WHY A WEALTH TAX MAKES SENSE TO TACKLE INEQUALITY

Given that wealth inequality in the US is more extreme and dangerous than income inequality, it is past time for a federal wealth tax (as well as effective, progressive income and corporate taxes).

A federal wealth tax offers a vital and necessary tool for directly redressing extreme wealth inequality, as well as advancing racial justice, tackling the climate crisis, and protecting democracy. It also offers a reminder that today’s debt-ceiling gridlock is a consequence of giving tax breaks to the ultrawealthy.

THE ALARMING GROWTH OF THE ULTRAWEALTHY

Extreme wealth concentration is at a record high in the US, and has surpassed the peak of the Gilded Age of the late 19th century. Oxfam calculations in April 2023 show that:

- US billionaires are almost a third richer (over a trillion dollars) than they were at the onset of the pandemic in 2020 (overall, accounting for recent stock market fluctuations).
- US billionaires have increased their wealth by 86.3 percent since 2013. Nearly half of this increase (48.6 percent) has occurred in the last three years. The number of US billionaires is nearly 60 percent higher, at over 700 today.
- For every $100 of wealth created in the last ten years in the United States (2012–2021), $37 has gone to the richest 1 percent—while the bottom 50 percent have received just $2.

The huge rise in pandemic wealth followed trillions of dollars being injected into financial markets to avert their collapse. This fresh cash, while vital to keeping economies afloat, largely ended up with the ultrawealthy, who were able to ride a stock market surge without the guardrails of fairer taxation to share that wealth.

DEEPENING INEQUALITY BY CLASS, RACE, AND GENDER

Time and time again, billionaires have been able to amass historic levels of wealth by building on top of, and taking advantage of, structural inequalities in our country—on the lines of race, gender, and class.

Our country has a “permanent underclass” of working families who are denied their economic rights, trapped in poverty, and unable to accumulate wealth no matter how hard they work.

Oxfam data shows that almost a third of the US labor force earns less than $15 an hour; half of all working women of color earn less than $15.

The racial wealth gap is actually growing wider since the 1980s, and today is close to what it was in 1950. The average Black American household currently has about 12 cents in wealth for every dollar of the average white American household.

And while the gender pay gap has barely budged in two decades, the gender wealth gap is much wider. One study found a raw wealth gap of women owning 32 cents for every dollar of male wealth. The gap is even more profound for women of color.

WHAT WE CAN DO NOW

We know how to tackle extreme economic inequality: for example, tackling monopoly power, boosting workers’ rights and wages, and providing universal public services. Higher tax rates on the very wealthiest people and corporations are a necessary precondition to reducing inequality.

Fortunately, there are several solid, reasonable proposals on the table in 2023. The Biden Administration and Congress should:

1. ENACT A WEALTH TAX ON THE VERY WEALTHIEST AMERICANS.

A wealth tax of 2 percent on US millionaires with net wealth above $5 million, 3 percent on those with wealth above $50 million, and 5 percent on US billionaires could raise over half a trillion dollars annually, and help rein in wealth concentration.
The Ultra-Millionaires Tax proposed by Senator Warren, which would place a wealth tax on the top 0.05 percent of Americans—a 2 percent annual tax on the net worth of households above $50 million, 3 percent on the net worth of households and trusts above $1 billion—is a necessary and urgent proposal.

2. EXPLORE A ONE-OFF WINDFALL WEALTH TAX ON BILLIONAIRE WEALTH, WHICH WOULD TAKE PLACE ON AN EXTRAORDINARY BASIS.

This would take into account the windfall gains made by billionaires during the pandemic period, in which they increased their wealth by one third, largely as a result of the ultrawealthy riding a stock market surge, public policy driving up asset prices, and record corporate profit margins.

3. TACKLE TAX AVOIDANCE AND EVASION.

The solutions to this include banning shell companies and increasing transparency around who really owns companies and other assets. A global asset register of all traditional types of wealth (including physical and financial assets) is vital to connect and centralize asset identification, and empower tax authorities with a tool to tax offshore assets. New evidence published by the IRS shows that more than 60 percent of the richest 0.01 percent own foreign accounts, the vast majority in tax havens.

FIVE GOOD REASONS TO TAX WEALTH

1. IT WOULD PROVIDE VITAL NEW REVENUES TO INVEST IN POLICIES THAT BENEFIT WORKING FAMILIES AND WOMEN.

Wealth taxation enables us to generate new revenues that we can deploy to inequality-busting investments in social spending for working families.

2. IT WOULD HELP NARROW THE RACIAL WEALTH GAP.

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. 86 percent of total wealth in the US is owned by white families, while Black, non-Hispanic families own just 3 percent.

Taxing extreme wealth would help 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), as well as by investing revenues in transformative measures that significantly reduce economic and racial inequality (such as baby bonds).

3. IT WOULD HELP TACKLE THE CLIMATE CRISIS.

Fiscal policy can play a role in reducing harmful emissions, and in generating revenues for climate financing. A wealth tax would reduce the amount of investments by the ultrawealthy, which could and should be spent by government on low-emission activity (such as the care economy) and transitioning to renewables. A wealth tax can generate billions of dollars to support communities around the world facing devastating climate events, and provide them the finances to recover from the climate-related loss and damage. An additional “top-up” tax on polluting assets can deter investments in economic activities hastening climate breakdown, and raise new revenues.

4. IT WOULD REDUCE THE FEDERAL DEBT.

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. 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.

5. IT WOULD HELP PROTECT DEMOCRACY FROM OLIGARCHY.

The ultrawealthy and corporations now play a vastly outsized role in bending public policy in this country to their own interests. This power is warping the political landscape away from measures that are enormously popular with people. A wealth tax not only reduces extreme wealth, but also extreme power held unaccountably by a few at the top.

For information about the methodology and data cited here, please refer to: Tax wealth, tackle inequality.

FIGHTING INEQUALITY TO BUILD A BETTER WORLD

Oxfam believes that poverty is a policy choice, and that the ultrawealthy and giant corporations have hijacked our systems to benefit a select few. We are working to redress the balance of power, putting it back in the hands of working families in the US and around the world.