and hampered growth, entrepreneurship, and innovation

Enache 24 [Cristina Enache, Visiting Professor at the University of Navarra School of Economics and Business, Secretary-General at the World Taxpayers Associations, General Manager of the Spanish Taxpayers Union, and former Director of Research at Civismo, an economic research organization, 06-26-2024, "The High Cost of Wealth Taxes", Tax Foundation, https://taxfoundation.org/research/all/eu/wealth-tax-impact/]/Kankee

Conclusion Wealth taxes generate double or even triple taxation. In the case of Spain, the combination of personal capital income taxes and net wealth taxes results in marginal tax rates well above 100 percent. This means that the entire real return is taxed away and, by saving, people would see the real value of their wealth shrunk. Spain is the only country in the world that, in addition to net wealth taxes and capital gains, also levies taxes on capital transfers, a financial transaction tax, and one of the highest inheritance and gift taxes in Europe. This translates into a quadruple or quintuple taxation. Policymakers should work to redesign Spain’s fiscal policy by eliminating double and quadruple taxation following Tax Foundation’s principles for a sound tax policy.[28] The recent tax policy developments in Spain have already generated legal problems and forced taxpayers, small investors, and companies to relocate to countries with more reliable and stable tax policy. [29] Taxpayers fleeing the country are not only taking the wealth tax revenue with them but also the income and consumption tax revenue, which are the most important sources of revenue for European countries and Spain. Wealth taxes have always collected little revenue. Only in Switzerland—the only country in the world with a low tax rate, broad base, and a large number of billionaires—do tax revenues from individual net wealth taxes reach one percent of GDP. Additionally, wealth taxes are a poor and ineffective way to reduce wealth gaps, not only due to their low revenues but also because a solid redistribution mechanism would need to be in place, and that would create new impacts on its own. Also, if the tax base for these policies were to be broadened, it would make households further down the wealth distribution worse off. As tempting as wealth taxes might look, especially when so many international organizations note them as a way to reduce wealth inequality, their limited capacity to collect revenue and their negative impact on entrepreneurial activity, savings, innovation, and long-term growth should make policymakers consider their repeal instead of boosting them. At the EU or global level, a coordinated wealth tax, like the 15 percent global corporate minimum tax, is highly improbable. Instead of a Pillar Two approach, a worldwide wealth tax would need an approach more like Pillar One, where a critical number of countries must sign the agreement, including China, Switzerland, and the United States. In Switzerland, taxpayers need to approve any tax increases, making this proposal unfeasible.[30] Another flaw in this approach is the fact that wealth can move beyond borders to any country that is unwilling to sign the agreement. Instead, policymakers should focus on policies that do not undermine economic growth. Spain should consider full expensing for capital investment to increase private investment and accelerate the economic recovery. The government is looking to boost its revenue and at the same time protect the poor. Because of this, policymakers should simplify value-added tax and make it more efficient and neutral by broadening the tax base, lowering the tax rate, and eliminating unnecessary tax exemptions. The government can then implement compensation measures for poorer households, such as targeted tax credits or direct transfers to low-income earners. Policymakers should shy away from unnecessary tax hikes and harmonization measures and implement tax reforms that could eventually accelerate economic growth.

#### Wealth taxes destroy tax law foundations, overly tax innovation driving investors, and destroy growth.

Edwards 22 [Chris Edwards, economist, director of tax policy studies at the Cato Institute, BA in economics from the University of Waterloo, MA in Economics from George Mason University, 3-28-2022, "Biden Bulldozes Billionaires with New Tax", Cato Institute, https://www.cato.org/blog/biden-bulldozes-billionaires-new-tax]/Kankee

As part of its 2023 federal budget released today, the Biden administration is proposing a new 20 percent minimum tax on households with a net worth more than $100 million. The tax would be calculated with the inclusion of unrealized capital gains as “income.” Let’s say a high-tech entrepreneur earns $100 million and currently pays $20 million in federal income tax, or 20 percent. And let’s say her wealth is $2 billion and rises $200 million this year as she grows her company. Apparently, the Biden theory is that her “income” is really $300 million, and she should pay $60 million in tax this year—triple what she currently would pay. The Biden tax plan is crackers. Unrealized gain is not income. It represents the expectation of future income, which should be taxed in the future under a well-designed tax system. Often, expected future income doesn’t materialize and asset values drop. The stock market is down five percent this year, so our entrepreneur may have negative “income” of $100 million. Capital gain is not “income” in the government’s National Income and Product Accounts, and it has always been treated differently in tax codes here and abroad. Indeed, most countries have more favorable treatment of long-term capital gains than we do. Our federal-state top rate on realized gains at 29.2 percent is much higher than the industrial country average of 19.1 percent. Under Biden’s tax proposal, wealthy people would be rewarded for consumption and penalized for reinvesting to grow their businesses. Patience and prudence would be punished. The Biden plan would particularly harm leading edge industries that rely on wealthy investors to take the large risks that drive American innovation. Not only are the economics of taxing unrealized gains bad, but the IRS could not handle the administration of a new tax structure based on gyrating asset values. The tax agency has trouble trying to value assets a single time at death under the estate tax. The IRS claimed that Michael Jackson’s estate was worth $481 million, but it was wrong, and after a seven-year battle the tax court found that the estate was really only worth $111 million. The IRS may face many such battles every year under the new Biden tax. And remember, the IRS is already overwhelmed trying to administer the current tax code. In the unlikely event that Biden’s billionaire tax is enacted, it would soon be repealed. Biden’s plan is somewhat different, but wealth taxes were repealed nearly everywhere they were tried in Europe due to the economic damage they caused and the costs and complexities of administration. The administration’s description of the tax proposal says, “America’s imbalanced tax code means that many millionaires and billionaires end up paying lower tax rates than middle class workers.” That is a falsehood if tax “rates” means what every expert agency says it means, including the Congressional Budget Office, Joint Committee on Taxation, and Internal Revenue Service. As I’ve reported here and here, data from all official sources show that top earners pay much higher tax rates than people in the middle or at the bottom. Indeed, data published by Biden’s own U.S. Treasury show that tax rates on millionaires and billionaires are far higher than for everyone else. The chart below shows the Treasury’s estimated average effective tax rates by income decile under current law for 2022. It includes federal individual income, corporate, payroll, excise, and estate taxes. Within each decile (or 10 percent group), the figures are taxes paid divided by income. The chart also shows the top 0.1 percent of families. The red bars show that average income tax rates range from less than zero for the bottom 40 percent of families to 22.7 percent for the top 0.1 percent. The bottom 40 percent pay less than zero because of refundable tax credits. Note that the top group’s tax rate is much higher than the rates on middle‐ and upper‐​middle income groups. The blue bars show that average rates for total federal taxes range from near zero for the bottom 30 percent of families to 31.8 percent for the top 0.1 percent. The top group’s tax rate is about twice as high as the rate on middle‐​income groups.

#### Wealth taxes cause circumvention via dividends, which harms long term company investment and stock prices.

Ormazabal 23 [Gaizka Ormazabal, Associate Dean for Research and PhD Program of IESE Business School, Professor in the Accounting and Control Department, Ph.D. in Business from Stanford University, Ph.D. in Construction Engineering from Universitat Politécnica de Catalunya, BA in Civil Engineering from Universitat Politécnica de Catalunya, 3-15-2023, "Wealth taxes on individuals may skew corporate decision-making", IESE Insight, https://www.iese.edu/insight/articles/wealth-taxes-investment-dividends/]/Kankee

Study finds wealth taxes are linked to higher dividends and lower investment by some companies. Individual wealth taxes, a perennial option for governments seeking new additions to their taxation toolbox, may have an unexpected and potentially damaging impact on corporate decision-making, the experience in Europe has shown. A new study by IESE professor Gaizka Ormazabal, together with Raùl Barroso of IESEG School of Management and Donald N'Gatta of MDE Business School, looks at the impact of wealth taxes on dividends and investment in Europe, where this type of levy is relatively common. The findings provide cause for caution. Wealth taxes in Europe are normally levied as a percentage of an individual’s total net wealth, which is calculated as the person’s taxable assets — from real estate and bank accounts to securities — minus their debts, which are frequently mortgages and other loans. Many corporate executives hold a percentage of their wealth as stock in their company. When the value of those stocks increase, so does the holder’s wealth tax obligation — and the taxes must be paid in cash annually. How to meet those obligations? One way is through higher dividend payments from the stocks. The study showed that closely held companies, particularly family firms, were more likely to raise dividends when majority stockholders were facing a sharp increase in wealth taxes. Dividends in companies with executives facing a spike in wealth taxes were approximately 3.5% higher than in companies where this was not the case. This can eventually harm the companies — and stock market reaction seemed to support this concern. Large dividends are normally applauded by investors, but market reaction to higher payouts was decidedly more muted when they appeared to be linked to wealth tax obligations. The study found that stock price increases were about 50 basis points lower in these unusual tax situations than could be otherwise expected with a big dividend announcement. And the higher dividend payouts in these companies were in turn associated with declines in subsequent investment, with its probable impact on the long-term health of the company. Firms with very strong dividends were very likely to invest heavily in the following years, but companies impacted by the wealth tax did not follow this behavior. That was another indication that the high dividend payout responded to executives’ tax needs. All of this is not to say that wealth taxes should be eliminated or avoided; in fact, they may have benefits in terms of social equity. But policymakers should be aware of their potential impact on corporate decision-making and the long-term health of certain types of companies.

#### Wealth taxes always fail – a litany of European examples prove

Edwards 19 [Chris Edwards, Kilts Family Chair in Fiscal Studies at the Cato Institute with a BA in economics from the University of Waterloo and an MA in economics from George Mason University, 8-1-2019, "Taxing Wealth and Capital Income", Cato Institute, https://www.cato.org/tax-budget-bulletin/taxing-wealth-capital-income]/Kankee

Tax Avoidance and Capital Mobility The flow of capital across international borders has soared since the 1980s.54 Corporations and individuals are increasingly moving their investments to countries with better growth opportunities and lower taxes. Most nations have responded by cutting their tax rates on capital to defend their tax bases and spur economic growth. The OECD notes that the “repeal of net wealth taxes can also be viewed as part of a more general trend towards lowering tax rates on top income earners and capital.”55 Since 1981, the average corporate tax rate across OECD countries fell from 47 percent to 24 percent, the average top personal income tax rate fell from 66 percent to 43 percent, and the average combined corporate-individual rate on dividends fell from 75 percent to 42 percent.56 Many countries have cut their capital gains taxes, as well as their withholding taxes on cross-border investment flows. Numerous countries have abolished their estate and inheritance taxes, including Austria, Canada, the Czech Republic, New Zealand, Norway, Portugal, and Sweden.57 The share of GDP raised by estate and inheritance taxes in the OECD fell from 1.1 percent in 1965 to 0.4 percent today.58 The OECD nations have recognized that wealth and capital income are responsive tax bases. High rates make the tax base shrink—both from domestic avoidance and from international mobility. Furthermore, individuals at the top end have more flexibility in their business and financial affairs than others, so they are particularly responsive to taxes. Avoidance was common under European wealth taxes and was aided by governments that carved out exemptions.59 Farm and small business assets were often exempted over concerns about entrepreneurship. Pension assets were exempted over concerns about fairness. Artwork and antiques were exempted because of difficulties in valuation and worries about the break-up of collections. Forest lands were exempted for environmental reasons. Nonprofit organizations and intellectual property rights were often exempted. The French wealth tax exempted stocks of wine and brandy.60Over time, taxpayers shifted their wealth into exempted assets and tax bases shrank. The base of wealth taxes is net wealth, meaning assets less debt. The deductibility of debt encouraged people to borrow and then invest in the exempted assets and in assets that were hard for governments to find. People had the incentive to underreport assets and overreport debt. The OECD found there was “clear evidence of wealth tax avoidance and evasion” in Europe.61 An IMF article concluded, “The design of wealth taxes is notoriously prone to lobbying and the granting of exemptions that the wealthiest can exploit. Furthermore, the rich have proved adept avoiding or evading taxes by placing their wealth abroad in low tax jurisdictions.”62 Wealth tax supporters imagine a simple, broad tax base. Thomas Piketty proposed that wealth taxes cover “all types of assets … no exceptions.”63 Senator Warren and the economists who designed her wealth tax plan say it would cover all assets above the exemption amounts.64 But actual wealth taxes have not worked that way. Ireland’s experience in the 1970s is classic. The nation imposed a wealth tax in 1975 in response to concerns about wealth inequality, as described in a government White Paper at the time.65 But the government’s broad-based ideal for the tax was undone even as it was being implemented: Pressure from influential lobby groups had debased and undermined the basic structure proposed in the White Paper. Pressure had come from agricultural interest groups; chambers of commerce; the accountancy profession, and the tourism lobby. The undermined wealth tax eventually enacted was therefore incapable of achieving the stated objectives of horizontal and vertical equity. The inevitably low yield then provided an apparent justification for its eventual abolition.66 The Irish wealth tax exempted homes, farm assets, pensions, art, jewelry, and other items. The tax raised little money and the “administration and compliance costs were very high relative to the yield.”67 It was abolished in 1978. The Irish were quick learners about the folly of wealth taxes. The Swedish wealth tax experience was similar, as described in a study by economists Magnus Henrekson and Gunnar Du Rietz: The numerous forms of relief and exemptions introduced over the years not only lowered wealth tax revenue, they also increased the distortive effects of the wealth tax. Most important among these effects were capital outflow and an unsustainable valuation and growth of asset classes exempted from wealth taxation. These asset holdings were often financed by borrowing, which in turn resulted in increased financial fragility.68 Henrekson and Du Rietz describe how avoidance undermined the tax: “First, one should note that despite high statutory tax rates and rapidly increasing wealth levels, especially following financial market deregulation in the 1980s, wealth tax revenue remained low. This is in itself a strong indication that people could with impunity evade the tax by taking appropriate measures.”69 Sweden repealed its wealth tax in 1997. The current Spanish wealth tax has similar problems.70 Avoidance is fairly easy because many assets have been exempted, including small business assets, some shareholdings, life insurance policies, pension plans, and certain art and antiques. The Spanish wealth tax rate is high (up to 3.45 percent), but the tax only raises 0.2 percent of GDP in revenue. A few statistical studies have measured the responsiveness of taxpayers to wealth taxes. A study by Katrine Jakobsen and coauthors examined responses to Denmark’s wealth tax, which was repealed in 1997. They found “sizable” responses to the tax with the effects being much larger at the top end of the wealth distribution.71 David Seim studied the Swedish wealth tax and found small responses from avoidance and evasion, but he did not study the shifting of assets abroad.72 A 2016 study by Marius Brülhart and coauthors examined behavioral responses to wealth taxes in Switzerland, where different tax rates are imposed by cantons. They found that “reported wealth holdings in Switzerland are very responsive to wealth taxation. We estimate that a 0.1 percentage-point rise in wealth taxation lowers reported wealth by 3.5 percent.”73 The estimates are large compared to the usual estimates of income tax responsiveness. While this Swiss study ties the response to domestic avoidance, in other countries international capital mobility was a major issue. Henrekson and Du Rietz’s study on Sweden finds: In 1989 all foreign exchange controls were lifted, making it difficult to prevent people from transferring wealth to tax havens, either illicitly or when taking residence in another country. Several studies found that a sizable share of large fortunes was being placed outside of Sweden in countries like Luxembourg and Switzerland. In those cases the government not only lost income from wealth taxation, but also tax revenue on capital gains, dividends and interest income. The Swedish Tax Authority (Skatteverket) reported that in the early 2000s the value of assets illicitly transferred offshore may have amounted to more than SEK [Swedish krona] 500 billion, and the accumulated assets of Swedish billionaires living abroad were at least as large. The magnitude of these outflows was a major motivation for the repeal of the wealth tax in 2007.74 As Henrekson and Du Rietz observe, the problem with capital outflows is that governments not only lose wealth tax revenues, but also lose other tax revenues that would have been generated by outgoing individuals and assets. The French experience was similar to Sweden’s. The tax raised far less revenue than expected when it was introduced in the 1980s, noted law professor Gilbert Paul Verbit, and the “compliance costs of the wealth tax may be such that its principal beneficiaries are the tax advisors to those who must file.”75 Economist Éric Pichet calculated that domestic evasion reduced French wealth tax revenues by at least 28 percent, and that the tax induced a capital flight of about 200 billion euros between 1988 and 2007.76 He estimated that, while the French wealth tax raised 3.5 billion euros a year, the government lost money overall because other tax revenues shrank by about 7 billion euros a year. He concluded, “The fact that it costs more than it yields engenders a paradoxical situation in which all of France’s other taxpayers, including its least wealthy citizens, must bear the brunt of its overall tax burden.”77 How to Tax Capital

#### Wealth taxes harm illiquid asset valuations, destabilizes tax revenues, and unjustly taxes wealth multiple times over

Shinder 24 [Richard J. Shinder, Opinion Contributor for the Hill and founder/managing partner of the financial consultancy Theatine Partners with a MBA from the Wharton School of the University of Pennsylvania, 7-20-2024, "5 reasons why a wealth tax is bad policy", Hill, https://thehill.com/opinion/finance/4782461-wealth-tax-supreme-court-decision/]/Kankee

Notwithstanding the superficial appeal of a wealth tax given deceptively low tax rates and citizens’ basic sense of fairness, as a matter of policy it’s a terrible idea, for myriad reasons: Wealth can be difficult to measure. Unlike flow figures, stock values are often estimates. While companies with publicly traded shares report a closing price every business day, significant wealth exists in the form of illiquid assets of uncertain value: privately held companies, real estate, fine art, collectibles, jewelry, etc. The infrastructure required to administer a wealth tax, including estimating and adjudicating the value of such assets, combined with the inherent conflict associated with IRS officials structurally incentivized to err to the higher side, present significant opportunities for abuse. The taxable obligation is wholly detached from a liquidity event. Unlike income and capital gains taxes, a wealth tax is entirely untethered from a liquidity event. “Asset-rich, cash-poor” taxpayers may be forced to sell assets to meet their tax obligations, risking destabilizing asset and capital markets. What happens when assets go down in value? The existing U.S. tax code incorporates a measure of symmetry, in that taxable losses can be used to offset income or gains (even if their use is capped and/or deferred); large swings in asset prices — not difficult to imagine when considering the stock market’s oscillations — could create significant volatility and unpredictability in tax collections. There is also the risk of “procyclicality”: a tax regime in which wealth-related losses in a given year can yield tax credits, refunds or simply lower receipts would risk reducing federal tax revenue just as asset prices are collapsing, straining both the real economy and the public fisc. Double-dipping (or worse). Many Americans loathe the federal estate tax precisely because it taxes at death the stock of one’s accumulated income (or wealth), which had previously been subjected to annual income taxation. Introducing a wealth tax could triple-tax the same dollar earned first as income, then as wealth and ultimately as a taxable estate upon death. These tax structures would either coexist as a potential “triple whammy” to taxpayers or necessitate a dog’s breakfast of credits and offsets among the various tax regimes, further complicating an already Byzantine tax code. A vast piggy bank, broken wide open. The massive amount of wealth created by the U.S. economy over the last four decades would offer big spenders in Washington a golden opportunity to further increase the size and scope of the federal government. It requires little imagination to envision Senator Warren’s 2 percent levy on wealth above $50 million gradually increasing, or seeing the threshold reduced, once the infrastructure for such a tax is in place. For these and other reasons, a wealth tax is a bad idea likely made far worse in its execution should it ever materialize. It would have been far better had the court simply slammed the door shut and made explicit that Democratic fantasies of a wealth-based tax are plainly unconstitutional. That said, if a policy debate needs to be had, opponents of a wealth tax hold the far stronger hand.

#### The wealth tax destroys economic growth, cuts wages, and penalizes investment

Edwards 19 [Chris Edwards, Kilts Family Chair in Fiscal Studies at the Cato Institute with a BA in economics from the University of Waterloo and an MA in economics from George Mason University, 8-1-2019, "Taxing Wealth and Capital Income", Cato Institute, https://www.cato.org/tax-budget-bulletin/taxing-wealth-capital-income]/Kankee

Senator Warren and other policymakers are concerned that wealth is “concentrated.” But the wealth of the wealthy is mainly dispersed across the economy in productive business assets. Looking at the top 0.1 percent of the wealthiest Americans, 73 percent of their wealth is equity in private or public companies, while just 5 percent is the value of their homes.78 Looking just at billionaires, only 2 percent of their wealth is accounted for by their homes and personal assets, such as yachts, airplanes, cars, jewelry, and artwork.79 The great majority of their wealth is in productive business assets, which generate output for the broader economy. Nonetheless, many policymakers and pundits believe that people with substantial wealth should be targets of heavy taxation. They think that raising taxes on people owning capital would lighten the burden on labor and that taxing wealth would benefit the nonwealthy. However, imposing heavy taxes on wealth would reduce living standards for everyone because it would reduce the overall size of the economy. Under certain assumptions, a basic finding from economic theory is that everybody should want taxes on capital to be low or even zero—including wage earners, who have no capital income.80 Economist Greg Mankiw describes a simple economy with two groups: workers and capitalists.81 The capitalists save and earn capital income, while the workers earn wages and do not save. The workers are in the democratic majority and can set tax policy anyway they want. Should they tax wages, capital income, or both? It turns out that—acting in their own interest—the workers should tax wages only, not capital income. The reason is that the supply of capital is elastic or responsive to taxation, and so setting the tax rate to zero would generate increased saving and investment. In turn, that would create rising worker productivity and wages—worker efforts are more valuable when they have more and better machines to work with. In the long run, the after-tax wages of workers would be higher under this policy than under a policy of imposing taxes on capital. This result assumes that the supply of capital is perfectly elastic or responsive. While that is not fully realistic, capital has become more responsive in today’s global economy. In another paper, Mankiw and coauthors noted that the zero capital tax prescription “is strengthened in the modern economy by the increasing globalization of capital markets, which can lead to highly elastic responses of capital flows to tax changes even in the short run.”82 They conclude that the “logic for low capital taxes is powerful: the supply of capital is highly elastic, capital taxes yield large distortions to intertemporal consumption plans and discourage saving, and capital accumulation is central to the aggregate output of the economy.”83 From an average worker’s point of view, it is beneficial for the wealthy to maximize their savings and reduce consumption. Capital and labor are complements in the economy—workers are more productive and better paid when they are supported by more capital generated by savers. The Council of Economic Advisers has summarized the empirical evidence in support of low taxes on capital.84 The basic idea goes back at least to Adam Smith, writing in The Wealth of Nations. He described how heavy taxes on mobile “stock” or capital would cause losses to workers: Stock cultivates land; stock employs labour. A tax which tended to drive away stock from any particular country, would so far tend to dry up every source of revenue, both to the sovereign and to the society. Not only the profits of stock, but the rent of land and the wages of labour, would necessarily be more or less diminished by its removal.85 This insight on the importance of savings also underlays opposition to the federal estate tax, which is a wealth tax imposed at death. From a liberal perspective, law professor Edward McCaffery has long made the case for abolishing the estate tax, arguing, “The rich person who passes on wealth is doing good things for society—continuing to work and save, keeping money in the capital stock.”86 McCaffery notes that a weird thing about the estate tax is that it is a “virtue tax,” or the opposite of a sin tax.87 Sin taxes discourage vices, but estate taxes and other wealth taxes discourage the virtuous behavior of saving. Greg Mankiw has made similar points: When a family saves for future generations, it provides resources to finance capital investments, like the start-up of new businesses and the expansion of old ones. Greater capital, in turn, affects the earnings of both existing capital and workers. Because capital is subject to diminishing returns, an increase in its supply causes each unit of capital to earn less. And because increased capital raises labor productivity, workers enjoy higher wages. In other words, by saving rather than spending, those who leave an estate to their heirs induce an unintended redistribution of income from other owners of capital toward workers. The bottom line is that inherited wealth is not an economic threat. Those who have earned extraordinary incomes naturally want to share their good fortune with their descendants. Those of us not lucky enough to be born into one of these families benefit as well, as their accumulation of capital raises our productivity, wages and living standards.88 All of this raises what appears to be a policy dilemma. How can we have a tax system that does not penalize beneficial wealth accumulation but also distributes the tax burden equitably? How do we ensure that the rich pay a fair share of taxes while not discouraging saving? The answer is consumption-based taxation. Consumption-based taxes can be taxes on transactions, such as retail sales taxes and value-added taxes. Or they can be taxes assessed on individuals and businesses, such as the “flat tax” designed by economists Robert Hall and Alvin Rabushka and the “X‑Tax” designed by economist David Bradford.89 Both income and consumption-based taxes tax income from labor and capital. But unlike income taxes, consumption-based taxes exempt the “normal” return to capital, which removes the bias against saving and investment. The normal return is usually thought of as the yield on a riskless investment, which represents the time value of money. Both income and consumption-based taxes tax the “above-normal” returns to capital. Those include the returns, or profits, attributable to market power, innovations, windfalls, and various rents available to certain businesses and investors.90 Economist Glenn Hubbard notes that wealthier households receive a larger portion of their capital income from these items, so consumption-based systems can be quite progressive.91 Bradford agrees that “sources of great wealth,” such as monopolies and highly profitable technology firms, are taxed under both income and consumption-based systems.92 However, by exempting the normal returns, the latter system is more conducive to growth. Bradford also long argued that consumption-based tax systems allow for much simpler administration and compliance.93 Consumption-based systems are also better at equalizing taxes on capital across activities and industries, and they capture some activities that escape taxation under the income tax. As one example, the “buy-borrow-die” strategy in real estate investment can allow individuals to go years without paying income tax if they borrow against appreciating properties to fund their consumption.94 That is the sort of loophole that angers the public about wealthy people, and it would be closed under a consumption-based system. Theoretical models suggest that consumption-based taxes are superior to income taxes on both efficiency and distributional grounds.95 The key is that income taxes distort both work effort and savings, but consumption-based taxes just distort work effort. Consumption-based taxes are superior on efficiency because you can raise a given amount of revenue with fewer distortions than under income taxation. Regarding distribution, you can design a consumption-based tax to match the progressivity of an income tax, but which collects revenue with fewer distortions. Tax law professors Joseph Bankman and David Weisbach conclude that “everyone is equally well off or better off under a properly designed consumption tax,” as compared to an income tax.96 They note that consumption-based taxes would tax the “idle rich,” which is often the motivation for taxes on the wealthy.97 Economists Kevin Hassett and Alan Auerbach agree that consumption taxes would target wealth, noting that “consumption taxes reduce the value of wealth, just as wealth taxes do” and “if the disproportionate political power of the wealthy is the concern, a consumption tax is potentially a more powerful tool.”98 Wealth taxes are an inefficient method for taxing the rich because they treat profits in the opposite way as consumption-based taxes. Wealth taxes exempt some above-normal returns to savings and tax the normal returns, which would distort savings and investment.99 In its report on wealth taxes, the OECD pointed to this problem: “The taxation of normal returns is likely to distort the timing of consumption and ultimately the decision to save, as the normal return is what compensates for delays in consumption.”100 Auerbach and Hassett come to similar conclusions: a consumption tax differs from a capital income tax in its treatment of capital income only by its exemption of the safe rate of return on investment. Thus, consumption taxes hit wealth without interfering with the incentive to save associated with the intertemporal terms of trade. Wealth taxes, on the other hand, effectively tax the safe rate of return on investment because they do not depend on actual rates of return, thereby incurring the intertemporal distortion but forgoing tax on other components of the rate of return.101 Bill Gates sort of captured the idea of consumption-based taxation when he said: “Think about the three wealthy people I described earlier: One investing in companies, one in philanthropy, and one in a lavish lifestyle. There’s nothing wrong with the last guy, but I think he should pay more taxes than the others.”102 A better framing would be to say that the last guy, who spends lavishly, is favored under income and wealth taxes, while the first guy, who saves, is penalized. Consumption-based taxation would fix that problem by taxing income and wealth only if consumed. Because wealth taxes suppress savings and investment, they undermine economic growth. A 2010 study by Asa Hansson examined the relationship between wealth taxes and economic growth across 20 OECD countries from 1980 to 1999. She found “fairly robust support for the popular contention that wealth taxes dampen economic growth,” although the magnitude of the measured effect was modest.103 The Tax Foundation simulated an annual net wealth tax of 1 percent above $1.3 million and 2 percent above $6.5 million.104 They estimated that such a tax would reduce the U.S. capital stock in the long run by 13 percent, which in turn would reduce GDP by 4.9 percent and reduce wages by 4.2 percent. The government would raise about $20 billion a year from such a wealth tax, but in the long run GDP would be reduced by hundreds of billions of dollars a year. Germany’s Ifo Institute recently simulated a wealth tax for that nation.105 The study assumed a tax rate of 0.8 percent on individual net wealth above 1 million euros. Such a wealth tax would reduce employment by 2 percent and GDP by 5 percent in the long run. The government would raise about 15 billion euros a year from the tax, but because growth was undermined the government would lose 46 billion euros in other revenues, resulting in a net revenue loss of 31 billion euros. The study concluded, “the burden of the wealth tax is practically borne by every citizen, even if the wealth tax is designed to target only the wealthiest individuals in society.”106 Conclusions Nations around the world have cut taxes on capital in recent decades, and most nations that had annual wealth taxes have repealed them. Recent U.S. proposals to increase taxes on wealth and capital income run counter to the lessons learned about efficient taxation in the global economy. The Europeans discovered that imposing punitive taxes on the wealthy undermined economic growth. They found that wealth taxes encouraged tax avoidance and generated capital flight. European wealth taxes raised little money and became riddled with exemptions. Wealth is accumulated savings, which is needed for investment. The fortunes of the richest Americans are mainly socially beneficial business assets that create jobs and income, not private consumption assets. Raising taxes on wealth would boomerang against average workers by undermining their productivity and wage growth. Senator Warren says that she wants rich people to “pay a fair share, so the next kid has a chance to build something great and the kid after that and the kid after that.”107 But encouraging the wealthy to invest in new and expanding businesses is what creates opportunities for those young people, not redistributing more income through the tax code. Creating a fair and efficient method of taxing capital is a challenge, but experts are widely agreed that wealth taxes are an inefficient way to do so. Rather than sin taxes, wealth taxes are virtue taxes that penalize the wealthy for being frugal and for reinvesting their earnings. Rather than imposing a wealth tax or raising tax rates on capital income, policymakers should rethink the overall federal approach to taxing capital. A better way is through consumption-based taxation, which would tax wealth but in a simpler way that does not stifle savings, investment, and growth.

#### Wealth taxes cause capital flight, zero-out ROI, and discourage investment

Hendrix 21 [Michael Hendrix, director of state and local policy at the Manhattan Institute with a M.A. in international relations from the University of St. Andrews in Scotland as well as a certificate in strategy and performance management from Georgetown University, 1-11-2021, "The Impoverished Idea of a Wealth Tax", Governing, https://www.governing.com/finance/the-impoverished-idea-of-a-wealth-tax.html]/Kankee

The typical arguments for wealth taxes — like curbing capitalism or fighting inequality — may make for great messaging on the left, but what should really worry proponents is whether they actually will bring in more revenue. Wealth taxes are known for driving the wealthy out, discouraging new wealth from moving in, and generally crushing entrepreneurial ambitions. Combined with the cost of implementing such a tax, it could even be a net negative revenue generator for states. And that's assuming a wealth tax is even constitutional. Billionaires may have the ability to pay a wealth tax, but they also have the ability to leave — just witness their moves during the COVID-19 pandemic. Alain Trannoy, a French economist, found that the "wealth tax in some countries seems more efficient to repel [the] rich than to effectively redistribute wealth." Roughly 10,000 people left France with 35 billion euros in assets after the country imposed a wealth tax. And assets are even easier to move than people. Measuring wealth is hard and costly, yet the dollars raised by a wealth tax are relatively small. France's "solidarity tax on wealth" cost twice as much in overall lost tax revenues as it gained in direct proceeds. Proponents of New York's proposed "billionaire mark to market tax" say it would grow the state's budget by 3 percent, but that's before factoring in the harm to other revenue sources as well as implementation and enforcement costs. What is the fair market value of a painting that has never been on the market, let alone its fluctuations in value every year? And more importantly, how is the state of New York to know? The Internal Revenue Service keeps no accounting of individual wealth, so it would be incumbent upon state auditors to invade homes every year to inspect jewelry, art, clothing and anything else that might count as "wealth." The process is akin to levying the "death tax" every year until you actually die, giving new life only to tax-avoidance schemes. A wealth tax would also sharply curb in-migration of talent and make states less attractive to foreign direct investment. At the national level, proposals like Sen. Warren's would tax domestic and foreign assets of citizens, in addition to an "exit tax" should anyone renounce their citizenship; California's proposal is similar. Why would taxpayers with wealth, whether they're living in Cincinnati or Singapore, want to send their child to college in California or have a major medical procedure there when doing so would risk confiscatory taxes on their global assets for the next 10 years? It is akin to building a wall around states like California and New York that were already shrinking in population, in part due to declining immigration from elsewhere in the country. And these states have a lot to lose: California is the nation's largest recipient of foreign direct investment. Wealth taxes act as a powerful disincentive to creating new businesses. Even a small levy would take a big chunk out of annual returns; for instance, a 3 percent wealth tax would take a 100 percent bite of the income from an asset earning 3 percent a year. Investors would likely invest less — and less often — since they would have to keep more dollars in reserve to pay taxes, and each new investment would mean more exposure to taxation. Some of the biggest losers from the wealth tax would not be the wealthy, but entrepreneurs and risk-takers who would find it harder to grow their small business and would be likelier to sell to a bigger business for cash to pay their taxes. What are the chances inequality actually increases under such a scenario? As it stands, new business formation in America has already been in a multi-decade slump, harming minorities and women the most. And the wealth tax may not even be legal. New York's state constitution prohibits taxes on intangible assets, which a wealth tax surely targets; other state constitutions are likewise iffy on wealth taxes. And just as New York's ability to tax residents across state lines is currently being contested before the U.S. Supreme Court, the U.S. Constitution may have something to say about California's desire to tax the wealthy for an entire decade even after they have left the Golden State. None of this has stopped New York progressive leaders from rallying outside Gov. Cuomo's office demanding a wealth tax, among other measures. State legislators, now with a veto-proof majority for Democrats in Albany and the backing of left-wing voices across the country, have promised to "Make Billionaires Pay." Never mind that for New York City, where most of the state's wealthy live, the combined state and local income rate is already the second-highest in the nation, or that a sizable chunk of state revenues is paid by a surprising few, or even that the latest Census figures show New York state losing more residents than any other. The wealth tax is an impoverished idea, a perpetual death levy whose costs are too high and whose gains are too few for states already on fiscal life support. All is not well that ends wealth.

#### High taxes on rates of return encourage consumption over investment, harming long-term growth

Cochrane 20 [John H. Cochrane, Senior Fellow at the Hoover Institution and former Professor of finance at the University of Chicago Booth School of Business, 02-25-2020, “Wealth and Taxes,” Tax & Budget Bulletin, https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=3567365]/Kankee

Thus, the theory of optimal taxation is straightforward. It answers the following question: How can the government raise a given amount of tax revenue while generating the least perverse disincentives? The theory of optimal redistribution offers an additional wrinkle: How can the government give money away while generating the least perverse disincentives to recipients as well as payers? Disincentives include evasion—what accounting moves will people make to avoid taxes? And disincentives include changes to economic behavior—will people move, stop working, invest less, choose different careers, or make other choices in response to taxes? Evasion loses the government revenue and employs a lot of lawyers and accountants. But the real damage to the economy comes from the behavioral disincentives. In this traditional understanding of how to analyze taxes, the wealth tax is a very inefficient way for the government to raise money. It generates a swarm of avoidance and does a lot of economic damage per dollar raised. That is why most of Europe has abandoned wealth taxes and the United States has not imposed one. One basic conclusion of optimal tax theory is “don’t tax rates of return.” Wealth taxes essentially impose a heavy tax on the rate of return to savings and investment. If you consume money fast rather than invest it, you save a bundle of wealth taxes. People react to a tax on rates of return by saving less and consuming more. Over the long run, even small changes in consumption versus investment behavior result in a lot less investment capital. Like any other famous result in economics, of course, this one attracts a beehive of theorists looking for ways to unseat it, but in my view, it is pretty solid. It stems essentially from the principle to tax inelastic things and not tax elastic things. A tax on rates of return taxes when you consume, not your overall level of consumption. You have some money. Should you consume it all today or invest it and consume tomorrow? If there is a high tax on rates of return, you consume more today and less tomorrow to avoid the tax. It is like taxing groceries at Whole Foods but not at Safeway. A better tax would tax consumption equally today and tomorrow and not distort when you choose to consume. Put another way, the wealth tax—like a rate of return tax— taxes money that has already been taxed. People earn money, pay taxes on it, invest it, and then pay taxes again. The government should only tax it once. A great lie is that the rich pay lower taxes than us when tax rates on capital are lower than tax rates on wages. It is a lie because it only counts the second-round tax on the returns to savings, not the firstround tax on the income that produced the savings.17 A substantial wealth tax would be a neon sign to the wealthy: Don’t save your wealth, consume it now! Take a private jet on a round-the-world tour! Give your money away to political candidates before it can be taxed! (I highlight that because supporters argue that a wealth tax would reduce the political influence of the wealthy. But its incentives are the opposite.) Also, a substantial wealth tax screams: don’t get wealthy in the first place by working hard or starting a business because the government will just take it away from you! A progressive wealth tax, like the progressive income tax, strongly discourages risk taking. Suppose you have $20 million and a choice between investing in a Silicon Valley startup with a 1 in 4 chance of making $100 million or in the quiet safety of government bonds. A progressive wealth tax induces people to invest in the government bonds. If you are choosing careers between entrepreneur and lawyer, the wealth tax tells you to become a lawyer—especially a tax lawyer. Underlying this analysis are the two distinctive features of modern economics: decisions are made comparing the present to the future, and considering risk, decisions respond to incentives. A wealth tax also focuses its disincentive to invest on people who have already made a lot of money. But who will fund the next immensely valuable company? A wealth tax means that the people who made the last successful investment will not make the next one. But people who have been successful at starting companies in the past have skill at it and are precisely the ones we want investing in and starting new companies. Now, optimal taxation theory does say that a wealth tax can be a perfect tax—if the government confiscates wealth completely and unexpectedly and promises credibly to never do it again. That way, the government gets the revenue but produces no distortions. People have no choice but to go back to work and save and build that wealth up again. Such a “capital levy” is a true tax on wealth without taxing rates of return. The catch: such a tax has to be truly unexpected and happen only once. If people see it coming, they scramble to get out of the way. And having been impoverished once, people wonder if maybe the government might do it again; then they refuse to work, save, and build wealth that might be taken again. Capital levies are something governments can do only in extremely rare, visible, once-per-century crises, with some strong precommitment never to do it again. That is not the currently proposed wealth tax! The proposed wealth tax would tax away the incentive to get rich. That is bad because people get rich by inventing new and better products, starting new companies, increasing efficiencies, and lowering prices. Advocates belittle these arguments with a claim that the wealth tax rate is small. A rule of thumb from the theory of taxation is that the economic damage of a tax is proportional to the square of the tax rate. Roughly, the damage equals the price distortion times the quantity distortion. The quantity is proportional to the price, so damage is price squared. So, a 2 percent or even 6 percent wealth tax rate might not seem so bad. But one should compare those tax rates to the rate of return, not to the principal amount. Take a fixed-income investment, which these days may only pay interest income of 1 percent per year. We currently tax that interest income at federal, state, and local levels. If you pay a 50 percent income tax, then you get 0.5 percent return after taxes. A 0.5 percent wealth tax is the same as a 50 percent income tax in this case. A 6 percent wealth tax would be effectively a 600 percent capital income tax rate! Hank Adler and Madison Spach in the Wall Street Journal noted that to pay a wealth tax you have to sell assets, which multiplies the size of the tax.18 If you sell assets, you have to pay federal and state capital gains tax in addition to paying the wealth tax: Consider a hypothetical founder of a California company who has to pay a 6% tax on wealth in excess of $1 billion. The founder is exclusive owner of a company with a fair market value of $6 billion. . . . The founder’s wealth in excess of $1 billion [i.e., $5 billion] would initially trigger a $300 million wealth tax. To raise the $300 million, he would need to sell $1.053 billion (17.6%) of the company to pay Ms. Warren’s 58.2% federal capital-gains tax, California’s 13.3% income tax, and the 6% wealth tax. (The $1.053 billion sale price minus $613 million in federal capital-gains taxes, minus $140 million of California income taxes leaves $300 million.) Including the wealth tax on the first billion dollars, at the end of five years, sales of roughly $3.69 billion of the company would be required. The founder would have paid 61% of his net worth in taxes, losing most of the business.19 As they point out, this is only the beginning. Most businesses also borrow money, and if you sell part of the business, you have to repay debt before you do anything else. If, for example, the company is half financed with debt, then you have to sell $2 of assets, pay back $1 of debt, and then start paying all these taxes. In sum, on standard optimal-tax grounds, the wealth tax is a terrible way for the government to raise revenue. Evasion Wealth taxes are extraordinarily open to evasion, which is another reason most countries that had them abandoned them. There is nothing like the prospect of an annual 6 percent tax to focus the minds of billionaires and their accountants and lobbyists. Tax evasion tends to get worse over time as individuals and businesses learn how to game the system and gain special tax rules and exemptions from Congress. The United States currently has a wealth tax, the estate tax. It applies a 40 percent tax once a generation. It is a mess of avoidance and evasion. Wealthy families structure their businesses with the estate tax in mind from the day a grandchild is conceived. Forty percent once a generation is less than 2 percent per year. A 2 percent wealth tax doubles the estate tax. Six percent per year adds up to three times as much. The wealth tax is a big tax that people will do a lot to avoid. How do you avoid wealth and estate taxes? First, take businesses private or invest in private businesses that do not have clear market values. Real estate is especially good because of the complex tax treatment and difficulty of valuing large investments. Then create complex share structures to spread ownership of the businesses, staying one step ahead of the Internal Revenue Service (IRS) valuation rules. For example, set up multiple share classes in which outside investors or family members with less than $1 billion in wealth hold all IRS-valued “wealth” and inside investors get all the benefits. Add multiple interlocking LLCs and Cayman Islands special entities and nobody will figure it out. The New York Times’ various exposes of President Trump’s tax dealings are wonderful examples of how wealthy dynastic families appear to get around income taxes, estate taxes, and even sales taxes, perfectly legally. It would be much worse under an annual wealth tax. Saez and Zucman anticipate some of these objections to a wealth tax: The greatest risk to enforcement comes from base erosion due to the exemption of specific assets, such as business assets and unlisted corporate equity. . . . International experience shows that base erosion tends to occur when specific constituencies (such as business owners) lobby to become exempt.20 Indeed, base erosion would be rampant. Farm businesses, small businesses, factories producing solar panels, businesses in rust-belt cities, and many other businesses would come screaming to Washington for wealth tax exemptions. Saez and Zucman continue on the issue of valuing business assets: Other countries such as Switzerland have successfully taxed equity in private businesses by using simple formulas based on the book value of business assets and multiples of profits. The IRS already collects data about the assets and profits of private businesses for business and corporate income tax purposes, so it would be straightforward to apply similar formulas in the United States.21 I think that misses the point. These are taxes on small businesses. The uber-wealthy don’t own businesses. They own complex claims on businesses, claims that would get more complicated as soon as a wealth tax were passed. Good luck valuing four or five classes of shares, combined with debt that includes various options, funneled through various interlocking partnerships and the like. Valuing real estate . . . Local governments have a cadaster of real estate property for the administration of local property taxes. Such property taxes are based on assessed value. In most states, assessed values closely follow market value.22 Two words: Donald Trump. As with businesses, wealthy people don’t own real estate in their own names. They own shares of complex entities that eventually own real estate, all of it designed for tax avoidance. Saez and Zucman take the evidence that you and I pay property tax to infer that Trump enterprises will do so. That is silly. Saez and Zucman address this issue: Some assets are held through intermediaries such as trusts, holding companies, partnerships, etc. To prevent avoidance, all the assets of intermediaries should be included in the tax base of their ultimate owner (granter or grantee, in the case of a trust) at their market values, without any valuation discount. Formulaic rules can be set to divide the ownership of jointly-held assets for wealth tax purposes.23 But how do we untangle who actually owns what, especially when the structures are designed to hide that fact? Here is a revealing Saez and Zucman footnote: Estate tax revenue collected in 2017 from wealthy individuals who died in 2016 was only $20 billion. This is only about 0.13% of the $15 trillion net worth that the top 0.1% wealthiest families owned in 2016. This demonstrates quantitatively that the estate fails to take much of a bite on the wealthiest (in spite of a reasonably high 40% nominal tax rate above the $5 million exemption threshold, set to increase to $10 million in 2018). The main factor driving such low tax revenue is tax avoidance.24 So people react to the estate tax predictably by forming complex asset structures, which destroy the revenue from that tax. How then would the government avoid exactly this result from the wealth tax? Saez and Zucman do not say. The overall answer strikes me as a reiteration of a classic liberal conceit: Oh yes, it is all terrible now, but it has just been done badly. Put smart people like us in charge, and we will somehow be immune to political pressure and will really put the screws on. But even the New York Times concedes, “Name a tax and there’s a way to reduce it, delay it or not pay it. Financial advisers say a wealth tax would be no different.”25 Optimal Taxes, Bottom Line If we want to raise revenue with minimal economic distortions, the wealth tax is an awful way to do it. A consumption tax is a much better approach. It can be levied either directly or from taxing income less savings. It would tax consumption overall, and you could not avoid it by consuming earlier. It would tax the rich at the Porsche dealership while leaving them incentives to keep their money invested, which benefits the broader economy. People who support redistribution would be better to favor a progressive consumption tax or use a high consumption tax combined with benefit programs.26 Because of these realities, the U.S. tax code and tax codes in other advanced economies have slowly reduced taxes on rates of return—both directly through reduced rates on dividends and capital gains and via a plethora of special vehicles such as 401(k)s. A wealth tax would go in exactly the opposite direction of nearly every advanced economy over recent decades. 5. IT’S ALL ABOUT POLITICAL POWER

#### Wealth taxes reduce wages, destroy entrepreneurship, cause capital flight, and encourage tax evasion

Scheuer and Slemrod 21 [Florian Scheuer, UBS Professor of Economics of Institutions at the University of Zurich and Chairman of the Department of Economics, and Joel Slemrod, Paul W. McCracken Collegiate Professor of Business Economics and Public Policy at the Ross School of Business at the University of Michigan, Winter 2021, “Taxing Our Wealth,” Journal of Economic Perspectives, https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.35.1.207]/Kankee

Real Behavioral Responses A wealth tax reduces the after-tax return to saving. The most important potential real behavioral response is in terms of reduced saving and capital accumulation. This effect is qualitatively the same as under other taxes on capital accumulation, such as a capital income tax (for an overview, see Bernheim 2002). As seen above, though, one difference is that a wealth tax can translate into higher capital income tax rates than are commonly imposed (potentially exceeding 100 percent), which presumably leads to larger effects. Taxes that appear to be levied on the wealthy may instead be borne by others via tax-induced changes in pre-tax prices. For example, if a wealth tax reduces capital accumulation, in the long run it may reduce average wage rates. Such an argument figured prominently in the debate preceding the Tax Cuts and Jobs Act of 2017, when supporters argued that the proposed cut in the rate of corporate income tax would, via increased business investment and eventually a larger capital stock, increase average annual wages by as much as $9,000; this suggests an avenue through which taxing “their” wealth ends up affecting “our” wealth. This conclusion is highly controversial, however (for an overview of the arguments made at this time, see Slemrod 2018 in this journal). A wealth tax could also affect work effort, but there is no consensus on the relevant labor supply elasticity. Notably, a substantial fraction of the very wealthy are either themselves or descendants of principals in a rather successful business venture: for example, of the wealthiest Americans on the 2018 Forbes 400 list, 69 percent were “self-made” founders of their business (Scheuer and Slemrod 2020). As a result, the relevant margin is probably not hours of work in the narrow sense. Instead, the key effects may be on the incentives for entry into entrepreneurship (Cullen and Gordon 2007; Scheuer 2014; Shourideh 2014)) and on the ownership and control structure of business enterprises. Due to the highly progressive nature of the wealth tax, it could, for example, discourage entrepreneurial risk taking. Hall and Woodward (2020) document that entrepreneurial risk is highly skewed, with most venture-capital backed start-up companies faring poorly and a few performing exceptionally well. Due to incentive problems, this risk cannot be diversified, which limits the attractiveness of entrepreneurship under reasonable risk aversion, so further reducing entry might seem like a bad idea. However, because a risk-averse individual will have relatively low marginal utility in case of very good outcomes, the effect on decisions to participate in entrepreneurship of a wealth tax that applies only in those low-probability states of the world could be modest. Another concern is that a wealth tax might force entrepreneurs to reduce their ownership in a company whose valuation increases over time in order to pay the tax liability. Even if such founders are not primarily motivated by monetary incentives, but instead are mostly interested in being able to realize their ideas, such an anticipated dilution of control rights could have discouraging effects on entrepreneurial activity. Might a US wealth tax induce some people to move out of the country? Because the US taxes on the basis of citizenship rather than residence, moving does not relieve an American citizen of any tax obligations—instead, citizenship renunciation is required. There are some prominent examples: Facebook co-founder Eduardo Saverin dropped his US citizenship in favor of Singapore just prior to the Facebook initial public offering in 2012. But overall, US citizenship renunciation by the wealthy has been very small. Between 2005 and 2017, more than 30,000 individuals dropped their US citizenship, of whom fewer than 100 reported net worth greater than $100 million (Organ 2020). Overall, however, about one-third of those dropping citizenship were millionaires in terms of wealth, compared with only about 5–6 percent in the US population. An increase in renunciations in the 2010s was probably due to increased enforcement of tax evasion using offshore accounts, prompting renunciation by dual citizens already residents abroad. However, there is no historical precedent to help gauge the renunciation response to a wealth tax at rates far above existing levels.10 Avoidance One way to reduce wealth tax liability is to substitute assets that face lower tax rates, or to hold assets for which the value is harder to monitor and thus easier to understate successfully. Spain offers a stark example: when it exempted some forms of closely held businesses from its wealth tax base, the share of the exempted stock as a share of all closely held businesses increased from 15 to 77 percent (Alvaredo and Saez 2009). In a US context, a wealth tax might lead some high net-worth individuals to shift into assets that are harder to value, such as keeping businesses private rather than going public. Start-up firms might forego equity infusions to avoid new valuation rounds, which could constrain their expansion, or they could start issuing non-standard, less transparent types of stocks. Hemel (2019) offers the example of companies deciding not to offer their shares on public equity markets, even if a public offering would be the most efficient means of raising capital, because a more transparent valuation will lead to a larger wealth tax liability for its shareholders. Much wealth of the Forbes 400, for example, is currently held in publicly traded stock, but this feature cannot be taken as unresponsive to a potential wealth tax. This is an example of a potentially substantial and distorting behavioral response of which there is no trace in existing data; how likely it is to occur and what enforcement responses might constrain it are very hard to know. Such shifting into less visible assets would also have repercussions for our measures of wealth inequality: it might look like a wealth tax reduces concentration when in reality it partly shifts top wealth into forms that are less susceptible to accurate measurement.11 Evasion Government auditors typically lack the resources to trace sophisticated means of wealth tax evasion—say, methods that work through layers of financial intermediaries. High-profile leaks from these intermediaries, such as the 2007 leak from HSBC Bank in Switzerland and the 2015 “Panama Papers” from the firm Mossack Fonseca, have allowed researchers to gain insights into these forms of tax evasion. Alstadsæter, Johannesen, and Zucman (2019) link the account names from the HSBC leak with individual tax data for Norway, Sweden, and Denmark and find that 95 percent of these foreign account-holders did not report the existence of the account to the tax agency. They show that evasion rates rise sharply across the income distribution and conclude that the top 0.01 percent in the income distribution evade about 25 percent of the income and wealth taxes they owe. Guyton et al. (2020) combine random audit data with data on offshore bank accounts and show that tax evasion for US taxpayers through offshore financial institutions is highly concentrated at the very top of the income distribution, and that random audits virtually never detect this form of evasion. Despite this new evidence, we do not yet know the extent to which a wealth tax at much higher rates would be susceptible to evasion, although some of the studies of European wealth taxes suggest substantial evasion. Its extent will certainly depend on the enforcement environment, which is evolving. The Foreign Account Tax Compliance Act (FATCA) of 2010 set up third-party reporting requirements based on existing tax information exchange agreements. Through threat of a punitive withholding tax for non-complying foreign financial institutions, FATCA provides US tax subjects with strong incentives to report to the IRS the value and income generated by their foreign accounts.12 Both the Sanders and Warren wealth tax plans would expand enforcement further, proposing significant increases in the IRS enforcement budget and a minimum audit rate for taxpayers subject to the wealth tax. How effective such expanded enforcement would be in restraining evasion has been controversial. Saez and Zucman (2019a) claim that evasion would shrink the wealth tax base by just 15 percent. Kopczuk (2019) expresses skepticism, noting that the most effective tax enforcement relies on market transactions reported by third parties, which would be absent for much wealth. This is not purely an enforcement problem because, as mentioned, the valuation of many assets is objectively hard. Clever ideas have been put forward to address this problem; for example, Allais (1977) proposes that wealth owners self-report the value of their assets but then the government (or any other private bidder) could acquire these assets at a surcharge of 40 percent (respectively, 50 percent). Such schemes come with their own difficulties, though, especially with opaque assets, not to mention the political concerns about the government owning a large share of businesses in the economy. One difference between the wealth tax and the estate tax is that the former requires reporting at a much higher frequency. While this potentially raises compliance costs, the upside is that any evasion strategy must engineer an entire path of reports that is plausible on a yearly basis, notably relative to yearly income, rather than just one end-of-life snapshot. This may make it harder to conceal wealth systematically than in the case of the estate tax, which allows for decades of planning without generating much data for tax authorities. Administrative and Compliance Costs.

#### Wealth taxes eviscerate wealth, entrepreneurship, and innovation

Pethokoukis 21 [James Pethokoukis, senior fellow and the DeWitt Wallace Chair at the American Enterprise Institute, 3-2-2021, "Wealth Taxes Come with a Wealth of Worrisome Potential Trade-offs", American Enterprise Institute, https://www.aei.org/economics/wealth-taxes-come-with-a-wealth-of-worrisome-potential-trade-offs/]/Kankee

In any event, I’m skeptical this debate is mostly about fiscal responsibility. Sure, Warren frames her wealth tax partly as a way of paying for stuff Democrats want. “We need to turn to infrastructure, childcare, pre-K, college,” Warren said on Monday. “We need to turn to the things that create investment and opportunity going forward and to do that, a wealth tax is the best way to pay for it.” That said, there’s little evidence that Washington Democrats think the country is rapidly running out of fiscal space. They’re not paying for the new pandemic relief bill and are unlikely to pay for more than a portion of that next big spending bill. Perhaps what the Ultra-Millionaire Tax Act is really about, in large part, is something more cathartic: hitting the rich who have, in Warren’s view, benefitted from a “rigged” economy. It’s populism, progressive style. One might hand-wave away this notion as political virtue signaling, but doing so would understate the impact of the tax if actually implemented. This is not a small tax. These taxes are assessed annually, potentially generating de facto income tax rates of 67 percent or higher, as my AEI colleague Alan Viard has noted. The wealth tax is also cumulative. Paying an annual tax each year of 2 percent means a tax equal to 20 percent of net worth over a decade. What’s more, a wealth tax might well come in addition to other tax hikes on personal and corporate income. Yet even if there’s just the wealth tax, I worry about the impact on economic growth and high-impact entrepreneurship. To that latter issue, I would note that some proponents concede a wealth tax would reduce the financial payoff to what they have termed “extreme cases of business success,” although they believe there would be hardly any loss of “socially valuable innovation.” From that perspective, a wealth tax would really only hurt wealthy owners who have already built businesses and are worried merely about competitive turf battles and squashing up-and-comers. But does that really describe the American economy, where many of the super-rich are also super-entrepreneurs? Is Elon Musk really done innovating and merely using market power to fend off potential rivals? Has Amazon been stuck in amber since Jeff Bezos first became a billionaire in 1999? Aren’t those trillion-dollar tech giants spending an awful lot on R&D? Oh, and one final question: If you’re really concerned about inequality, why not push ideas such as more high-skill immigration, housing deregulation, and consumption taxes that have less potential risk to growth and our entrepreneurial culture? The wealth tax — an idea also not particularly popular in other rich countries — seems like an idea with a wealth of red flags.

#### Wealth taxes cause downward market spirals

Washington Post 21 [Washington Post Editorial Board, 7-21-2021, "The smartest way to make the rich pay is not a wealth tax", Washington Post, https://www.washingtonpost.com/opinions/2021/07/21/most-effective-way-tax-rich-capital-gains/]/Kankee

This would not be the direct tax on wealth favored by many progressives. Sen. Elizabeth Warren (D-Mass.) recently renewed her call for such a tax — “to make the ultra-rich finally pay their fair share” — after ProPublica reported, based on leaked tax-return data, that the 25 wealthiest individuals in the United States, “pay income taxes that are only a tiny fraction of the hundreds of millions, if not billions, of dollars by which their fortunes grow each year.” ProPublica muddied a basic distinction, which, properly understood, actually fortifies the case against a wealth tax. The story likened on-paper asset price appreciation with actual cash income, then lamented that the two aren’t taxed at the same rate. However, the income tax system never required people to pay taxes on the appreciation of their assets, until they sold them and “realized” capital gains. For good reason: ProPublica’s logic implies that, when the stock market goes down, Elon Musk, whose billions are tied up in shares of Tesla, should get a tax cut. In Ms. Warren’s version of the wealth tax, which calls for 2 percent annual levies on net wealth above $50 million, and 3 percent above $1 billion, very rich people would face large tax bills even when they had little or negative net income, forcing them to sell assets to pay their taxes. That could set off a downward spiral in the markets, affecting people of more modest means. Though prices of marketable securities are easy to track, the huge chunks of private wealth tied up in real estate, rare art and closely held businesses are more difficult — sometimes impossible — to assess consistently. Such problems help explain why national wealth taxes yielded only modest revenue in the 11 European countries that levied them as of 1995, and why most of those countries subsequently repealed them. Americans should be familiar with the issues from our existing equivalent to a wealth tax: state and local property taxes, which raised $547 billion in 2018, a surprising 10 percent of all federal, state and local revenue. The fairness and accuracy of property-value assessments is a perennial bone of contention. Reforming local property taxes — though a difficult battle that would have to be waged across thousands of counties and cities — could go a long way toward reducing national wealth inequality, without adding a new layer of political controversy and policy complexity by trying to replicate them at the federal level.

#### Wealth taxes fail – investment incentives and implementation

Riedl 23 [Brian Riedl, Senior Fellow at the Manhattan Institute, 09-2023, “The Limits of Taxing the Rich,” Manhattan Institute, https://media4.manhattan-institute.org/wp-content/uploads/the-limits-of-taxing-the-rich.pdf

Total Revenues: 0.1% of GDP from Biden campaign plan to restore 2009 levels. Wealth Taxes. The difficulties of substantially taxing the wealthy through income taxes (much of their income comes from investments) and capital gains (in which realizations are extraordinarily sensitive to tax policy) have led many progressive leaders to endorse the more straightforward approach of directly taxing away billionaire net worths. Indeed, Sanders has proposed an annual wealth tax with rates rising from 1% on net wealth over $32 million, all the way to 8% on net wealth above $10 billion (single filers would have the thresholds cut in half). Elizabeth Warren has proposed a wealth tax with a rate topping out at 6% over $1 billion.84 The estimated revenues from a wealth tax are often prone to exaggeration. Even seizing all $4.5 trillion in wealth owned by America’s billionaires—every home, car, investment, and business— could finance the federal government one time for just nine months.85 The Sanders wealth tax has been scored as raising 0.8% of GDP ($2.3 trillion over the decade),86 and it is quite possible that the resulting reduction in the long-term net worth of the wealthiest Americans would reduce the wealth tax base and thus, over time, the annual tax collections. After all, if billionaire wealth stops growing significantly, so will billionaire wealth-tax revenues. This type of wealth tax is simply not plausible or realistic, especially at the tax rates proposed by Warren and especially Sanders. The first challenge is that most billionaire wealth is tied up in businesses and the stock market—rather than mansions, yachts, and savings accounts—that may need to be liquidated to pay such a large annual tax. Forcing Jeff Bezos to sell $11 billion in Amazon stock annually, Elon Musk to sell $18 billion in Tesla and SpaceX stock, and other billionaires to unload their investments to pay annual wealth-tax rates rising to 8% would likely take a toll on every American’s 401(k). An 8% wealth tax would require investments to grow 8% annually just to break even—the equivalent of a 100% tax on such gains. And unlike capital-gains taxes—which tax investment returns proportionally—a wealth tax would impose the equivalent of a lower marginal tax rate on investments earning supernormal returns, which are more likely to be exploiting an economic rent or monopoly power, than on more traditional and modest investments. (For example, a 4% wealth tax would seize all of an investment’s 4% returns but only one-fifth of a different investment’s 20% returns).87 Sanders’s proposal includes capital-gains tax rates reaching 62% (not including state taxes), followed by an 8% wealth tax, and then eventually a 77% estate tax. It would produce combined tax rates on investments often exceeding 100%, followed by the seizure of most remaining wealth at death. And if the economy falls into recession or if a market decline shrinks investment portfolios, adding an 8% annual wealth tax could result in total wealth falling by half over a five-year period for some families. Regardless of one’s level of sympathy for billionaires, such an event would significantly reduce investment, further erode 401(k) portfolios, and reduce the tax base for wealth taxes moving forward. Yet the tax rate is not the only weakness of wealth-tax proposals.88 Like mark-to-market taxation proposals, wealth-tax proposals present an administrative nightmare of: 1) annually valuing less liquid assets such as privately held businesses and art; 2) tracking wealth over time; and 3) limiting tax avoidance as billionaires shift their portfolios to minimize wealth taxes. Such taxes would dramatically reduce economic investment, which is vital for economic growth and rising wages. Annual tax bills in the tens of millions of dollars would create liquidity challenges for families whose wealth is tied up in their private business or other illiquid assets.89 Finally—and perhaps most important—a wealth tax would first require a constitutional amendment, as the Supreme Court would likely rule it unconstitutional as a direct tax that is not apportioned among the states in proportion to their population (and not meeting the Sixteenth Amendment exception for income taxes).90 Even Europe has largely given up on wealth taxes, where the number of nations with a broad wealth tax resembling American proposals has fallen from 12 to three since 1990 (Colombia has one as well, if examining OECD nations).91 Wealth taxes were repealed even by left-wing governments because they proved to be expensive to administer, reduced and distorted pro-growth investments, created family liquidity issues, induced wealthy families (and their cash) to move abroad, and— perhaps most important—raised very little revenue. And many of those headaches occurred even at wealth-tax rates approaching 1%. National Public Radio reported in 2019: “The experiment with the wealth tax in Europe was a failure in many countries. France’s wealth tax contributed to the exodus of an estimated 42,000 millionaires between 2000 and 2012, among other problems. Only last year, French president Emmanuel Macron killed it.”92 Verdict: Infeasible. The economic, administrative, and constitutional challenges of a wealth tax are considered insurmountable by economists and legal experts across the political spectrum. This is especially true at tax rates approaching 8% interacting with steep capital-gains and estate taxes. More feasible options include higher investment-tax rates, taxing capital gains at death, and even (the unlikely) mark-to-market taxation. Total Tax Revenues

#### Precedent in Europe shows capital flight

Enache 24 [Cristina Enache, Visiting Professor at the University of Navarra School of Economics and Business, Secretary-General at the World Taxpayers Associations, General Manager of the Spanish Taxpayers Union, and former Director of Research at Civismo, an economic research organization, 06-26-2024, "The High Cost of Wealth Taxes", Tax Foundation, https://taxfoundation.org/research/all/eu/wealth-tax-impact/]/Kankee

People Vote with Their Feet One of the reasons Sweden abolished its wealth tax was because capital and high-net-worth individuals fled the country. It was argued that the special treatment of business equity made the wealth tax regressive—taxing middle-class wealth and exempting the wealthiest individuals’ assets (closely held firms)—and it was responsible for spurring tax avoidance, including capital flight to tax havens.[18] In Norway, after a 1 percent increase in the wealth tax, the government decided to approve a higher exit tax as billionaires fled the country.[19] Currently, due to the exodus of high-net-worth individuals to countries like Switzerland, Sweden’s largest banks are opening new offices in Zurich.[20] In 2023, after the Spanish solidarity wealth tax was declared constitutional, Portugal decided to extend its tax regime for nonresidents since more Spanish taxpayers were considering changing their tax residence.[21] In the United States, Washington State has recently advanced a wealth tax proposal of a one percent tax on tradable net worth above $250 million. While the state’s economists projected that the wealth tax would raise about $3.2 billion a year, $1.44 billion, almost 45 percent, would have been collected from Jeff Bezos. But his decision to move to Florida just eliminated potential wealth tax collections worth nearly half the official estimate.[22] When a tax is so heavily concentrated on a few wealthy, highly mobile individuals, that’s what happens when just one person moves. In other countries like Switzerland, taxpayers need to approve any tax increases. In 2023, voters in Geneva rejected an extra “solidarity” levy on individuals with more than CHF 3 million (EUR 1.04 million or USD 3.4 million) in assets. Even the local government spoke out against the increase.[23] Five Decades of the Wealth Tax in Spain

#### Norway tax wealth taxes cause a capital exodus

Gilchrist 24 [Karen Gilchrist, CNBC correspondent and journalist, BA in English Language and Literature from the University of Liverpool, 03-15-2024, “Biden’s ‘billionaire tax’ takes aim at the super-rich — but can a wealth tax work in reality?”, CNBC, https://www.cnbc.com/2024/03/15/bidens-billionaire-tax-hits-the-super-rich-can-a-wealth-tax-work.html]/Kankee

A mass money exodus Tax specialists note, however, that even well-designed wealth tax policies can be hard to enforce in practice, with questions arising over which assets should be taxed and who should be responsible for evaluating their value. Indeed, the potential for behavioral shifts is one of the top arguments leveled against wealth taxes. Critics point to the increased risk of a wealth exodus among the highly mobile super-rich, including to tax havens, which they say undermines original efforts to boost government coffers. “We certainly see individuals looking at other countries to see is, is if there was a wealth tax to be introduced would there be merit in moving?” said Christine Cairns, personal tax partner at PwC. In 2022, when Norway increased its wealth tax on residents with assets above 20 million Norwegian kroner ($1.8 million), many flocked to Switzerland. Entrepreneur Tord Kolstad was one of approximately 70 super-wealthy Norwegians who made the move in 2023. “They doubled this taxation from one day to another. This is the reason Norwegian business owners are forced to leave the country. This is a great impact for a lot of people, me as well, and it’s not sustainable in the long run,” Kolstad, founder and CEO of Norwegian property group T. Kolstad Eiendom, said. Researchers are divided on the risks of capital flight from a wealth tax, with some contending that cash outflows would be limited. But they do raise other concerns over the costs of such a policy and its ability to redistribute wealth. Data suggests that a wealth tax accounts for only a very small proportion of total tax revenues in the countries where it has been applied. Often those revenues have failed to increase much over time. “There is more cost on the tax authority side, because they’ll definitely need to be doing additional valuations,” Advani said. “A different area of cost that you could be worried about is what does it do to, for example, incentives to invest.” Addressing wealth inequality

#### One-off taxes implode the economy – its not trusted to be one off, and it leaks, leading to tax evasion

Keen 13 [Michael Keen, Deputy Director of the Fiscal Affairs Department of the International Monetary Fund, 11-5-2013, "Once And For All—Why Capital Levies Are Not The Answer", IMF, https://www.imf.org/en/Blogs/Articles/2013/11/06/once-and-for-all-why-capital-levies-are-not-the-answer

What was just described is the essential idea of a “capital levy,” the passing discussion of which in Box 6 of the recent Fiscal Monitor attracted much attention. (To be clear, there is no such proposal from the IMF; the box simply contains an analytical description of the issue and experiences, which had already been the subject of some public discussion). Such a levy would entail a one-off charge on capital assets, the precise base being a matter for choice, but generally larger than cash left on kitchen tables. Added to the efficiency advantage of such a tax, many see an equity appeal in that such a charge would naturally fall most heavily on those with the most assets. So it is not surprising that the idea of a capital levy has at times risen high in public debate, especially after wars in which extraordinary means are sought to reduce high levels of debt—whether of the winners (Britain after the Napoleonic and First World Wars, for instance) or losers (Germany after the First World War, Japan after the Second World War). But, as the review by Berkeley economist Barry Eichengreen makes clear, governments have rarely implemented capital levies, and they have almost never succeeded. And there are very good reasons for that. Or poisoned chalice? The homey analogy also points to a pretty fundamental flaw in this basic case for a capital levy. Tonight, fearing that the government will do the same again, you may choose not to leave your cash on the table, or perhaps you will spend it. Looking closer at the note that the government left on the table, you find “P.S. We promise not to do this again.” But do you believe it? What if the government finds itself in trouble again? Now you are likely to search for ways to reduce, avoid or evade possible future levies—and the tax may become highly distortionary. The point is that to be non-distorting the tax must be both unanticipated and believed certain not to be repeated. These are both very hard things to achieve. Introducing and implementing any new tax takes time, and governments can rarely do it in entire secrecy (even leaving aside transparency issues). And that gives time for assets to be moved abroad, run down, or concealed. The risk of future levies can be even more damaging; they discourage the saving and investment that generate future capital assets. More generally still, the credibility of all government tax policy can be jeopardized by unanticipated taxes of this sort. If the government can do this, what’s to stop them from, say, suddenly deciding that the depreciation of past investments and interest incurred on old loans will no longer be deductible against tax? Effective taxation requires a degree of confidence in future tax policies that goes beyond any legal restrictions governments may face on their ability to tax. So the point is not simply that in practice, any capital levy will be distorting: it is that it is likely tso be very distorting. The experience of capital levies bears out these warnings. Where they have been tried, they have rarely raised much revenue, being preceded by lengthy public debate and capital flight (associated with an inflation that eroded the underlying debt problem). Eichengreen finds only one successful example: Japan after the Second World War, where the tax was imposed by an occupying power and so was largely unconstrained by democratic norms and did not taint for future governments. This was the exception—emphatically not the rule. A wealth of wealth taxes A capital levy is one form of wealth tax. It should not be confused, as it sometimes has been, with the many other possible types of tax on wealth and its transfer: taxes on estates left at death, on inheritance and gifts, on real estate, on transactions in capital assets, to name but a few. The economics of these are quite different and, in some cases, much more attractive. We also discussed this in the Fiscal Monitor, and it deserves a blog of its own.

### Contention 2: Charity Good

#### Wealth taxes harm charitable giving and the economy

Mcguigan 22 [Elizabeth Mcguigan, Senior Vice President at The Philanthropy Roundtable with a BA in Economics, Mathematics, Political Science, Women’s Studies from Trinity Washington University, 07-29-2022, “Wealth Tax Proposals Threaten Philanthropy,” Philanthropy Roundtable, https://prt-cdn.philanthropyroundtable.org/wp-content/uploads/2022/07/29144648/Wealth-Tax-Primer-July-2022-7-20-22.pdf]/Kankee

IDEOLOGICAL THREATS Calls to punish the wealthiest in society are symptoms of larger social issues and debates that get to the core of what America is and should be. Rather than cheering free market capitalism and working to ensure the equality of opportunity for all individuals to succeed, wealth tax proponents see the success of individuals as a danger to others that must be punished by the government for the sake of pursuing equality in outcomes. The result of a wealth tax would generally deter wealth creation through entrepreneurship, venture capital funding and even the migration of talent into the U.S.18 There is no question that the generation of wealth drives charitable giving. Punish individuals for economic success and charities will inevitably pay a price as well. Arguments to include charitable assets in a wealth tax are indicative of a growing sentiment that government spending is preferable to civil society. Wealth tax proponents assume the income and assets of wealthy Americans belong first to the government, not to those who have earned and saved. Proponents see the wealth of individuals in society as a barrier to creating a welfare state with the government at the helm of spending to address the nation’s challenges, rather than individuals organizing to meet these challenges voluntarily. And most disturbing of all: that it is preferable to rely on the government to meet the needs of our communities rather than fostering a strong and vibrant civil society, in which Americans of all income levels can come together to address the causes that matter to them with the unique resources, creativity and skills that all have to offer. This is not a new theme. It has long been a goal of philanthropic freedom opponents to formally annex charitable dollars as government dollars.19 As Margaret Thatcher said in a 1974 UK Parliament, House of Commons debate, “A capital transfer tax does not redistribute wealth, nor does a wealth tax. They concentrate wealth in the hands of the government, which is the very opposite of distribution. They strengthen the economic power of the state against the individual.”20 Some even contend the mere existence of wealthy individuals causes social harm, thus wealth taxes help to heal society beyond the redistribution of wealth. Economists Saez and Zucman claim: “Extreme wealth concentration, like carbon emissions, imposes a negative externality on the rest of us. The point of taxing carbon is not to raise revenue but to reduce carbon emissions. And the point of high tax rates on the very highest incomes is not fundamentally to fund government programs. They are aimed at reducing the income of the ultra-wealthy.”21 Of course, as noted above, there are those within the charitable sector who argue a wealth tax would benefit charities by spurring more voluntary giving. Yet, while this very well may be a short-term impact, the net long term effects are negative for the sector with fewer private resources available to donate over time. Punitive policies that simply target success are rarely effective in reaching our shared social goal of increasing prosperity for all Americans. Particularly when charitable resources are in the crosshairs, wealth tax proposals will result in less charitable giving and less of the economic activity that provides opportunities for those in every tax bracket. While the rest of the world moves away from such tax schemes, lawmakers should reject proposals to impose a wealth tax.

#### Wealth taxes incentivizes hyper-lobbying and elite propaganda, and decreases charitable giving

Piper 19 [Kelsey Piper, senior writer at Vox, 10-30-2019, "A wealth tax could have unpredictable effects on politics and philanthropy", Vox, https://www.vox.com/future-perfect/2019/10/30/20938604/larry-summers-ford-wealth-tax-billionaire-philanthropy]/Kankee

We should be wary of a wealth tax because Henry Ford hated Jews. That’s the argument Harvard economist and former director of the National Economic Council Larry Summers made on Twitter last Saturday, stirring up such a firestorm that he had to apologize and clarify. His argument: Henry Ford was an anti-Semite. If there had been a wealth tax in his day, he might have spent his money instead of leaving it to a foundation vulnerable to such a tax. Instead of his fortune going to the Ford Foundation, which went on to support many worthwhile causes, he would likely have spent it on priorities of his like lobbying for America not to go to war with the Third Reich and spreading propaganda about Jews. Put more broadly: A wealth tax will likely make billionaires spend their money now instead of leaving it to their foundations or their descendants. If billionaires suck (and many proponents of a wealth tax think that they do), this might mean more distortionary political spending on behalf of ideals that most Americans don’t share, rather than less of it. Summers drew fire mostly for his awkward phrasing in the tweet, which some took as suggesting that taxation would make more billionaires be like Ford. But set aside his clumsy wording and there’s actually something to his argument. Some proposals for a wealth tax would transform foundations like the Gates Foundation — and if it had been around in Henry Ford’s day, could have transformed the Ford Foundation. As I’ve written and as even the fiercest critics of philanthropy have agreed, foundations do essential work in many areas that wouldn’t otherwise get done. Trying to guess the effects of the proposed wealth taxes on these foundations and the work they do really is a conversation we should be having. How Larry Summers made the internet mad, explained Summers’s controversial tweet came as part of a long thread on wealth taxation. Most of it was pretty uncontroversial. “Lack of income growth and opportunity for middle class families is a fundamental problem in American society,” he says. “So too is rising inequality.” But Summers thinks a wealth tax won’t address those problems. He argues that a wealth tax wouldn’t actually reduce the wealth of billionaires by enough to impact their involvement in politics and that other measures have better odds of reducing the power of special interests in policymaking. Then he writes: Henry Ford, the founder of the Ford Motor Company, was a noted anti-Semite and inspiration to Nazis. He circulated anti-Jewish content through his newspaper The Dearborn Independent and a four-volume set of pamphlets called The International Jew. With sensationalist headlines like “The Scope of Jewish Dictatorship in the U.S.” and “Jewish Degradation of American Baseball,” the pamphlets were translated into German and cited by leading Nazis as an inspiration. Ford is credited in Mein Kampf as the “single great man” standing up against Jewish influence. Contra Summers, Ford seems, at first blush, like a strong argument for a wealth tax. After all, he used his riches to print horrific propaganda that contributed to the spread of the fascist ideology. He used his influence to fight to keep America out of World War II, and his plants built equipment for the Third Reich. He’s one of the best cases that billionaires suck that one can possibly find. And some readers took Summers to be suggesting a threat — arguing that modern billionaires, if people were mean to them, would become fascists too: But Summers, who is Jewish, was arguing something different. He was trying to argue that Ford left much of his money to his descendants via the Ford Foundation — and that we should consider that a good thing! His descendants, who are not fascists, have spent the money on civil rights, indigenous and cultural rights, and anti-racism and anti-poverty work. He eventually issued an apology: The real questions about how wealth taxes affect advocacy by billionaires So here’s the question: What, if anything, can we actually learn from the example of Henry Ford? And what effects will wealth taxes have on both the good and bad things done by billionaires? We probably want tax laws that encourage billionaires to leave their money to charity instead of spending it on running a newspaper like the Dearborn Independent. And in fact, the Ford Foundation was incentivized to exist as a result of a different taxation change: the introduction of steep inheritance taxes, which made it harder for Ford to leave money directly to his descendants. A wealth tax might have the same effect — encouraging billionaires to leave more to foundations — if the wealth tax exempted the foundations. Under many proposals, though, a wealth tax would include taxing the money in a private foundation (at least, if the billionaire retains significant control over it). This would almost definitely cause some decrease in how much billionaires give to foundations, though the magnitude of the decrease is hard to guess (it might be fairly small; many of today’s active philanthropist billionaires already use many non-tax-deductible institutions to spend their money). It would also cause billionaires to spend faster. We don’t really know what kind of broader effect that would have. It could be a good thing: There are some strong arguments that foundations spend their money too slowly and that it’d be great news to see them motivated by tax laws to spend a little, or a lot, faster. But it could be not so good: Even well-intentioned billionaires can find it hard to quickly put their money to effective and impactful uses, and maybe we’d just see a lot of wasteful and ill-considered spending. Summers, of course, argues that one result of billionaires being highly motivated to spend their money is that lots of them will pour it into political advocacy. For all the talk of money in politics, there’s actually little money going into politics compared to the spending power of the country’s richest. If a wealth tax caused billionaires to spend more money in politics, that might significantly reduce its benefits. Wealth taxes are meant to decrease the power of the wealthy. If they shift to spending billions on elections every year, they might instead get more influential. The details of how a wealth tax was structured might significantly affect whether this came to pass. It’s easy to say that whatever these effects, they’re worth it for the other benefits of a wealth tax: reduced inequality and more money to fund universal health care and other much-needed social programs. But since details of how we implement a wealth tax might affect foundations a lot, they’re worth dwelling on. For better or for worse, foundations are the only providers of some essential services in the US and worldwide, especially in politicized areas like reproductive health care. That means we shouldn’t be casually adopting policies that dramatically change how foundations work without thinking through whether those effects will be for the good or for the bad. I tend to think it’d be good if foundations were encouraged to spend a little faster and if billionaires were incentivized to give more of their money to charity. But more than that, I think we should make sure we are setting tax policy with a clear sense of the effects it will have on essential services for poor people worldwide. And that means that the impact on foundations can’t be a sideshow in the conversation about taxing wealth.

#### Independent philanthropy is comparatively better than wasteful government spending forced by the aff

Flanigan and Freiman 24 [Jessica Flanigan, Assistant Professor of Leadership Studies and Philosophy, Politics, Economics, and Law at the University of Richmond, and Christopher Freiman, Associate Professor of Philosophy at William & Mary, 10-15-2024, "Wealth Without Limits: in Defense of Billionaires", PubMed Central (PMC), https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9684899/]/Kankee

So far, we’ve just focused on the benefits of billionaires being billionaires. We’ve argued that their ordinary billionaire activities (if there is such a thing), like investing in companies and creating goods and services that people like, has a great track record in terms of public benefit. But the case against taxing billionaires out of existence is even stronger when we consider that many billionaires invest in philanthropic causes which further contribute to the common good, in addition to the benefits of their investment and innovation. Billionaire philanthropists are in a better position to help people than public officials because billionaires have stronger incentives to put their money in the pockets of the people who need it the most. Many of the problems associated with government spending arise because it is very difficult for public officials to distribute resources to those with the most urgent needs. Most of the federal budget is devoted to inefficient entitlement programs, national defense, and debt servicing. Even if politicians were incentivized or morally motivated to implement an effective climate policy or anti-poverty program (which they often aren’t) they would encounter political obstacles at every turn. In contrast, altruistic billionaires are not constrained by these policy limitations. They are capable of spending in ways that bypass legislative constraints, budgeting rules, counter-majoritarian political restrictions, and other barriers to effective policymaking. To be clear, we take no stand on the claim that billionaire philanthropists have comparatively strong altruistic motivations. Rather, we claim that superrich donors are often more capable of allocating philanthropic resources effectively than voters or public officials. Furthermore, they tend to have stronger incentives as well. The same dynamic applies to any private citizen. The key difference between the altruistic donor and the altruistic voter is that the former but not the latter gets to decide where the philanthropic resources go. A donor can take her donations elsewhere if she learns a charity is underperforming, but a voter cannot take public funds elsewhere if the state is underperforming (she can of course vote to take the funds elsewhere, but that has an insignificant chance of success). Thus, a donor, but not a voter, has an incentive to find those programs that do an effective job of helping people. To illustrate, think of the U.S. government as a charity that helps provide retirement income and healthcare for people who tend to be richer than 90% of the world. There are far more effective charities than this one, but this is the kind of philanthropy that American billionaires’ taxes pay for (along with the rest of American taxpayers’ contributions.) Now it’s crucial to emphasize that our claim is not that private charities always efficient. They aren’t. But here again, the standard is comparative—whether they tend to be more efficient than public spending. It’s also important to note that the worst thing you can say about even inefficient private giving is that it does a poor job of helping people. A donation to Harvard doesn’t do much marginal good. Public spending, by contrast, actively hurts people when it is dedicated to things like excessive defense spending, unjust law enforcement, border enforcement, and subsidies for harmful environmental practices. A significant amount of government spending incarcerates and kills people. Even the worst charities aren’t that bad. Another benefit of billionaire philanthropy is that it serves as a hedge against inefficient, wasteful, or harmful welfare spending by the government. By this we mean that if it turns out that a government program or solution is unable to solve an urgent social problem, it’s good to have some people around who can. For example, if governmental solutions to climate change prove to be inadequate, it’s better to have some private actors who are capable of investing in non-governmental solutions like geoengineering, rather than relying solely on the political process.32 In this vein, billionaires are distinctively well placed as drivers of moral progress—they are equipped to take risks and experiment in ways that public officials are not. Consider, for instance, the Patient Philanthropy Fund, which aims at providing resources for future people to prevent extinction-level events. (It counts among its donors Skype co-founder Jaan Tallinn.)33 Or take the SENS Research Foundation, which applies regenerative medicine to aging. The Foundation, whose work could produce significant gains in our of quality-adjusted life years enjoyed, received a $2.4 million donation from billionaire Vitalik Buterin.34 Billionaire Jack Schuler, a biotech investor, has donated over $100 million into the Schuler Scholar Program, which helps put students, often first-generation immigrants and people of color, through college.35 Schuler aims to spend $500 million in the next decade to promote the admission of more undocumented students into college.36 We are not arguing that all billionaires are saints—far from it. Rather, our argument is that billionaires face a system of incentives that generally prompts them to spend their money in socially beneficial ways. In contrast, public officials are not incentivized to spend taxpayer revenue in ways that promote the greatest good. For this reason, billionaires have a presumptive advantage over public officials in debates about whether there should be limits on the amount of wealth they can accumulate. To this argument, one might argue that even if billionaires provide material benefits, they harm their fellow citizens in a non-material way. For example, Fabian Schuppert notes that while inequalities of wealth are not always objectionable, they can be when wealth disparities create disparities in esteem and social recognition between the rich and the poor.37 One initial reason to be skeptical that taxing billionaires will ameliorate this concern is that it’s simply not clear to what extent global wealth comparisons—e.g., between the middle class and the billionaire class—matter to people rather than local wealth comparisons—e.g., comparisons within peer groups.38 Your ego is more likely to get bruised knowing that your co-worker got a $5,000 raise rather than knowing that Elon Musk made $5 million yesterday. As Bertrand Russell quipped, “Beggars do not envy millionaires, just other beggars who are more successful.”39 Millionaires and billionaires are simply too distant to make much of an impact on our everyday assessment of our social standing. Moreover, this alleged drawback associated with billionaires is also a drawback of inequalities between public officials and citizens, if not more so. Empowering state actors relative to market actors may end up simply redistributing status from the latter toward the former, resulting in no net gain in status or esteem for the worse off. This example points to a broader lesson—wealth is not the only basis for status and social recognition. General increases in social wealth, even if unequally distributed, can create new opportunities for social standing for the comparatively poor.40 Steve Jobs became a billionaire by selling iPhones, but now iPhone buyers have the opportunity to gain standing as independent musicians, filmmakers, or even TikTok influencers. Yet we do not imagine that limitarians would defend a system where public officials imposed limits on the number of streams an indie artist could rack up, the number of awards a filmmaker could receive, or the number of followers a TikTok influencer could acquire, even though these artists enjoy excessive status relative to most people. Lastly, as David Miller notes, the egalitarian problem of wealth-based status inequalities “seems less relevant now, since people’s experience of social inequality has changed.”41 Miller goes on to note that “The super-rich are regarded as ‘people like us’ who have somehow hit the jackpot” and even if this perception is misguided, it does mitigate concerns that the poor feel inferior to the rich or that objections to wealth inequality that focus on the dangers of class-based social hierarchies.42 Even if Miller is mistaken in pressing this empirical claim about wealth and social status, his argument shows that inequalities of status are not necessary drawbacks of billionaires and that people could collectively reform their inegalitarian attitudes without taxing billionaires out of existence. 3. Democratic Accountability in Corporate America.

#### Billionaire wealth is authorized by via market choices and is comparatively more democratically consented to than government leaders – wealth inequality is freely chosen, and not imposed

Flanigan and Freiman 24 [Jessica Flanigan, Assistant Professor of Leadership Studies and Philosophy, Politics, Economics, and Law at the University of Richmond, and Christopher Freiman, Associate Professor of Philosophy at William & Mary, 10-15-2024, "Wealth Without Limits: in Defense of Billionaires", PubMed Central (PMC), https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9684899/]/Kankee

One might object that the ultra rich can exploit their political advantages to block or otherwise undermine laws that limit money in politics.50 This is a serious worry; however, we deny that it speaks in favor of attempting to indirectly limit the influence of wealth on politics via taxation. After all, if billionaires’ greater political power affords them the ability to undermine political measures they dislike, presumably they have the ability to undermine efforts to raise their taxes. Indeed, we might reasonably conjecture that they will be at least as motivated to mobilize against taxes as campaign finance reform given that the former would both directly reduce their holdings and indirectly reduce their ability to capture the political process, whereas campaign finance reform only targets their influence on politics. Furthermore, unlike public officials, the people who are subject to billionaires’ influence retain the option to avoid them. For a price, people can boycott objectionable companies and refrain from interacting with billionaires or corporate entities that they oppose. But people do not generally have the option to withdraw their consent to political rulers or opt out of being under the influence of public officials. In a way, consumers authorize billionaires to make decisions with their wealth and income by buying their goods and services. They vote with their dollars. Consider, for instance, that far more American adults shop at Amazon than voted for Joe Biden for president.51 They thus knowingly empowered Bezos with resources that would give him extra influence. Should they disagree with Bezos’s spending or philanthropic choices, they can take their dollars elsewhere. This is somewhat analogous to how voters authorize politicians to make charitable political decisions with their vote, except most people who are subject to a politician’s influence don’t actually vote for them. Also, both consumers and the recipients of billionaire philanthropy voluntarily accept the benefits that billionaires provide. The same is not true of citizens or the recipients of government services. One might object to our claim that consumers authorize the market power of billionaires in a manner analogous, but morally superior, to the way that voters authorize the political power of public officials for several reasons. First, it is a foreseeable consequence, but not the intention, of your Tesla purchase that Elon Musk will be empowered with your dollars to fund a carbon capture prize. By contrast, the intention of your vote for a presidential candidate is to empower them to pursue their political agenda. This objection fails for two reasons. For one, people routinely hold people responsible for the foreseeable consequences of their purchasing decisions. By way of example, someone who ate at Chik Fil A prior to 2020 may have intended only to buy a chicken sandwich but, by doing so, knowingly empowered the Chik Fil A Foundation to fund anti-LGBTQ charities. It is plausible that they ought to be held responsible for doing so. If buying from Chik Fil A amounts to an authorization of their use of your money for their preferred purposes, so too would buying from Tesla amount to an authorization of Musk’s use of your money for his preferred purposes. And secondly, the distinction between intention and foreseeable consequence fails to break the symmetry between buying and voting. Consider a farmer who is a single-issue voter—she votes for the candidate who comes out the strongest in support of farm subsidies because she expects that policy to benefit her. Still, it seems as though her vote authorizes that candidate to exercise political power in other domains in ways that she didn’t intend but merely foresaw—say, changing immigration policy. (We acknowledge that the typical consumer has little incentive to acquire the publicly-available information about Musk’s charitable endeavors, but of course the typical voter has little incentive to acquire the publicly-available information about Joe Biden’s political endeavors.) To be clear, we don’t claim that buying a Tesla amounts to an unlimited authorization of Musk’s use of your money. You could consistently transfer money to Musk while at the same time support certain constraints on that use.52 However, a similar point applies to voting as well. For instance, you might vote for a particular presidential candidate while at the same time support various constraints on their political power such as Congress or the Constitution. In this respect, then, market choices are roughly as democratic as political choices. A further asymmetry between political democracy and the economic marketplace is that there’s an equal distribution of votes in the former but an unequal distribution of dollars in the latter. To this, we reiterate that the distribution of political power may be formally equal—one person, one vote—while being substantively unequal. In short, the rich have more political power than the poor despite having no more votes per person. This result either undermines the legitimacy of governmental spending or it does not. If it does, the case for raising taxes on billionaires is undercut on the grounds that the policy reroutes resources toward an illegitimate use. If inequality of power does not undermine the legitimacy of government spending, then it does not undermine the legitimacy of billionaire philanthropy either. Second, billionaires are subject to oversight by all constituents, not just the constituents who are in politically significant communities or regions. Billionaires and other corporate leaders are even accountable to the interests of non-citizens. In contrast, public officials are primarily accountable to party elites and those in politically influential regions. Third, billionaires and corporate leaders are more responsive and accountable to public criticism than public officials. For example, corporations and influential billionaires have been more responsive to public calls for racial justice, gender justice and environmental sustainability. And they have been more capable of addressing sexual harassment too. Corporate leaders such as Donald Sterling and John Schnatter have lost their position in response to public outcry about their misbehavior, while public officials retained their positions until election day. Of course, billionaires and corporate leaders aren’t always responsive to public opinion. Consider, for example, faith-based companies like Hobby Lobby and Chik Fil A, which operate in liberal states but oppose progressive causes like LGBTQ rights. Or correspondingly, consider Nike’s support for Colin Kaepernick’s social advocacy, which people in more conservative states found alienating and disrespectful. Elon Musk provokes bipartisan cringe with his antics. And tech leaders like Mark Zuckerberg are unpopular despite the fact that billions of people use and enjoy their products. But unpopular billionaires and corporate leaders can provide a public service when their actions do not align with public opinion too. Like the media, these voices can promote views positions that would otherwise be underrepresented in public discourse. Specifically, ultrarich people and corporate leaders have the resources to counteract governmental speech in ways that ordinary citizens cannot. In any case, if criticisms of billionaires that focus on their seeming immunity from public oversight are successful, then public officials fare even worse. Not only are public officials generally unresponsive to most citizens, non-citizens, and future generations, they are also politically constrained in ways that make them responsive to the wrong kinds of public oversight in ways that impede moral progress. In contrast, billionaires and corporate leaders are generally responsive to oversight from a broad population, but when they break with public opinion it’s less objectionable because people can consent to be influenced by them and because they are more capable of taking principled but unpopular stands that are socially beneficial in the long run. Fourth, many businesses also contribute to their local communities, not only by generating tax revenue but also through volunteering and monetary support. For example, the Target Foundation contributes millions in cash donations to their local communities and provides a volunteer time off benefit to its employees. Since 2020, Target has provided pro bono small business consulting services for Black, Indigenous, and People of Color-owned businesses in Minnesota, where the company’s headquarters are. One may criticize businesses and business leaders who support these policies on the grounds that they are only doing good things for their communities because it is good for business. Yet this reply would cancel the criticism that they don’t benefit their local communities. Moreover, this would at most establish something wrong about the character of the billionaire, not the wrongness of their philanthropy. Someone who saves a drowning child because they want a parade still does the right thing. Similarly, a billionaire who benefits her community may do the right thing even if we are reluctant to reward her with moral credit. We can also criticize public officials on the same grounds—that is, their motivation for passing good policy is to advance their electoral interests. Of course, this claim is as speculative for public officials as it is for billionaires; we’ll note, however, that public officials have a poor track record of making personal sacrifices in their private lives. For instance, in 2020, Democratic presidential candidates tended to donate less to charity than Americans with similar incomes.53 Moreover, a recent finding indicates that success in elections is associated with psychopathy.54 It’s also worth noting that billionaire philanthropy sometimes takes the form of direct cash transfers to the poor. For example, Project 100, funded in part by ultrarich donors such as Jack Dorsey and Sundar Pichai, has distributed over $100 million in cash to over 100,000 families impacted by COVID.55 In these cases, cash transfers are presumptively more respectful and democratic than in-kind welfare payments from public officials because donors do not dictate how the donations must be used but rather empower recipients to spend them however they like. 4. Billionaires Didn’t Build That.

#### Stats prove charity is better

Lim 21 [Joel Lim, professional writer and business owner, 12-4-2021, "How Does Government Welfare Stack Up Against Private Charity? It’s No Contest.", Foundation for Economic Education, https://fee.org/articles/how-does-government-welfare-stack-up-against-private-charity-it-s-no-contest/

Americans, in general, are incredibly generous, with 25% of Americans volunteering every year. Converted to a dollar value, this is roughly $179 billion worth of work. Most of this charity comes from the rich, with 93% of households that make over $162,501 donating to charity and 91% of households that make over $125,001 donating to charity. Since the government started the “War on Poverty” 56 years ago, it has spent $27 trillion on this effort. And yet, it was only the beginning 7 years when poverty rates went down. Why? Well, one likely explanation is that welfare has taught people not to work, as governmental welfare dependency statistics have shown. Indeed, 93% of welfare recipients rely on welfare for more than 2 years. Charity, on the other hand, is not guaranteed, so it encourages people to take responsibility and become self-sufficient. Another problem with government welfare is the bureaucracy. For example, studies have found that 70% of the money spent on budgeting for government assistance gets spent upholding the bureaucracies, with only 30% actually going to the poor. Private charities, on the other hand, give over 70% of their proceeds to the poor. There are a ton of really good examples of this, like Feeding America, which can turn $1 into a shocking 12 pounds of food for the poor, or ten large meals. In fact, raising half as much money from voluntary private charity instead of forced taxation is estimated to produce the same impact as the government, if not more. Americans are a generous people, and we will step up and provide for the poor, especially if taxation is lowered through sensible cuts in welfare. Studies have found that “decreasing government funding increases the number of donors,” which makes sense because a decrease in public spending means the people have more money to spend themselves. A huge welfare state is not a practical solution for America, and its one-size-fits-all approach simply isn’t working. The effects of the interventionist welfare state have been disastrous to taxpayers, communities, liberty, and the poor. One reason for the inferior outcomes of government welfare is that government regulations are written in such a way that all similarly situated beneficiaries are treated equally. Most government programs, for instance, distribute cash or other goods and services to all recipients without making any effort to distinguish between them. The sheer magnitude of government programs hinders individualization. For example, an illiterate homeless person cannot fill out a long governmental form, and some mothers do not know who the baby’s father is, so they cannot list his name on the required form. On the other hand, charities provide custom solutions for everyone instead of a one-size-fits-all solution because charities are inventive, individualized, and flexible. Charities will not only be more cost-effective, but they will also provide the poor with more effective and humane care. Charities also foster a different attitude with both the donor and recipient because recipients learn that private philanthropy is a gift with reciprocal duties, not an entitlement. At the same time, donors understand that private philanthropy requires them to get involved personally. Spending someone else’s money, even for a noble cause, lacks compassion. True compassion necessitates active participation on the part of the individual. Data from academics collected by Philanthropy Roundtable found that, from 71 different studies comparing the efficiencies of public agencies and private institutions, they found that there are government programs that perform better, and there are private charities that perform better. In 56 out of 71 cases, private charity performed better. There was no distinct difference in 10 out of 71 cases, and in 5 out of 71 cases, public agencies performed better. All that to say, private charity constitutes a robust alternative to government welfare, one that is far more ethical and far more effective.

### Contention 3: Circumvention

#### Underfunding of the IRS circumvents the aff – they lack capacity for implementation

Mechanic 21 [Michael Mechanic, senior editor at Mother Jones with a MA from UC Berkeley, 3-1-2021, "Even with the proposed wealth tax, billionaires would get richer faster than everyone else", Mother Jones, https://www.motherjones.com/politics/2021/03/even-with-senator-elizabeth-warren-proposed-wealth-tax-billionaires-would-get-richer-faster-than-everyone-else/]/Kankee

Notably, from 1980 to 2016, as the average real wealth of all Americans grew 2.5 percent annually, the real wealth of the wealthiest 0.1 percent increased more than twice as fast, and that of the Forbes 400 grew at 7 percent—nearly triple the overall average rate. “Therefore, even with the wealth tax of 2% and 3% for billionaires, it is most likely that top wealth would continue to grow at least as fast as the average,” Saez and Zucman write. In a Washington Post op-ed, former Treasury Secretary Larry Summers and economist Natasha Sarin argue that Saez’s and Zucman’s projections are wildly optimistic, because the IRS is stretched thin and the ultrawealthy will indubitably undermine any new wealth tax by means of avoidance and evasion tactics—just as they have done to great effect with inheritance taxes. Attempts at European wealth taxes have failed, too, they argue, due to tax mobility. And if an American billionaire feels overtaxed, he (most are men) can simply move elsewhere and assume a new citizenship where taxes are less burdensome. Tax avoidance (legal) and evasion (illegal) depend on loopholes and weak tax enforcement. And it is certainly true that enforcement has become weak. Republican lawmakers declared war on the IRS in the mid-1990s and have been gutting the agency’s budget and ability to enforce the law ever since. From 1990 to 2019, as the US population grew 31 percent, the IRS workforce shrank by 34 percent. Audit rates for taxpayers owing $5 million or more have plummeted—from more than 20 percent in 2010 to less than 0.05 percent today. The wealthy have gone unsupervised. But Saez and Zucman address these concerns, as does Warren’s proposal. In addition to the taxes, her plan calls for a $100 billion IRS overhaul that would allow the agency to hire and train staff, modernize systems, value complex assets more effectively, and enhance reporting and enforcement requirements for those Americans subject to the “Ultra-Millionaire Tax.” The bill also would mandate a minimum 30 percent audit rate for people subject to the tax, and levy a 40 percent “exit tax” on anyone who renounces their US citizenship to evade such taxes. It would furthermore aim to strengthen information-exchange agreements created under the Foreign Account Tax Compliance Act, which requires foreign governments and institutions to share data on overseas accounts held by US citizens. Despite these provisions, Saez and Zucman estimate that ultrawealthy households will still manage to reduce their tax liability by 15 percent via evasion and avoidance. After all, as Anand Giridharadas, author of the best-selling book Winners Take All, likes to say: Plutocrats “gonna plute.”

#### Wealth tax valuations are impossible – tax bills take decades top calculate for the uber-rich.

Economist 24 [Economist, 6-28-2024, "America’s rich never sell their assets. How should they be taxed?", Economist, https://www.economist.com/finance-and-economics/2024/06/20/americas-rich-never-sell-their-assets-how-should-they-be-taxed]/Kankee

As for the idea that wealth taxes on private assets are unworkable, that is too simplistic. Versions of them are already widely used in America, undermining arguments that they are impossible to administer in the country. Levies on property at the local or state level in effect act as taxes on unrealised capital gains. Every single American state has property taxes, which range from 0.3% to 2.3% of the property value each year. In more than half of states, property values are reassessed annually. Mr Biden’s plan also seeks to minimise headaches. It includes measures to smooth volatility so that losses incurred in one year can be offset against gains in another. Still, the bureaucratic effort to levy a new countrywide tax, on a small pool of people, on every kind of asset they might hold, would be wince-inducing. Valuing assets such as bonds and stocks is relatively straightforward. But private assets, whether a Picasso or an investment in a startup, would be another matter entirely. Adam Michel of the Cato Institute, a libertarian think-tank, points out that it took 12 years for the IRS and Michael Jackson’s estate to reach a court-mediated agreement on the value of the late pop star’s assets. “Going through such a process every year for all taxpayers with assets near some threshold is unworkable,” he argues. Several European countries that have tried to levy wealth taxes and ultimately abandoned the effort have described administrative costs as a reason why. Thankfully for Mr Biden, there is a less radical alternative that would have much the same effect as going after unrealised assets. Eliminating the stepped-up basis, which Mr Biden also hopes to do, would remove lots of the incentive to buy, borrow and die. It would also probably avoid a serious legal challenge and be easier to administer. Such a move would raise a quarter of the sum the president expects his grander plan to fetch. Taxing capital gains at death would raise another hefty chunk. And closing a few additional loopholes would just about cover the rest.

#### The wealth tax is too expensive

Bastani and Waldenström 23 [Spencer Bastani, professor of economics at the Institute for the Evaluation of Labour Market and Educational Policies, and Daniel Waldenström, Professor of Economics at the Research Institute of Industrial Economics at IFN Stockholm, 8-18-2023, "Taxing the wealthy: the choice between wealth and capital income taxation", OUP Academic, https://academic.oup.com/oxrep/article/39/3/604/7245715]/Kankee

(vi) Administrative costs As the discussion above makes clear, liquidity issues, valuations problems, and exemptions imply that wealth taxation is associated with substantial administrative and compliance costs. Some researchers considers these costs to be manageable in light of new administrative routines and improved information provision (see, for example, Saez and Zucman, 2019a). Others, for example, Boadway and Pestieau (2019, 2021), argue that even small valuation errors can inflict serious problems on taxpayers, and therefore view the administrative costs as a main argument against a wealth tax. The large basic deductions in the wealth tax mean that there are relatively few taxpayers who end up paying the wealth tax. In principle, this makes a wealth tax cheaper to administer than a tax targeting the broad population. However, regulators often point out that although the basic exemptions may be large, the tax authorities do not know in advance which taxpayers have valuable assets and therefore have to conduct asset valuations on a large number of potential wealth tax payers, making the administration of the wealth tax more costly than is sometimes assumed.18 (vii) The role of other taxes

#### Wealth taxes cause massive tax evasion campaigns that supercharges shifts to dark, unregulated money that destroys democracy

Wilkinson 19 [Will Wilkinson, vice president for research at the Niskanen Center and U.S. politics correspondent for The Economist, 3-6-2019, "Op-Ed: Wealth Taxes Will Not Save Democracy from Inequality", Niskanen Center, https://www.niskanencenter.org/wealth-taxes-will-not-save-democracy-from-inequality/]Kankee

“The root justification [for higher taxes on the wealthy] is not about collecting revenue,” write Gabriel Zucman and Emmanuel Saez, the Berkeley economists who performed the fiscal analysis of Warren’s proposal. “It is about regulating inequality and the market economy” and “safeguarding democracy against oligarchy.” This argument was offered in defense of the Ocasio-Cortez proposal, but it applies in spades to Warren’s plan, which would reduce the growth of large fortunes far more effectively than a bump in the top marginal income tax rate. There should be no doubt that American democracy is in trouble, and that big money has something to do with it. However, we shouldn’t expect a wealth tax to work to thwart oligarchy. On the contrary, a wealth tax could harm the integrity of our democracy by subsidizing the growth of nefarious global networks of dark money already eating away at the foundations of the republic. To understand how a wealth tax could be self-defeating as a means of protecting democracy, we need to dig into the political theory behind the left’s worries about the corrosive effects of concentrated wealth on democratic institutions. This theory, which I call the “progressive master narrative,” says that once economic inequality passes a critical threshold, the wealthy as a class will use their concentrated resources to consolidate political power and rig the economic and political system to their advantage, leaving ordinary citizens disenfranchised, impoverished, and exploited. If you buy this story, it’s easy to see why you’d want to limit the size of large fortunes to ensure that our political system is able to protects the basic democratic rights and material interests of ordinary citizens. However, the progressive master narrative just is a theory of the limits of political feasibility in democracies with high wealth inequality. If you take the progressive master narrative seriously, you ought to suspect that a wealth tax on the mega-rich, if not impossible to impose, will be difficult to sustain long enough to put a serious dent in the problem it is meant to solve. The notion that the wealthy as a bloc are so powerful that democracy itself is at risk implies, at the very least, that an annual tax on the net worth of the super-rich own will face powerful, relentless political opposition and launch a wasteful avoidance/enforcement arms race that could unwittingly exacerbate the corrupt culture of dirty money that birthed Donald Trump and is undermining our democracy as we speak. The record of wealth taxes in other countries shows there’s every reason to take this worry seriously. In 1990, there were wealth taxes in 12 OECD countries, but that number has since dropped to four. So why did most of the wealthy liberal democracies that had wealth taxes (including social democracies like Sweden and Denmark) ditch them over the past three decades? A 2018 OECD report suggests that the cost and hassle involved in collecting wealth taxes often comes to outweigh the disappointing level of revenue they actually produce. And this dries up the political will to maintain them in the teeth of organized resistance – even in small, ethnically homogenous countries far more egalitarian in spirit than the United States is ever likely to be. Wealth taxes are difficult and expensive to administer. If such a tax exempts certain classes of assets, holdings will be channeled into sheltered categories, shrinking the tax base and creating harmful market distortions. So it’s important to tax everything. The estate tax requires this kind of comprehensive valuation of net assets already, but it can take years of arbitration and litigation to settle the amount owed to the IRS. It would be far more complicated to assess the value of every ancestral manse, minor Basquiat, and closely held private partnership of 75,000 households every year. It ought to go without saying that these households have lawyers and accountants on retainer. One study by economists at the IRS found that about half the estimated net worth of Forbes-listers goes “poof” in their posthumous estate tax filings. But this appears to be due neither to outright evasion nor wild inaccuracy in Forbes’ estimates. “This research,” the authors write, “highlights the inherent difficulties of valuing assets which are not highly liquid.” More importantly, wealth taxes are hard to enforce. They create enormous incentives for the rich to avoid them, both legally and illegally, through family foundations, complex multilevel joint ownership structures, the manipulation of deductible debt, tax havens, and other instruments at or beyond the limits of the law. Because wealth taxes act as immense subsidies to the tax avoidance industry, they tend to become increasingly leaky buckets that reliably deliver less revenue than their advocates advertise. The difficulty of constantly identifying and patching new leaks in the bucket is a principal reason many of the best administered states in the world let their wealth taxes go. Moreover, tax enforcement in the United States is already too lax for the current system, which is much less complicated and administratively demanding than it would be with the addition of a wealth tax. The IRS is underfunded and understaffed, and the GOP under Trump has made it worse. Defenders of Warren’s plan will reply that it’s certainly true that tax enforcement is currently too weak, but that’s the result of prior policy choices that are easily reversed. Warren’s plan accordingly includes a badly needed boost to the IRS’s budget and enforcement capabilities, a minimum audit rate, an exit tax equivalent to the estate tax, and new financial transparency measures. Moreover, the United States is an unrivaled superpower with a vast intelligence apparatus spread across the globe. Gabriel Zucman’s fascinating book, The Hidden Wealth of Nations,” lays out a range of worthwhile options for cracking down on the offshore tax shelters the crooked rich use to conceal their assets abroad. There’s much that can be done to limit the avoidance and evasion of a new wealth tax. But it’s not at all clear that what can be done will be done – or that it won’t be too swiftly undone. If you think we need a wealth tax because concentrated wealth has too much power in our democracy, you should be seriously concerned about this. Indeed, you should see the need to implement new enforcement measures and build the necessary state capacity before presenting the bureaucracy with such a colossal administrative challenge. Warren’s proposed tax would amount to the largest subsidy to growth and innovation in wealth-concealment in the history of the world. A new IRS Delta Force is unlikely to stand a realistic chance of winning a proliferating, bucket-patching arms race against some of the planet’s wealthiest and wiliest operators unless the tactically necessary regulations and administrative build-up have been well-established years in advance of the tax. None of this is to say we should take it easy on the corrupt and corrupting rich. But we must pick our fights wisely. As I argued recently in the Times, it’s important to distinguish between beggar-thy-neighbor “extractive” wealth accumulation and socially beneficial, positive-sum “productive” wealth accumulation. We shouldn’t expect their effects on democracy to be the same, and policies that close off routes to ill-gotten fortunes will be sensitive to the difference. Byzantine, administratively complex tax systems with lackluster enforcement are one such route to institution-weakening wealth, as I’ve argued elsewhere. Donald Trump’s fortune derives in large measure from tax evasion and our democracy and global national interests have been grievously compromised by the president’s corrupt entanglement with dirty money from illiberal regimes. That’s why beefed-up tax enforcement and a crackdown on shadowy international networks of banks, tax havens, and opaque shell companies are urgently needed, and ought to take priority in any serious agenda for protecting the integrity of American democracy against the depredations of corrupting wealth. When he was FBI director, Robert Mueller warned of the grave threat posed by rival powers peddling influence through the nominally “private” banks, corporations, and investors that ply the global shadow economy. He was right, and we’re paying a steep price for our laxity. The globalization of finance and corporate ownership, and the increasing mobility of capital necessarily involved, can produce huge gains in wealth and promote peace by tying interests together across borders. But it has also entangled investors, banks, and corporations in liberal democracies with oligarchs and foreign bagmen acting in the corrupt, illiberal interests of authoritarian despots. Indeed, the president of the United States may well be a compromised agent of authoritarian kleptocrats. We should see the risk of incentivizing America’s mega-rich to even hide more of their assets in the global shadow economy in the light of this truly terrifying fact. You don’t need to agree with Elizabeth Warren about taxes to see her, as I do, as the greatest enemy of corruption, graft, and capitalist self-dealing in the U.S. Senate, and its most compelling advocate of clean government and democratic reform. But a wealth tax intended to shore up democracy risks doing the reverse by turbo-charging the shadow economy and aligning the interests of the non-crooked American super-rich with the interests of the despots, gangsters, and native grifters who have already shaken the foundation of our democracy from the backchannels of global dark money.

### Contention 4: Campaign Finance CP

#### Election reform solves power disparities that make wealth inequality matter – egalitarian elections moot the influence of wealth without changing tax law

Reiser and Dean 23 [Dana Brakman Reiser, Centennial Professor of Law at Brooklyn Law School, and Steven A. Dean, professor of law and the Paul Siskind Research Scholar at Boston University School of Law, 01-2023, "A More Perfect Bargain", OUP Academic, https://academic.oup.com/book/45335/chapter-abstract/389234584?redirectedFrom=fulltext]/Kankee

Empowering Stakeholders and Shrinking Power Disparities However attractive a reboot of the Grand Bargain might be, it emphatically illustrates a much broader point. A More Perfect Bargain could rely on an array of policy instruments to combat inequality. Income and wealth disparities matter, of course. But they matter in large part because of the power disparities they reflect and reinforce. If tax agents merely serve much the same strategic role covetous Athenian neighbors once did, tax could be replaced by any number of threats or rewards. For-profit philanthropy shows that elites have broken the spell of the Grand Bargain’s tax-based compulsions. New taxes might bring them to heel. But to the extent empowering a diverse public—rather than boosting tax revenues— remains the primary goal, a different sort of strategic compact might produce a more satisfying result. That elites have little reason to fear tax while the corporations that make them rich have embraced for-profit philanthropy in part to be responsive to customers, employees, and investors invites a very different strategy, an approach that empowers those diverse stakeholders. The world has changed in profound ways since 1969, although power remains overwhelmingly in the hands of white, male individuals who experience life in America sheltered within a privileged elite. The deference the public showed fifty years ago to the whims of that slim slice of America will be in shorter supply today as empowered women and racial and ethnic minorities demand an equal voice. Steeply progressive taxes, either on income or on wealth, promise to put ordinary citizens in control of a meaningful share of elite resources or at least to reinforce the faltering accountability regime the Grand Bargain erected. But if they serve as a form of political theater rather than a source of revenue, other legal levers may serve as well as—or better than—tax law, particularly given the decades-long evolution of public attitudes toward taxation that has helped drive rates and enforcement down. Although many have been drawn to the promise of the wealth tax, its power to raise tax revenues from the richest Americans remains untested. That might not matter if a renewed Grand Bargain catalyzed by the strategic threat a wealth tax represents could somehow curb the disenfranchisement Raicovich describes with such particularity in the museum world. But putting our faith in a gambit a half-century old to return our massively unequal society to a past that no longer exists would be naive. The balance of this chapter instead focuses directly on power. Redistributing power—not income or wealth—would shift the calculus of all kinds of economic and social policies, limiting elites’ ability to control the political agenda. Perhaps such efforts would even clear the way for sweeping income tax changes or wealth taxation. Even if not, reducing the power differential in our highly unequal society might render such proxies for control less relevant. Or the result might be something we could not predict from our vantage point today. Whatever the outcome, an entirely different kind of strategic pact—premised on rectifying inequalities of power rather than income or wealth—would profoundly alter the face of philanthropy. A new strategic bargain to amplify the voices of ordinary Americans in shaping our shared future need not rely on an income tax, a wealth tax, or any tax at all. The law offers no shortage of alternative mechanisms. It would be impossible to canvass here all the tools available to shrink our society’s massive power disparities, so we focus on a set of examples at the intersection of election law and corporate power. High-net-worth families wielding generational fortunes, affluent members of the 1 percent, and massive multinational corporations steer social change through political access and the agency of the businesses they control. Illuminating how election and corporate law reform might empower citizens and stakeholders highlights just how many paths exist to that goal. Election Law Reform Elections matter. They represent critical social inflection points. Today, a growing sense of electoral urgency, fueled in no small part by inequality, has spawned dueling claims of voter fraud and voter suppression Election law reform could upend the power dynamics at work in our highly unequal society. Deciding who should vote and how they should do it has an obvious importance. As the Johnson Amendment shows, so do ancillary rules such as those that govern political spending. Each state sets its own election laws—even for national races—so the rules can be surprisingly different. That has become more obvious as recent changes to some state voting laws have expanded access to the ballot. Restoring voting rights to formerly incarcerated men and women in 2018 allowed more than a million voters access to the ballot box in Florida.48 In a presidential battleground state, a million new voters could easily alter the course of an election. Other changes have narrowed access. In response to unfounded claims of fraud, a number of states have imposed new restrictions.49 Requiring voters to present identification, restricting early voting and voting by mail, and imposing new penalties for voting errors make voting more difficult and more costly. In other countries, voting may be universal (Australia) or online (Estonia), but in the United States voting remains remarkably difficult. Elites, though, possess unhindered access to the halls of power. Not only do their routes to the ballot box lie unobstructed, but their wealth and influence mean their concerns receive lavish attention. A fully egalitarian society may be beyond reach, but easy and equal access to voting does not seem too much to ask. Reforms seeking to remove voting limitations and enhance voter access lend a louder voice to the public just as changes to philanthropy law might. Proposals to block voters and voices—particularly those from disempowered communities— will silence them. However difficult voting can be, campaign spending seems just the opposite. While states write the rules for conducting elections, federal law governs election spending. Since 2010, when Citizens United struck down long-standing rules limiting corporate political spending, those laws have become significantly less restrictive.50 Citizens United remade the political landscape, making it easy for wealthy individuals and big corporations to spend with little or no oversight.51 In its wake, efforts to control political spending have garnered great interest but met with limited success. Legislators perennially try to repeal the Johnson Amendment’s prohibition on political campaign activity by tax-exempt charitable organizations.52 As chapter 4 explained, this rule applies to both public charities and private foundations. Since private foundations are also subject to additional excise tax penalties for a wide range of political activities, including campaigning, a simple repeal of the Johnson Amendment would free only public charities to support or oppose candidates for office. Whether repeal would serve to reduce or reinforce power disparities remains hotly contested. Advocates for repeal argue that public charities like churches and schools should be permitted to undertake political action to express and represent the political views of their communities53–which might serve as a counterbalance to elite influence. Opponents warn repeal would embroil charitable entities in political squabbles, allow them to be coopted by political forces, and undermine political transparency54–which would not. Initiatives to regulate corporate political spending have also gained prominence, though as yet have made little headway. Senator Warren’s proposed Accountable Capitalism Act featured a requirement for 75 percent of shareholders and directors to approve any political spending in firms with more than $1 billion in tax receipts.55 Despite being introduced in two successive sessions of Congress and garnering significant media attention, the bill made no legislative progress post-introduction. In the wake of the January 6 attack on the Capitol, Senator Menendez reintroduced a bill requiring not only shareholder approval, but enhanced disclosure of corporate political spending as well, to little fanfare.56 A petition urging the Securities and Exchange Commission to adopt disclosure requirements for corporate political spending attracted the highest number of comments on record.57 A legislative block long prevented the agency from acting on the issue, but its new leadership under the Biden administration has indicated interest in doing so.58 The Supreme Court’s 2021 decision in Americans for Prosperity Foundation v. Bonta, 59 however, has been perceived by many as an invitation for new challenges to even those campaign spending disclosure rules upheld in Citizens United. 60 For a More Perfect Bargain to be forged through election law reform, advocates will need to find a way past political headwinds and constitutional hurdles alike. Corporate Law Reform

#### Tax reform fails to address elite influence in election, the key driver of political inequality

Reiser and Dean 23 [Dana Brakman Reiser, Centennial Professor of Law at Brooklyn Law School, and Steven A. Dean, professor of law and the Paul Siskind Research Scholar at Boston University School of Law, 01-2023, "A More Perfect Bargain", OUP Academic, https://academic.oup.com/book/45335/chapter-abstract/389234584?redirectedFrom=fulltext]/Kankee

Three Visions for Systemic Reform This chapter’s three visions for systemic reform all combat the pervasive timing, transparency, and targeting threats posed by the rise of for-profit philanthropy. None offers a simple cure. They will not remedy every harm caused by the decline of the Grand Bargain. But each envisions a reckoning with inequality, the root of the distrust in elites that underlies the phenomena explored here. Rather than limiting the range of potential solutions, it embraces successively less orthodox tools and considers their likely impact on for-profit philanthropy and inequality more broadly. First, we test the lens of income. A return to steeply progressive mid-century tax rates combined with tempering the myriad loopholes and structural deficits that favor wealthy taxpayers represents one path toward reining in elite influence. Higher real rates would translate into more valuable tax deductions, counterbalancing the regulatory costs of traditional philanthropic tools. The Biden administration embraced this approach in its fight against inequality with mixed success.7 The second systemic reform approach views inequality not as a function of income but of wealth. A wealth tax could fuel greater economic equality gains than an income tax could. It even promises to allow the United States to take a few meaningful first steps toward narrowing the racial wealth gap.8 Proposals to advance a wealth tax vary along important dimensions and all face potential constitutional scrutiny. Wealth certainly matters more to elites than income. Threatening that wealth with a new tax regime creates new opportunities to encourage accountable philanthropy. It would be foolish to assume that a wealth tax could actually extract significant amounts of revenue from the wealthy in the form of taxes. It could, however, nudge elites back toward regulated philanthropy—preferably with incentives improving on 1969’s blueprint of targeting, timing, and transparency. A wealth tax paired with incentives for philanthropy that target inequality would not merely reinforce the crumbling Grand Bargain but build it back better. Acknowledging that the Grand Bargain ultimately represented a strategic compromise with—rather than a tax on—elites, the final approach turns in an entirely new direction. Growing disparities across Americans of different races, genders, identities, and abilities cannot be adequately addressed by narrowing differences in income or chipping away at the vast wealth held by elites. Financial redistribution could never compensate for voting rules that disproportionately suppress Black votes, campaign finance law that amplifies elite voices, and the magnification of influence worked by incorporation, and the Grand Bargain made no attempt to deliver such a result. In truth, the vectors of elite influence range far beyond the reach of tax law and so too must remedies to the obstinate inequality that plagues American society. Confronting elite influence directly would have concomitant impacts on forprofit philanthropy. Exploring but one of many possible examples, we consider the impact of requiring a dramatic uptick in accountability for corporate philanthropy programs. Ensuring that the corporate engines of elite wealth run more cleanly would help to rebalance the scales without boosting taxes or tax enforcement. Redistributing power rather than revenues could create a new partnership between elites and the public. Reducing Income Inequality

#### The aff critiques the bad behavior of the rich, not the rationale for their wealth – the CP solves the harms of rich excess without tax reform or elite lobbying backlash

Flanigan and Freiman 24 [Jessica Flanigan, Assistant Professor of Leadership Studies and Philosophy, Politics, Economics, and Law at the University of Richmond, and Christopher Freiman, Associate Professor of Philosophy at William & Mary, 10-15-2024, "Wealth Without Limits: in Defense of Billionaires", PubMed Central (PMC), https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9684899/]/Kankee

Of course, not all non-philanthropic billionaire activity is good for the world. As Robeyns points out, many rich people take flights and air travel is bad for the climate. Worse, some billionaires made their money by investing in fossil fuels and advocating for protectionist policies that deter investment in beneficial sources of nuclear or renewable energy. These oil billionaires support unjust governments and invest in an industry that contributes to climate change. Yet even if some of the wealthiest people invest in industries or make lifestyle choices that are harmful, the appropriate remedy to these harms is not raising taxes on all ultra-rich people but passing policies that address the specific harms of particular industries. The problem isn’t that these billionaires are rich, the problem is that they are doing things that are bad. By analogy, some public officials do bad things (including promoting policies that worsen the climate) but it doesn’t follow from this that “public officials should not exist”—instead, we should prevent public officials from doing bad things. To the extent that it is politically infeasible to implement policies that discourage the use of fossil fuel, or to tax air travel, then this provides further evidence of public officials’ inability to enact even modest reforms for the sake of promoting public goods, and should bolster one’s skepticism of their more general proposals to tax billionaires. So far, we’ve just focused on the benefits of billionaires being billionaires. We’ve argued that their ordinary billionaire activities (if there is such a thing), like investing in companies and creating goods and services that people like, has a great track record in terms of public benefit. But the case against taxing billionaires out of existence is even stronger when we consider that many billionaires invest in philanthropic causes which further contribute to the common good, in addition to the benefits of their investment and innovation. Billionaire philanthropists are in a better position to help people than public officials because billionaires have stronger incentives to put their money in the pockets of the people who need it the most. Many of the problems associated with government spending arise because it is very difficult for public officials to distribute resources to those with the most urgent needs. Most of the federal budget is devoted to inefficient entitlement programs, national defense, and debt servicing. Even if politicians were incentivized or morally motivated to implement an effective climate policy or anti-poverty program (which they often aren’t) they would encounter political obstacles at every turn. In contrast, altruistic billionaires are not constrained by these policy limitations. They are capable of spending in ways that bypass legislative constraints, budgeting rules, counter-majoritarian political restrictions, and other barriers to effective policymaking. To be clear, we take no stand on the claim that billionaire philanthropists have comparatively strong altruistic motivations. Rather, we claim that superrich donors are often more capable of allocating philanthropic resources effectively than voters or public officials. Furthermore, they tend to have stronger incentives as well. The same dynamic applies to any private citizen. The key difference between the altruistic donor and the altruistic voter is that the former but not the latter gets to decide where the philanthropic resources go. A donor can take her donations elsewhere if she learns a charity is underperforming, but a voter cannot take public funds elsewhere if the state is underperforming (she can of course vote to take the funds elsewhere, but that has an insignificant chance of success). Thus, a donor, but not a voter, has an incentive to find those programs that do an effective job of helping people. To illustrate, think of the U.S. government as a charity that helps provide retirement income and healthcare for people who tend to be richer than 90% of the world. There are far more effective charities than this one, but this is the kind of philanthropy that American billionaires’ taxes pay for (along with the rest of American taxpayers’ contributions.) Now it’s crucial to emphasize that our claim is not that private charities always efficient. They aren’t. But here again, the standard is comparative—whether they tend to be more efficient than public spending. It’s also important to note that the worst thing you can say about even inefficient private giving is that it does a poor job of helping people. A donation to Harvard doesn’t do much marginal good. Public spending, by contrast, actively hurts people when it is dedicated to things like excessive defense spending, unjust law enforcement, border enforcement, and subsidies for harmful environmental practices. A significant amount of government spending incarcerates and kills people. Even the worst charities aren’t that bad. Another benefit of billionaire philanthropy is that it serves as a hedge against inefficient, wasteful, or harmful welfare spending by the government. By this we mean that if it turns out that a government program or solution is unable to solve an urgent social problem, it’s good to have some people around who can. For example, if governmental solutions to climate change prove to be inadequate, it’s better to have some private actors who are capable of investing in non-governmental solutions like geoengineering, rather than relying solely on the political process.32 In this vein, billionaires are distinctively well placed as drivers of moral progress—they are equipped to take risks and experiment in ways that public officials are not. Consider, for instance, the Patient Philanthropy Fund, which aims at providing resources for future people to prevent extinction-level events. (It counts among its donors Skype co-founder Jaan Tallinn.)33 Or take the SENS Research Foundation, which applies regenerative medicine to aging. The Foundation, whose work could produce significant gains in our of quality-adjusted life years enjoyed, received a $2.4 million donation from billionaire Vitalik Buterin.34 Billionaire Jack Schuler, a biotech investor, has donated over $100 million into the Schuler Scholar Program, which helps put students, often first-generation immigrants and people of color, through college.35 Schuler aims to spend $500 million in the next decade to promote the admission of more undocumented students into college.36 We are not arguing that all billionaires are saints—far from it. Rather, our argument is that billionaires face a system of incentives that generally prompts them to spend their money in socially beneficial ways. In contrast, public officials are not incentivized to spend taxpayer revenue in ways that promote the greatest good. For this reason, billionaires have a presumptive advantage over public officials in debates about whether there should be limits on the amount of wealth they can accumulate. To this argument, one might argue that even if billionaires provide material benefits, they harm their fellow citizens in a non-material way. For example, Fabian Schuppert notes that while inequalities of wealth are not always objectionable, they can be when wealth disparities create disparities in esteem and social recognition between the rich and the poor.37 One initial reason to be skeptical that taxing billionaires will ameliorate this concern is that it’s simply not clear to what extent global wealth comparisons—e.g., between the middle class and the billionaire class—matter to people rather than local wealth comparisons—e.g., comparisons within peer groups.38 Your ego is more likely to get bruised knowing that your co-worker got a $5,000 raise rather than knowing that Elon Musk made $5 million yesterday. As Bertrand Russell quipped, “Beggars do not envy millionaires, just other beggars who are more successful.”39 Millionaires and billionaires are simply too distant to make much of an impact on our everyday assessment of our social standing. Moreover, this alleged drawback associated with billionaires is also a drawback of inequalities between public officials and citizens, if not more so. Empowering state actors relative to market actors may end up simply redistributing status from the latter toward the former, resulting in no net gain in status or esteem for the worse off. This example points to a broader lesson—wealth is not the only basis for status and social recognition. General increases in social wealth, even if unequally distributed, can create new opportunities for social standing for the comparatively poor.40 Steve Jobs became a billionaire by selling iPhones, but now iPhone buyers have the opportunity to gain standing as independent musicians, filmmakers, or even TikTok influencers. Yet we do not imagine that limitarians would defend a system where public officials imposed limits on the number of streams an indie artist could rack up, the number of awards a filmmaker could receive, or the number of followers a TikTok influencer could acquire, even though these artists enjoy excessive status relative to most people. Lastly, as David Miller notes, the egalitarian problem of wealth-based status inequalities “seems less relevant now, since people’s experience of social inequality has changed.”41 Miller goes on to note that “The super-rich are regarded as ‘people like us’ who have somehow hit the jackpot” and even if this perception is misguided, it does mitigate concerns that the poor feel inferior to the rich or that objections to wealth inequality that focus on the dangers of class-based social hierarchies.42 Even if Miller is mistaken in pressing this empirical claim about wealth and social status, his argument shows that inequalities of status are not necessary drawbacks of billionaires and that people could collectively reform their inegalitarian attitudes without taxing billionaires out of existence. 3. Democratic Accountability in Corporate America. Another argument against billionaires is that public officials should not allow private citizens to amass enormous amounts of wealth that are not subject to democratic oversight or control. Yet billionaires, and corporate leaders more generally, are subject to more democratic oversight than public officials are, for three reasons. People consent to the influence of billionaires and corporate leaders in virtue of their purchasing decisions, billionaires and corporate leaders are accountable to a broader range of people than public officials, and they are more responsive to democratic movements. Additionally, to the extent that private leaders fall short of being democratically responsive, they fall short for better reasons than public officials. In these cases business leaders are more capable of breaking with popular opinion and taking a principled stand on unpopular issues than public officials. Larry Lessig’s develops a version of this argument against billionaire philanthropy in his discussion of institutional corruption.43 On Lessig’s view, billionaires’ and other corporate leaders have captured the political process and used it to advance their own interests at the expense of ordinary citizens. Lessig gives the example of Intuit, which lobbied Congress in opposition of an automatic tax filing system which would have benefited all taxpayers but would have also made Intuit’s tax software, TurboTax, far less profitable. Lessig’s example is just one of many examples of crony capitalism and institutional corruption, But it would be a mistake to interpret these examples as weighing in favor of higher taxes for corporations, corporate leaders, and billionaires. If public officials are as irremediably corrupt as Lessig suggests, then proposals for higher corporate taxes are unlikely to translate to real benefits for consumers, just as officials failed to enact automatic tax filing in Lessig’s example. That said, we grant that ultra-rich do have more effective political power than most people and that they can often use it to their advantage. 44 It doesn’t follow, however, that there should be fewer or no ultra-rich people. Nor does it follow that targeting billionaires would effectively address this political inequality. Rather, we should decouple these concerns about political inequality from concerns about economic inequality. As Jeppe von Platz recently argued, welfare state capitalism is not inconsistent with plausible conceptions of democratic equality, even though capitalism permits substantial inequalities of wealth and income.45 Though critics of capitalism object to markets on the grounds that vast inequalities of wealth, the kinds that create billionaires, cannot be justified to those who have less, von Platz persuasively replies that mere inequalities of wealth can indeed be justifiable in a context where the productive forces that created wealth inequality also creates a surplus that is sufficient to finance a robust welfare state that gives everyone enough material resources to participate as an equal in social institutions. Von Platz also reiterates our earlier argument when he argues that if the problem with wealthy people is that they use their wealth to buy political influence, this is an argument against allowing wealthy people to spend on political influence, not an argument against wealth acquisition.46 By analogy, the state simply prohibits the purchase of chemical weapons instead of trying to make citizens too poor to afford them.47 Von Platz argues that if it were impossible to limit the political influence of wealthy people, then this would be an argument for limits to wealth acquisition. But we cannot know a priori that wealth inequality is inherently linked to political inequality. To this we’d add, it could be that raising taxes on the rich could even backfire and further incentivize them to capture political power. The greater the tax burden, the more valuable the tax loophole, and thus the stronger the incentive to spend to lobby for that loophole.48 In addition to these theoretical points about political inequalities, it’s also worth noting that in the United States at least, many of the people who are currently public officials are very wealthy. In this context, it is unlikely that limiting the influence of billionaires would meaningfully change the classist skew of public office 49 One might object that the ultra rich can exploit their political advantages to block or otherwise undermine laws that limit money in politics.50 This is a serious worry; however, we deny that it speaks in favor of attempting to indirectly limit the influence of wealth on politics via taxation. After all, if billionaires’ greater political power affords them the ability to undermine political measures they dislike, presumably they have the ability to undermine efforts to raise their taxes. Indeed, we might reasonably conjecture that they will be at least as motivated to mobilize against taxes as campaign finance reform given that the former would both directly reduce their holdings and indirectly reduce their ability to capture the political process, whereas campaign finance reform only targets their influence on politics. Furthermore, unlike public officials, the people who are subject to billionaires’ influence retain the option to avoid them. For a price, people can boycott objectionable companies and refrain from interacting with billionaires or corporate entities that they oppose. But people do not generally have the option to withdraw their consent to political rulers or opt out of being under the influence of public officials. In a way, consumers authorize billionaires to make decisions with their wealth and income by buying their goods and services. They vote with their dollars. Consider, for instance, that far more American adults shop at Amazon than voted for Joe Biden for president.51 They thus knowingly empowered Bezos with resources that would give him extra influence. Should they disagree with Bezos’s spending or philanthropic choices, they can take their dollars elsewhere.

#### Wealth taxes can’t solve the political power disparities, the root cause of inequality – campaign reform is key

Polychroniou 24 [C.J. Polychroniou, political economist/political scientist, 08-01-2024, "Forget Wealth Tax. We Should Abolish Extreme Wealth Altogether", Common Dreams, https://www.commondreams.org/opinion/abolish-extreme-wealth]/Kankee

In sum, the super-rich can be blamed for many of the most serious ills confronting societies in the twentieth-first century. The only consequential question here is this: what can be done about it then? One of the most frequent responses to the problem of rising inequality is a call for the implementation of a wealth tax. Wealth taxation may sound like a good idea, but can it really address, let alone solve, the problem of inequality? The answer is an unqualified “no.” At least for the world’s advanced economies. Indeed, even if it’s possible to discover all the wealth that the very rich people own (much of which is hidden in companies or put in trusts) and then proceed with an accurate asset valuation, this will have very little impact, if any, on the daily lives of people who try to survive on minimum wages. Wealth taxation alone will have no impact on workers without social protection and no bargaining power at companies. It won’t protect workers at the “gig economy” and part-time workers. To effectively address economic inequality, we must identify the root cause of the problem, and one simple way to do this is by asking a rather simple question: How does one become superrich? Where does this immense wealth come from? Because as the renowned progressive economist James K. Boyce recently put it “nobody ‘earns’ a billion dollars. There must be something very rotten with an economic system that allows individuals to generate obscene amounts of wealth to the point they can hijack the political system and undermine democracy. Democracy cannot exist when we have wealth concentrated in the hands of a few. The idea that rich and poor are equal before government in democratic societies is ludicrous. As disparities in wealth and income grow, so do the disparities in political influence. Take corporations, for example, which exert enormous influence, thanks primarily to campaign donations and lobbying Their actions, which range from opposing labor laws and policies that benefit workers to restricting unionization, exacerbate inequalities at all levels of society and across the globe. Moreover, the surge in billionaire wealth and the surge in “corporate power and monopoly power” form a powerful connection. The very rich are not simply beneficiaries of the existing economic order. They are in control of the working arrangements of the global economic system. Yet despite the enormous power that corporations have on people’s lives and the communities in which they operate, there are very few policies and mechanisms at national or international level to curtail that power. Of course, we know that billionaires and big corporations pay very little in taxes, but we need much more than wealth and corporate taxation. We need ways to curb the power of big corporations and their drive to maximize shareholder value at the expense of everything else. We should also set a cap on extreme wealth. There is no social value for having billionaires. We should abolish the superrich, perhaps an easier task, politically speaking, than finding ways to tax them. Democratic societies could hold a referendum on whether we should abolish extreme wealth. In addition, we could create economic arrangements that provide a minimum income to ensure that everyone’s basic needs are met. This can be done either through universal basic income or guaranteed income programs. Last, but not least, we can challenge the rule of capital by advancing democratic forms of economic governance and economic planning. Participatory economics is one such alternative that would change the economy as we know it since it entails social ownership of production and self-managed workplaces. Worker cooperatives are established is various parts of Europe, particularly in Italy and Spain. The Mondragon Corporation in the Basque region of Spain is owned by its workers and represents the biggest and most successful case of worker cooperatives. Of course, for economic transformation to occur, breaking down hierarchical structures and putting workers in charge of business activities is not enough. What needs to happen is that the values of worker cooperatives spread across the economy and that power is wrested away from the capitalist class. In today’s world, we can tackle economic inequality only by shifting the conversation to its root causes and then coming up with blends of policies that work together to put an end to the driving forces behind inequality. Spending all political capital on something like a wealth tax will only help to prolong the life of an immensely cruel and dangerous economic system. An easier and far more effective way to end plutocracy is through the power of democracy via a binding referendum that calls on citizens to decide whether or not we should abolish altogether extreme wealth.

#### Campaign finance reform solves political inequality, but the aff exacerbates it. If we kick the CP, this is still an independent disadvantage

Thorndike 20 [Joseph J. Thorndike, director of the Tax History Project at Tax Analysts, 02-10-2020, "A Wealth Tax Could Make Rich People More, Not Less, Powerful", Tax Notes, https://www.taxnotes.com/featured-analysis/wealth-tax-could-make-rich-people-more-not-less-powerful/2020/02/07/2c4mp]/Kankee

Uncertain Solutions If you’re worried about the influence of rich people in politics, you have two choices about how you might fix it: You can take the money out of politics (through regulation and campaign finance reform), or you can take the money out of rich people’s pockets (with taxes). Recent proposals focus on the latter. In a paper last year for the Brookings Institution, University of California, Berkeley, economists Emmanuel Saez and Gabriel Zucman underscored the ways individual wealth can influence political decision-making, noting in particular that political contributions “are extremely concentrated with 0.01 percent of the population accounting for over a quarter of all contributions.” Their preferred solution: a new, annual wealth tax. It’s not entirely clear, however, that wealth taxes would actually improve matters. They could even make them worse. In a recent article for Vox.com, Kelsey Piper warned that wealth taxes could have “unpredictable effects” on politics. For all the hand-wringing about money in politics, we have only just begun to plumb the depths of plutocratic politics. “A wealth tax will likely make billionaires spend their money now instead of leaving it to their foundations or their descendants,” Piper wrote. “If billionaires suck (and many proponents of a wealth tax think that they do), this might mean more distortionary political spending on behalf of ideals that most Americans don’t share, rather than less of it.” That concern seems plausible, especially if a new wealth tax puts limits on private foundations. Saez and Zucman suggest that it should. “To prevent abuse, donor advised funds or funds in private foundations controlled by funders should be subject to the wealth tax until the time that such funds have been spent or moved fully out of the control of the donor,” they wrote. That makes sense. But it might backfire. If inheritance and estate taxes have historically encouraged rich people to leave money to charity, wealth taxes, when outfitted with these kinds of restrictions, might encourage rich people to simply spend their money while they have it. And that spending could be big. For all the hand-wringing about money in politics, we have only just begun to plumb the depths of plutocratic politics. As noted above, the Bloomberg campaign may force all of us to recalibrate the scale we use to measure the influence of money in politics. There’s plenty of room to grow. “For all the talk of money in politics, there’s actually little money going into politics compared to the spending power of the country’s richest,” Piper wrote in her Vox piece. The amount of money is also small when compared with the buying power of that money in the political realm. If Page and other political scientists are correct, money does a good job of buying policy change. Any increase in the flow of that money seems likely to increase the power of wealthy spenders. A wealth tax, in other words, might turn out to be an instrument of corruption, rather than a remedy for it. FDR’s Complaint In a recent article recounting the 1935 debate over a new federal inheritance tax, I offered an actual quotation from President Franklin D. Roosevelt that sounds an awful lot like the apocryphal quotation attributed to Brandeis. “Great accumulations of wealth cannot be justified on the basis of personal and family security,” Roosevelt declared in a message to Congress. “In the last analysis such accumulations amount to the perpetuation of great and undesirable concentration of control in a relatively few individuals over the employment and welfare of many, many others.” (Prior analysis: Tax Notes Federal, Jan. 27, 2020, p. 519.) Roosevelt’s warning about the power of wealth resonated with Americans of the 1930s and 1940s; voters broadly supported his decade-long drive to make the tax system more progressive. But Roosevelt (and those voters) were more concerned with economic than political power; he was more worried about the influence of rich people on “employment and welfare” rather than politics. A wealth tax might turn out to be an instrument of corruption, rather than a remedy for it. Quite possibly, Roosevelt focused on economic power because he believed it was more fundamental and foundational than political power; he was, after all, something of a materialist. Were he alive today, Roosevelt would almost certainly support a wealth tax. He would also probably have agreed that such a tax would strike a crucial blow for democracy writ large. But the mechanism of action, at least for Roosevelt, would have flowed from the economic to the political, not the other way around. Roosevelt, of course, could never have foreseen the myriad ways money has infused politics in the 21st century. Some of these ways are obvious and well demonstrated (like the success of rich people in buying congenial policy revisions). Others are far less certain (like their success in buying elections). But one thing would probably have been clear, even to Roosevelt. Attempting to limit the influence of money in politics is complicated and uncertain. Making rich people less rich might make things better. But it could just as easily make them worse.

#### Unregulated campaign spending is the problem, not wealth itself - billionaire influence boomed in reaction to deregulation under Citizens United

Pierre-Louis 23 [William Pierre-Louis, Jr., Public Policy and Communication consultant with a BA in public administration from Southern New Hampshire University, 10-12-2023, "How Billionaire Spending in US Elections Threatens Democracy", Take On Wall Street, https://takeonwallst.com/2023/10/how-billionaire-spending-in-us-elections-threatens-democracy/]/Kankee

The staggering wealth and unbridled political influence of billionaires, including those from the financial industry, pose a significant threat to our democratic processes. These few individuals can sway elections through unlimited campaign contributions and undermine the principles of fairness, equality, and the people’s will. Urgent and comprehensive reforms are imperative to safeguard the integrity of American elections, curtail the disproportionate role of wealth in politics, and build a truly representative multi-racial democracy. Underscoring the potent sway of wealth in our democratic processes, a recent report from Americans for Tax Fairness (ATF) revealed how billionaires funneled a staggering amount of money into the 2022 elections. Billionaires across finance, tech, media, and manufacturing have boosted ideological groups, especially conservatives, while small donors struggle due to rising prices, making megadonors even more important, the New York Times reported. Notably, the ATF report showed a number of billionaires emanating from the financial industry, including Peter Thiel, George Soros, Samuel Bankman-Fried, Michael Bloomberg, Stephen Schwarzman, and the Koch family–particularly David Koch & Charles Koch–made significant financial contributions during the 2022 election cycle.. A New York Times story from November 2022 quotes Kenneth R. Mayer, campaign finance expert and political scientist at the University of Wisconsin, asking, “Is this consistent with democratic — ‘little d’ — principles when you have billionaires dropping millions of dollars and they are having such an effect?” The short answer is: unlimited and unregulated spending in elections is bad for democracy. Because eventually, super-wealthy donors can use their economic power to influence the process by funding candidates who serve their interests, a 2022 ATF report showed. Billionaire spending in elections poses a danger of partisan favoritism and policy agenda manipulation, potentially sidelining broader societal needs. Their contributions are closely tied to ideological political action committees and candidates who support policies benefiting the wealthy, as demonstrated by a 2014 study by political scientists at Northwestern University. Wealthy individuals influence political campaigns financially by strategically aligning their contributions with parties or candidates that can further their agenda. During the 2022 midterms, George Soros donated over $128 million to the Democratic Party — primarily directing around $125 million to Democracy PAC II – a political action committee (PAC). Additionally, Richard Uihlein, a top private company owner, and his wife, contributed together over $67 million to Republican candidates. While Ken Griffin, a significant Wall Street donor in the 2022 midterms, has contributed over $100 million to state and federal candidates since April 2021, campaign finance records showed. “What we see basically is a class of people who have more money than God, who are very politically active in relatively unknown ways and who we have reasons to believe have been politically influential and have used their political influence in ways that don’t really serve the interests or preferences of what most Americans want,” Matthew Lacombe, political scientist at Northeastern University told the New York Times. The uncontrolled spending in politics distorts American democracy by exploiting the country’s broken campaign finance system. The 2010 Supreme Court’s landmark ruling in the Citizens United v. Federal Election Commission case, which granted corporations the same rights as individuals and effectively equated money with speech, has paved the way for a flawed electoral system filled with loopholes that affluent individuals exploit to their advantage. According to Americans for Tax Fairness, the erosion of campaign-finance regulations since the Court’s infamous ruling has facilitated the seamless transformation of tycoons’ economic influence into political power. Additionally, their net worth soared by 58 percent to $4.7 trillion during the pandemic, giving them substantial resources to influence elections. Alongside direct campaign contributions, Billionaires maintain their weight in the American electoral process through dark money, where anonymous political donations are funneled through corporations, nonprofit organizations, trade associations, and other groups such as Super PACs, allowing them to conceal the origin of the cash. In 2022, nearly 80 percent of billionaire cash, totaling $782 million, flowed into outside campaign groups, predominantly Super PACs, the 2023 ATF report states. These groups, unrestricted in fundraising from individual donors, utilized independent expenditures to either support or oppose specific candidates. For example, the 2020 elections experienced an unprecedented surge of “dark money,” amounting to $1.05 billion, with undisclosed origins, per a 2021 report by OpenSecrets. This influx of funds from undisclosed sources constituted approximately one in seven dollars that financed these elections, as tracking industry dark money remains challenging. Today, individuals of substantial financial means persist in using their wealth to influence elections, frequently channeling undisclosed amounts of money that evade traceability. During the 2022 elections, prominent conservative lawyer Leonard Leo’s newly established organization, Marble Freedom Trust, received a $1.6 billion donation, the largest publicly disclosed for a politically focused nonprofit, CNN reported. Funneling over $200 million to other conservative organizations, the organization operates within a network of right-wing nonprofits, including dark money groups, advancing conservatives’ interests. Billionaires from the financial industry effectively hold sway over elections through their staggering campaign contributions. This flagrant power imbalance, which sidelines the perspectives of regular working-class individuals, underscores the critical necessity for comprehensive reforms. These reforms are essential to restore fairness, transparency, and the fundamental principles of democratic governance, ensuring that the concerns of everyday people are not overlooked. We must respond with urgency and commitment, rallying for sweeping reforms to restore fairness, transparency, and equal representation in our electoral system.