Connecticut Debate Association
State Finals, March 23, 2024
Joel Barlow High School

THW implement a wealth tax.

Selected Tax Types

From Wikipedia, the free encyclopedia

Wealth Tax

A wealth tax (also called a capital tax or equity tax) is a tax on an entity's holdings of assets or an entity's net worth. This includes the total value of personal assets, including cash, bank deposits, real estate, assets in insurance and pension plans, ownership of unincorporated businesses, financial securities, and personal trusts (a one-off levy on wealth is a capital levy). Typically, wealth taxation often involves the exclusion of an individual's liabilities, such as mortgages and other debts, from their total assets. Accordingly, this type of taxation is frequently denoted as a net wealth tax.

Income tax

An income tax is a tax imposed on individuals or entities (taxpayers) in respect of the income or profits earned by them (commonly called taxable income). Income tax generally is computed as the product of a tax rate times the taxable income. Taxation rates may vary by type or characteristics of the taxpayer and the type of income.

Capital gains tax

A capital gains tax (CGT) is the tax on profits realized on the sale of a non-inventory asset. The most common capital gains are realized from the sale of stocks, bonds, precious metals, real estate, and property.

Estate tax in the United States

In the United States, the estate tax is a federal tax on the transfer of the estate of a person who dies. The tax applies to property that is transferred by will or, if the person has no will, according to state laws of intestacy. Other transfers that are subject to the tax can include those made through a trust and the payment of certain life insurance benefits or financial accounts. The estate tax is part of the federal unified gift and estate tax in the United States. The other part of the system, the gift tax, applies to transfers of property during a person's life.

In addition to the federal government, 12 states tax the estate of the deceased. Six states have "inheritance taxes" levied on the person who receives money or property from the estate of the deceased.

Vermont Becomes Latest State to Propose Wealth Taxes

The New York Times, By David W. Chen, Jan. 23, 2024

Seven states tried but failed in 2023 to add new taxes on assets and income. Attempts are underway in at least 10 states this year, and proponents are optimistic about their chances.

Lawmakers in Vermont are introducing legislation this week that would impose new taxes on the state’s wealthiest residents, joining a growing national campaign being pushed by Democrats who believe that the measures will gain traction as states reckon with post-pandemic budget squeezes.

One proposal in Vermont would tax people with more than $10 million in net worth on their capital gains, even if the gains have not yet been realized. Another would add a 3 percent marginal tax on individual incomes exceeding $500,000 a year — a measure that supporters contend could pump $98 million, or almost 5 percent of the annual budget, into the state’s coffers.

To underscore the bills’ importance to the Democratic leaders who control the legislature, both are being sponsored by State Representative Emilie Kornheiser of Brattleboro, who chairs the Ways and Means Committee.

“The way our tax structure is set up, our middle class is carrying an undue burden, compared to folks at the top,” said Ms. Kornheiser, whose committee reviewed the legislation at a hearing on Tuesday. “We want to make sure that all Vermonters are paying their fair share.”

The package of bills is part of a broader push across the country by progressive groups who hope that the political moment has arrived to shake up the tax system to address income inequality.

Called the Tax Justice Initiative, the campaign began in earnest a year ago, when legislators in seven states, including California, New York and Washington, coordinated the introduction of bills mirroring the federal wealth tax proposed by Sen. Elizabeth Warren of Massachusetts during her 2020 presidential campaign.

None of those proposals got out of committee. But this year, with Vermont, Pennsylvania and possibly other states joining the fold, organizers are redoubling their efforts to advance the bills to floor votes and then to passage. They hope that frustration over the escalating cost of living and resentment over the many breaks afforded to the ultrawealthy will coalesce into a political groundswell.

“We know it takes more than one single session for big ideas to take root,” said Jessie Ulibarri, a former Colorado state senator who is now co-executive director of the State Innovation Exchange, one of the groups pushing for the new bills along with the State Revenue Alliance. “Policymaking is the act of taking the impossible to the inevitable,” Mr. Ulibarri

said.
Many Republicans and Democrats have long resisted expanding the state taxation of individuals beyond income to include assets as well, as some of the new bills propose. Doing so in an election year may be even less appealing.
Gov. Gavin Newsom of California recently rejected the idea of plugging the state's $37.9 billion budget deficit with a wealth tax. Republicans say California's progressive income tax system is already too onerous for high earners, and Mr. Newsom, who fashions himself a fiscal centrist and is widely believed to have presidential aspirations, has resisted adding new state taxes.
Texas voters overwhelmingly passed a constitutional amendment in November that would preemptively bar any future efforts by the state to tax wealth or net worth.
Democrats in Vermont have a supermajority in the state legislature, but even so, they also face a difficult sales job. The governor, Phil Scott, is a moderate Republican who voted for President Biden in 2020 and delivered his budget address on Tuesday; though the state is likely to face a tightening budget, Mr. Scott has been cool to suggestions that the wealthy be taxed more.
"We have a pretty progressive tax policy in the state here already," he told reporters in November. "I'm not sure how many more of the wealthy there are, and how much more we're going to reap from them without them moving."
Still, when it comes to taxes, the biggest frustration many Americans have is the sense that the wealthiest aren't paying their fair share: 82 percent of respondents in an April 2023 Pew Research poll said it bothered them, including 60 percent who said it bothered them "a lot."
Some of the ultrawealthy agree: More than 250 billionaires and millionaires, including heirs to the Rockefeller and Disney fortunes, recently signed an open letter, coinciding with the World Economic Forum in Davos, Switzerland, that urged world leaders to tax them more.
The vast majority of state and local tax systems taken as a whole, including property, sales and excise taxes as well as income tax, are regressive, and the poorest 20 percent of taxpayers pay effective tax rates that are nearly 60 percent higher than those paid by the top 1 percent of households, according to new research from the Institute on Taxation and Economic Policy, a nonpartisan research organization that equates fairness with a progressive tax system.
So far in 2024, lawmakers in 10 states have introduced wealth-tax bills or are working on introducing them, according to Amber Wallin, senior policy and outreach director at the State Revenue Alliance. They are California, Connecticut, Hawaii, Maryland, Minnesota, Nevada, New York, Pennsylvania, Vermont and Washington.
No states currently assess any taxes on a living individual's net worth or unrealized capital gains. If Vermont's bill were to become law, it would basically do that, Ms. Kornheiser explained: Someone whose assets, after exemptions, started the year worth $10 million and finished the year worth $11 million, for example, would have $1 million in unrealized gains that would be counted as income, and therefore subject to Vermont's top income tax rate of 8.75 percent, even though nothing was sold and the gains were all on paper.
Whether any of these state proposals, if enacted, would withstand legal scrutiny remains to be seen. The Supreme Court is now weighing a case that could redefine what constitutes income, and potentially complicate efforts by lawmakers to impose levies on billionaires' wealth.
Proponents in Maryland spent $250,000 in ad campaigns at the end of last year to bolster support for proposals that they contend could produce $1.6 billion in annual revenue.
In Connecticut, whose legislative session does not start until Feb. 7, lawmakers are preparing to unveil updated proposals, said State Representative Kate C. Farrar, the deputy leader of the Democratic majority in the House, who represents the West Hartford and Newington areas. One new proposal tackles something that federal lawmakers have failed to do: closing the carried interest loophole, which allows hedge-fund and private equity executives to pay tax rates that are lower in some cases than those paid by entry-level employees.
Some legislators and taxpayers are pushing back.
In the state of Washington, conservatives hope they have collected enough valid signatures to ask voters in November whether the state's capital gains tax should be repealed. The tax, which was approved by the Democratic-controlled legislature in 2021, assesses a 7 percent excise tax on realized capital gains of more than $250,000, excluding real estate, and generated $900 million in revenues in 2023.
"There's still a lot of economic unease across the country, and there's a populist mood in the U.S. right now on both the right and the left that can help drive some of these conversations," said Jared Walczak, vice president of state projects at the Tax Foundation, a nonprofit tax policy group which has criticized wealth tax proposals.
"The problem is that feelings can make for very bad policy," he said. "It may feel good to increase taxes on the very wealthy, but that may mean they no longer have the capacity to invest in growing companies that generate employment and create opportunity in this country."

Constitutional or Not, Wealth Taxes Are Bad Economics

Bloomberg News, by Allison Schrager, December 6, 2023

A Supreme Court case about unrealized capital gains has implications for Biden's proposed tax on the very wealthy.
The US Supreme Court heard arguments on Tuesday over a dispute over a $14,279 tax bill — and the slightly more consequential question of what counts as income under the federal tax code, a definition the Biden administration would

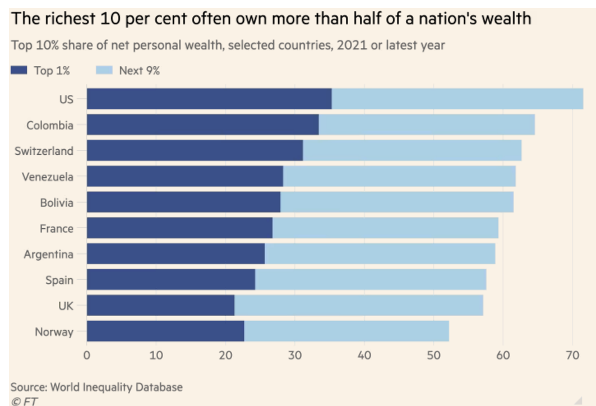
like to expand.
The tax bill at the center of the case belongs to Charles and Kathleen Moore, from an investment they made in India almost two decades ago. Although they have never realized any gains, their investment has done well, and changes to tax law passed in 2017 required them to pay taxes on its increased value. The Moores argue that they have not received any income from their investment and therefore should not be subject to any tax.
Whether the Moores' return is income or an unrealized gain is a difficult legal question. But to an economist the argument is simple: Wealth taxes, which are part of President Joe Biden's 2024 budget proposal, are terrible policy. Taxes are a fact of life, everyone must pay them, the wealthy more than the less wealthy. But not all taxes are equal, and it's important how a tax works. Some taxes are harder to implement than others, and some create greater economic distortions. Based on both of these criteria, taxing wealth — including unrealized gains — is the worst way to tax.
Taxing the wealth of centimillionaires, as Biden proposes, may sound harmless; these are after all very rich people (though not billionaires). But implementing this tax would be very difficult. Very rich people often get that way by starting businesses, and they have a lot of their wealth tied up in their companies. Often these companies are privately owned, and therefore very difficult to value objectively.
Even for publicly traded assets, the implementation of the tax would not be straightforward. On what day is the tax liability assessed? What if the value of the asset goes down between then and the day the tax is due? Will the government owe the centimillionaires money in the year their assets lose value? The US currently taxes capital gains, where these questions don't come up or have a clear answer.
Wealth taxes are also bad for the economy overall. Even owners of successful firms might not have enough cash to pay the tax on the value of their companies in any given year, especially if the tax is as much as 20% on unrealized gains, and may need to dilute their ownership. That means owners would have less control of their businesses.
Subjecting companies to an annual tax on their value would create an incentive to keep companies private, because the value of the firm will be easier to manipulate. In fact, a tax on unrealized gains would probably lead to wealthy people keeping most of their wealth in privately owned assets. This not only reduces transparency, it deprives everyday Americans from the chance to invest in growing companies. Yes, the government could create exceptions — no tax on certain kinds of assets, for example, or in certain sectors — but that would just result in more distortions and less transparency.
True, there is already an estate tax. But it is assessed only once in a lifetime — and it is subject to all sorts of tricks to keep the liability down. There is a reason wealth is not taxed. Other countries tried and found wealth taxes to be more trouble than they're worth. It is too easy to cheat, and people end up moving their money around — out of the country or in hard-to-value assets such art, instead of in the local economy.
To repeat: Yes, the US needs more tax revenue, and yes, very rich Americans could pay more. But there are better ways to raise the money than through a wealth tax. The government could tax the increase in the value of an estate when it is passed on. There could be more progressive consumption taxes on luxury goods.
Taxing wealth is a bad idea, even for the wealthiest people. No matter what the court decides, politicians should perish the thought of taxing unrealized gains and focus on more sensible ways to raise revenue.
Allison Schrager is a Bloomberg Opinion columnist covering economics. A senior fellow at the Manhattan Institute, she is author of "An Economist Walks Into a Brothel: And Other Unexpected Places to Understand Risk."

What happened to the wealth tax?

The Financial Times, Yuan Yang, SEPTEMBER 21 2023
Proposals have struggled politically but some economists say the idea is due a resurgence
Thomas Piketty's book Capital in the Twenty-First Century seized global attention a decade ago with its call for a global wealth tax. Yet politically, the idea now appears to be struggling.
A US plan to tax wealthy people's investments is unlikely to pass Congress, the UK Labour party this year scrapped its commitment to the taxes and France ditched its wealth tax in 2018.
Opponents include the French president Emmanuel Macron, who replaced the French wealth tax with one on real estate with the aim of fostering international investment in the country. Critics have also looked to the example of Norway, where a tax on the country's billionaires has led dozens of them to decamp to Switzerland.
Despite the expansion of the state in other areas, wealth tax proposals have often fallen foul of the political process. And where the taxes were introduced, they were sometimes easy to avoid and often featured multiple carve-outs that cut into the revenues raised: according to the OECD, by 2020 they were typically raising less than 1 per cent of total tax revenues.
Edward Troup, a former head of the UK tax authority HMRC, believes that having to pander to "vested interests" means that wealth taxes are simply not worth the political capital. "[They] get you to carve out pensions, property, private companies — to the point where it's not worth it," he said.
At the same time, as western governments face up to the reality that ageing populations will shrink their workforce and limit tax revenues from people's pay, economists and campaigners argue the idea — which tends to win broad public support — is due for a resurgence.
"In the current environment where existing taxes are already high in many economies, we could see new taxes on land, or wealth more generally, come on to the agenda," says Keith Wade, an economist from asset manager Schroders.
Spain last year introduced a broader "solidarity tax for great fortunes" on those with net assets over €3mn in response to its

cost of living crisis. Countries in Latin America have also introduced the levies, including Venezuela in 2019, and Argentina and Bolivia in 2020.

Colombia became the latest country in the region to follow suit at the start of 2023, levying a rate from 0.5 per cent to 1.5 per cent on individuals whose assets exceed $750,000.



Piketty told the Financial Times: "There's no doubt that the wealth tax will come back in France and elsewhere, quite simply because there's no way the rest of the population will accept to pay for the climate, education, health, and so on, if the richest do not pay their fair share."

Arun Advani, a British academic and advocate for the taxes, acknowledges they have been difficult to pass. "People understand a wealth tax would be a good thing," he said. "But the losers are well-connected to those who listen and have power: politicians and journalists."

But he added: "It's harder now for people to say that these taxes can't raise serious amounts of revenue." The value of assets in the UK has ballooned from two to three times annual national income to around seven since the last time a UK government campaigned for a broad levy on all forms of wealth under Harold Wilson in 1974, he said. That attempt never came to fruition.

Advani argues that to bypass the difficulties associated with introducing a broad wealth tax, the "lower hanging fruit" would be to improve the existing state apparatus to better tax increases on wealth — that is, unearned or investment income. He advocates equalising capital gains tax, which in the UK is levied at a rate of between 10 and 28 per cent, with tax on wage income, which carries a top rate of 45 per cent.

"The tax system is unequal among rich people who earn the same amount," Advani said. "There should be a lot of bankers, who earn their money in income and not investments, angry that this disadvantages them."

This fact has not gone unnoticed among high earners. "It's an absolute crime," said Gary Stevenson, formerly Citibank's top trader, who paid the top rate of income tax on all his bonuses and now campaigns for levies on extreme wealth as part of the Patriot Millionaires group.

In the UK, wealth divides have increased sharply over the past decade and a half. Incomes have stagnated while the prices of assets, particularly of housing, have continued to increase, making wealth less attainable for the young.

Surveys tend to show that the public backs wealth taxes — in the UK a poll by YouGov this year showed that three quarters of Britons supported them. But Dan Neidle, a tax lawyer and founder of Tax Policy Associates, said: "There's a dangerous political trap with wealth taxes — they poll well in isolation, but in the heat of an election campaign, they're not so successful."

Instead, Troup advocates focusing on one asset, such as residential property, through a land value tax.

Despite the example of Norway, Advani argues wealth taxes do not necessarily scare the rich into leaving. A previous reform to the UK's non-dom regime — under which people resident in Britain are exempt from full taxation on their foreign income — did not lead to significant numbers quitting the country.

Governments have also vastly improved their ability to track offshore assets through the advent of more data-sharing protocols with other tax authorities, he said.

Critics of plans like Advani's have argued that increasing capital gains taxes would reduce the incentive to set up businesses in the first place. But Advani argues that most entrepreneurs, when selling their companies, say they were completely unaware of the tax rates they would face when doing so.

"What you should be doing to help entrepreneurs isn't a lower rate at the end of the process for those to happen to do well," Advani said. "You should provide support to people on the way in."

Fight Poverty, Not Income Inequality

Bloomberg News, by Tyler Cowen, November 26, 2022

Tyler Cowen is a Bloomberg Opinion columnist, a professor of economics at George Mason University and host of the Marginal Revolution blog.

The difference in wealth between the rich and the poor has been shrinking, but that's not necessarily good news.

Wealth and income inequality have recently gone down in the US and other parts of the West, and the decline has been going on for the better part of the last decade. Yet it is not clear, to me at least, whether this is something to celebrate.

The recent decrease should come as no surprise. Markets are well below their late 2021 levels, and the wealthy hold a disproportionate share of the stock market. Executive compensation also tends to move with the markets, which affect the wealth of founders such as Mark Zuckerberg, who according to one measure has lost about three-quarters of his net wealth at its peak. And then there are all those former crypto billionaires, and not just Sam Bankman-Fried.

At the lower end of the income scale, the picture is more complex. Nonetheless the labor market has yet to crash, the current unemployment rate is 3.7%, and there are signs of an inflationary soft landing. Over the third quarter of 2022, the bottom 50% saw their real incomes rise an average of 1.5%. None of those narratives are finished, but matters could be

worse.
I am not here to shed tears for the very wealthy or to argue that the bottom half doesn't need more help. My question is this: Do we feel good about this state of affairs? I would merely observe that lesser wealth and income inequality have not brought new glories to the world.
Of course poorer people would be better off if they had more money, and we should enact policies to help bring that about. But critics of inequality make a different and much stronger set of claims, saying that inequality is responsible for health problems, despair, bad governance and social unrest. Those arguments — focusing on inequality rather than the absolute level of poverty — are an essential part of the current critique of capitalism.
Lower income inequality is not without downsides. Charitable giving is likely to fall. Fewer ambitious corporate projects will be undertaken. Major technology companies, which have seen some of the biggest declines in value, are laying off workers, most of whom will probably get lower-paying jobs and experience more anxiety.
To be clear, these are manageable problems. But they are problems nonetheless. Some number of Americans, above and beyond the wealthy, will be worse off because the riches of the very wealthy have declined.
And it's not as if people on the lower end of the income scale feel happier or more healthy because the wealthiest are now poorer. For most Americans, life goes on; their main economic concern is that high inflation will eat into potential wage gains.
Nor is it the case that the proletariat have taken hold of the reins of power and a new populist utopia is nigh. The very wealthy might make fewer political donations, but the influence of money on politics was overrated in the first place. It hardly seems like a new era of egalitarian redistribution. Instead, Western government budgets are fairly tight, and in the US in particular the set of plausible policy alternatives is likely to get more narrow.
For at least two decades, the attention given to rising income and wealth inequality was huge, among both policymakers and academics. Over the last decade, the attention given to falling income and wealth inequality has been tiny. Our views of this issue, shaped by the media, may be seriously out of date.
I am by no means convinced that this reduction in inequality will continue. Forthcoming technological advances will have unpredictable effects. But if the last decade proves to be an interlude, there is still a lesson: Maybe inequality wasn't the problem in the first place. That's why I'm not cheering at its decline, and why I suspect not everyone else is, either. The real challenge isn't how to reduce the difference in wealth between the rich and the poor. It's how to reduce poverty.

ProPublica's Plan for a Poorer America

The Wall Street Journal, By Phil Gramm and Mike Solon, June 16, 2021
A federal wealth tax would only make it harder for people with big dreams to make them a reality.
ProPublica's "blockbuster" story showing that the wealthy "pay income taxes that are only a tiny fraction of the hundreds of millions, if not billions, their fortunes grow each year," looks at first like a stunning revelation. But the whole tempest plops into a teapot once you ask yourself: How much of the total growth in the value of my home, retirement funds and business did I pay federal income taxes on last year? The answer is none. Nobody pays federal wealth taxes in America, but ProPublica and its Democratic allies are using stolen tax returns to try to change that.
ProPublica's report claiming the wealthiest 25 people only pay 3.4% in income taxes contradicts publicly available Internal Revenue Service data on the top 400 income earners showing that they paid on average 32% of their income in federal income taxes, including Social Security and Medicare taxes. That same data show that the very top earners pay an effective income-tax rate of 40.1%. The rate is lower for the top 400 taxpayers because each of these individuals is a unique case in terms of how they earn income and how much they give away.
The stolen IRS data provide the story with voyeur appeal, but it turns out to be a bait-and-switch. ProPublica substitutes a magazine's estimate of wealth appreciation, which never appears on the stolen tax returns, to falsify income. Using this deception the site calculates its "true tax rate." ProPublica laments that taxpayers are acting "perfectly legally" in not paying a federal wealth tax, which doesn't exist.
That wealth is taxed only when converted into income or on death may be an outrage to those in government who want to spend that wealth, but it is a purposeful, enlightened policy that lets wealth work as the nation's seed corn, making America the richest nation in the history of the world. That wealth in turn makes it possible for the government today to provide $45,000 a year in transfer payments to the average household in the bottom 20% of American earners.
ProPublica highlights Warren Buffett, and they could have picked no better example of how this nation became wealthy. Famous for being the world's greatest investor—and for living relatively modestly—he uses McDonald's coupons, works in a cheap office, drives a junker and lives in a house far smaller than what he could afford. No one ever seems to ask: If Mr. Buffett isn't benefiting from all his wealth, who is? It is at this point in the story that greed causes ProPublica and the Democrats to put their own political aspirations above the public interest.
Mr. Buffett has no vast vault of gold where he takes a daily swim like Scrooge McDuck. Instead his billions are invested to make it possible for people with good ideas and big dreams to make them a reality. Tools are bought, jobs are created, new products and services are provided, and lives are transformed.
When Mr. Buffett's investments generate economic activity, the taxman takes slices in sales, payroll, income and property taxes. When he dies, the death tax will take 40% of his life's work and, in doing so, will make Americans who will never know his name poorer. While it isn't even clear government would get more by seizing Mr. Buffett's wealth than it gets by

taxing all the economic activity his snowballing investments create, how can anyone believe that the American people would benefit from stopping Mr. Buffett's wealth from working for the economy so that government can spend it? The pressure of political correctness may induce Mr. Buffett to say he should pay more taxes, but in reality America, not Mr. Buffett, would pay those taxes in reduced opportunity and lower wages.

The miracle of our capitalist system is that it permits total strangers—as owners of wealth, possessors of productive ideas and willing workers—to come together and work for one another's benefit and for the nation's common good. Rich people become and stay rich by putting their savings and talents to productive use. Bill Gates reportedly owns only 7% of Microsoft; American pension funds and mutual funds own most of the rest. Microsoft employs 101,000 people in the U.S. You may not like how rich Mr. Gates is, but as he enriched himself, he enriched all of us as workers, consumers and retirees. Was that a good deal?

Taxing wealth accumulation will mean less wealth accumulation, lower productivity growth, lower wages and a less prosperous America. If you had to pay a federal property tax on the appreciation of your home and the growth in the value of your retirement assets, farm and business every year, how could you or America ever get ahead? Private investment has created $32 trillion of equity wealth in America. "Public investment" has created $21 trillion of public debt.

Proponents of a federal property tax on wealth offer guarantees and protections that they will only tax the superrich like Mr. Buffett, promising not to touch your retirement plan, home, farm or business. But the federal income tax started out only taxing the superrich like John D. Rockefeller. The same politicians who promise to protect you from the federal wealth tax voted to impose income taxes on "wealthy" Social Security retirees with an annual incomes above $25,000. And these are the same politicians who are proposing to tax your businesses and farms at 43.4% when you die, before they take another 40% in death taxes.

In taxing wealth we eat the nation's seed corn. That may be worth it to politicians who want power, but for most Americans a wealth tax, whether they have wealth or not, would mean fewer jobs, lower wages and less opportunity for human flourishing.

Mr. Gramm is a former chairman of the Senate Banking Committee and a visiting scholar at American Enterprise Institute. Mr. Solon is a partner of U.S. Policy Metrics.

Opinion: Tax justice is yet to hit the richest 'citizens of the world'

Financial Times, Rana Foroohar, DECEMBER 11 2023

A Supreme Court case highlights the difficulties of raising revenue from wealthy people who can park money offshore

"Taxes are what you pay for a civilised society," said American Supreme Court justice Oliver Wendall Holmes in 1927. The topic, always relevant, became even more so last week as the US Supreme Court heard opening arguments in Moore vs United States, a case that will examine whether the mandatory repatriation tax of 2017, which required corporations to pay a one-off tax on deferred foreign profits, is legal.

Readers may remember that the MRT aimed to capture some of the trillions in offshore profits from big US companies ahead of a lowering of the corporate tax rate, coupled with an ending of the country's "worldwide" taxation principle. This system had encouraged American multinationals to hold profits overseas, where rates were lower than the then 35 per cent US levy, and to avoid potential double taxation by not repatriating their earnings. Today, US companies are subject to a 21 per cent rate and no longer pay additional tax on foreign profits to the government.

The question for the Supreme Court is whether taxing unrealised earnings is legal. The plaintiffs — an American couple who had to pay $15,000 on unrealised gains in an Indian manufacturing business as part of the 2017 tax — and many conservatives are hoping the court says no.

But overturning the MRT would also make it hard for Congress to impose a wealth tax, which the Democrats are pushing for; and it would open a Pandora's box of litigation in the US, where such a ruling would upset existing tax rules.

Some conservative justices such as Amy Coney Barrett seem wary of the plaintiff's arguments, perhaps because they don't want to upset the status quo. And the ruling won't come for some time. But the case underlines the difficulties of how we think about tax justice after decades of globalisation and technological transformation have allowed large corporations and wealthy individuals to play a zero-sum game of tax arbitrage and avoidance.

Not only can the global rich still pick from among the most favourable international tax structures, but the economic shift from manufacturing to services to information has made it ever easier to park wealth offshore. After all, factories are harder to hide than, say, patents or data.

The recent EU Tax Observatory's Global Tax Evasion Report contains a particularly startling chart that profiles profit shifting by US multinationals between 1975 and 2022. While American companies booked almost no revenue in tax havens in the late 1970s, they book more than half their profits in such regions today.

There was a bit of a downtrend after 2017, but profit offshoring picked up again after that and remains more or less flat at about 50 per cent. Only a small share of those profits can be justified by any real on-the-ground business. And while the US stands out, foreign profit offshoring to tax havens as a whole has been around 35 per cent since 2015.

The global minimum tax of 15 per cent on multinationals agreed by 140 nations in 2021 should have helped with this — but the US and many other rich nations have yet to implement or enforce it properly. What's more, the list of loopholes has grown, reducing revenue and providing continued incentives for companies to send profits offshore.

Rich individuals benefit from plenty of loopholes of their own. Global billionaires pay between zero and 0.5 per cent of

their wealth on average, according to the report. They may hide less offshore (thanks to increased exchange of international bank information) but they still use domestic real estate holdings and shell companies to avoid individual income tax.
No wonder across-the-board wealth taxes and even land taxes are increasingly being discussed in many rich countries. The ability of rich companies and individuals to use complex legal structures to outmanoeuvre national regulators cries out for simple, blunt rules.
But it also requires increased global co-ordination. The rich are now less moored to countries and tax jurisdictions than they were in the past. That makes it difficult for any single country to solve the issue of tax evasion alone. I know plenty of rich, liberal elites who believe themselves to be "citizens of the world" but, very often, such claims to care for all mean that they actually don't contribute much to any particular country or community.
This has become a new and disturbing trend among the world's wealthy. In his new book, As Gods Among Men, Bocconi University economic historian Guido Alfani outlines how in the past, rich individuals contributed more to the common good in times of war, famine, plague and financial disaster. Today, that sense of shared responsibility is gone. Despite the financial crisis, the pandemic and war in Ukraine, neither tax rates for — or contributions by — the global rich to individual nation states are increasing significantly.
Part of this may be about too much private money in politics, a particular problem in the US (and a growing one, following the 2010 Citizens United case which overturned century-old campaign finance laws). It may also be about the delinking of wealth and place in a post-global world. Whatever the case, the crises of the moment — from climate change to conflict to reskilling the workforce — require more tax revenue. If we don't all pay our fair share, we may find society increasingly uncivilised.

World's five richest men double their money as poorest get poorer

The Guardian, Rupert Neate, Wealth correspondent, Sun 14 Jan 2024 19.01 EST

Oxfam predicts first trillionaire within a decade, with gap between rich and poor likely to increase
The world's five richest men have more than doubled their fortunes to $869bn (£681.5bn) since 2020, while the world's poorest 60% – almost 5 billion people – have lost money.
The details come in a report by Oxfam as the world's richest people gather from Monday in Davos, Switzerland, for the annual World Economic Forum meeting of political leaders, corporate executives and the super-rich.
The yawning gap between rich and poor is likely to increase, the report says, and will lead to the world crowning its first trillionaire within a decade. At the same time, it warns, if current trends continue, world poverty will not be eradicated for another 229 years.
Highlighting a dramatic increase in inequality since the Covid pandemic, Oxfam said the world's billionaires were $3.3tn (£2.6tn) richer than in 2020, and their wealth had grown three times faster than the rate of inflation.
The report, Inequality Inc., finds that seven out of 10 of the world's biggest corporations have a billionaire as CEO or principal shareholder, despite stagnation in living standards for millions of workers around the world.
Compiled using data from the research company Wealth X and Forbes, it says the combined wealth of the top five richest people in the world – Elon Musk, Bernard Arnault, Jeff Bezos, Larry Ellison and Mark Zuckerberg – have increased by $464bn, or 114%. Over the same period, the total wealth of the poorest 4.77 billion people – making up 60% of the world population – has declined by 0.2% in real terms.
"People worldwide are working harder and longer hours, often for poverty wages in precarious and unsafe jobs," the report says. "Across 52 countries, average real wages of nearly 800 million workers have fallen. These workers have lost a combined $1.5tn over the last two years, equivalent to 25 days of lost wages for each worker."
Mirroring the fortunes of the super rich, it also says business profits have risen sharply despite pressure on households amid the cost of living crisis. It finds 148 of the world's biggest corporations together raked in $1.8tn in total net profits in the year to June 2023, a 52% jump compared with average net profits in 2018-21.
Calling for a wealth tax to redress the balance between workers and super-rich company bosses and owners, the report says such a levy on British millionaires and billionaires could bring in £22bn for the exchequer each year, if applied at a rate of between 1% to 2% on net wealth above £10m.
Julia Davies, an investor and founding member of Patriotic Millionaires UK, a nonpartisan group of British millionaires campaigning for a wealth tax, said levies on wealth were "minuscule" compared with taxation on income from work.
"Just imagine what £22bn a year invested in public services and infrastructure could pay for; improving the lives of every one of us who live in the UK and providing our elderly, young and vulnerable with the care and support they need and deserve," she said.
Oxfam said the most recent Gini index – which measures inequality – found that global income inequality was now comparable with that of South Africa, the country with the highest inequality in the world.
The world's richest 1% own 59% of all global financial assets – including stocks, shares and bonds, plus stakes in privately held business. In the UK, the richest 1% own 36.5% of all financial assets, with a value of £1.8tn.
Aleema Shivji, Oxfam's interim chief executive, said: "These extremes cannot be accepted as the new norm, the world can't afford another decade of division. Extreme poverty in the poorest countries is still higher than it was pre-pandemic, yet a small number of super-rich men are racing to become the world's first trillionaire within the next 10 years.
"This ever-widening gulf between the rich and the rest isn't accidental, nor is it inevitable. Governments worldwide are

making deliberate political choices that enable and encourage this distorted concentration of wealth, while hundreds of millions of people live in poverty. A fairer economy is possible, one that works for us all. What's needed are concerted policies that deliver fairer taxation and support for everyone, not just the privileged."

Thomas Piketty Thinks America Is Primed for Wealth Redistribution

The New York Times Magazine, By David Marchese, April 1, 2022

In 2013, the French economist Thomas Piketty, in his best seller "Capital in the Twenty-First Century," a book eagerly received in the wake of the 2008 economic collapse, put forth the notion that returns on capital historically outstrip economic growth (his famous r>g formula). The upshot? The rich get richer, while the rest of us stay stuck in the mud. Now, nearly a decade later, Piketty is set to publish "A Brief History of Equality," in which he argues that we're on a trajectory of greater, not less, equality and lays out his prescriptions for remedying our current corrosive wealth disparities. (In short: Tax the rich.) If the line from one book to the other looks slightly askew given the state of the world, then, Piketty suggests, you're looking from the wrong vantage point. "I am relatively optimistic," says Piketty, who is 50, "about the fact that there is a long-run movement toward more equality, which goes beyond the little details of what happens within a specific decade."

In the time since "Capital in the Twenty-First Century" was published, there has been a huge proliferation in the number of American billionaires. Something like 130 new ones were added between 2020 and 2021 alone. That happened in the context of growing public discussion — and anger — about economic inequality. So what the hell happened? What enabled the ultrawealthy to flourish in the face of such widespread antipathy?

Let me put this very clearly: I understand that each year and each decade is tremendously important, but it's also important not to forget about the general evolution. We have become much more equal societies in terms of political equality, economic equality, social equality, as compared with 100 years ago, 200 years ago. This movement, which began with the French and U.S. revolutions, I think it is going to continue.

Of course there are structural factors that make it difficult: the system of political finance, the structure of media finance, the basic democratic institutions are less democratic than they should be. This makes things complicated. But it's always been complicated. The Supreme Court for decades made it impossible to create a progressive income tax. They were fine with the racial segregation, but having a progressive income tax was unconstitutional. In the end, it took 20 years to change the Constitution, but then it happened and contributed to reduced inequality.

[Footnote: The 16th Amendment, allowing for the levy of federal income tax, was passed by Congress in 1909 in response to an 1895 Supreme Court ruling striking down an income tax. The amendment was ratified into law in 1913.]

OK, so you're saying that the long-term trend is toward more equality. But in 1990 there were 66 U.S. billionaires. Now there are more than 700. Over the last 40 years or so, chief-executive pay is up more than 900 percent, even accounting for inflation. The average worker's pay over the same period is up only 12 percent. You believe we should be thinking of those facts as road bumps on the path to greater economic equality?

If you take the big picture, yes. But the other lesson from the big picture, from history, is that it takes major political mobilization to keep moving in the direction of equality. In the United States today, the democratic institutions, the rules of the game, are set up in a manner that, indeed, the rich are entrenched. But if you look at opinion polls about a billionaire tax in the U.S. — among Democratic and also Republican voters — you have huge approval.

[Footnote: In a 2020 Reuters/Ipsos survey, 77 percent of Democrats and 53 percent of Republicans polled said that they strongly or somewhat agreed that "the very rich should contribute an extra share of their total wealth each year to support public programs."]

So is the political system able to respond to this, or is it rigged? The lesson from history is that when the political system is rigged, at some point you have a reaction, you have a mobilization.

What did you think of the billionaire tax that Biden just proposed?

[Footnote: The Biden administration's proposed 2023 budget included a minimum 20 percent tax rate on all American households worth more than $100 million. That tax rate would be on their full income, or the combination of traditional forms of wage income along with unrealized gains.]

It would have been better before his election. If you had told the American public before the elections that he wanted a wealth tax — which again is something that is very high in opinion polls — this would have been much easier. This could have forced the Democratic Congress to take a stand. It's more complicated now. But if it works, it's better than nothing.

I understand what you're saying about the popularity of a proposed billionaire tax, but do you believe America is at a place where a phrase like "wealth redistribution," which is what you're talking about, is broadly politically plausible?

When you say Americans don't like redistribution, some certainly don't like it, but in the 20th century, high, progressive taxation of income and inherited wealth was to a large extent invented in the United States. That's why it always makes me skeptical when people say, Americans don't like this, don't like that. Look at history! There's no deterministic reason why a given country should be this or that. Sometimes, in my country and in the U.S. also, people tell you, "Look, we are not Swedes." This is used as an argument to say that there is a culture of equality in Sweden, which we would never have.

But Swedes themselves weren't always "Swedes."

Exactly. Sweden until 1910, 1920 was one of the most unequal countries in the world, with a special sophistication in the way inequality was organized. You could have between one and 100 votes, depending on the size of your wealth

This rule, which varied by municipality, excluded all women and approximately 80 percent of men from voting.
Even corporations had the right to vote in municipal elections in Sweden until 1910. Sweden was like this but then moved to something else.

This is only a half-joking question: Let's say in the United States the billionaires get sick of being the bad guys and don't want to be taxed the way Biden is proposing, so they move to Ireland or some other tax haven. Then what happens?

But that's the point: These people don't live in an autarchy. They rely on the rest of the world, which means that we have to impose rules on the conditions in which they can enjoy these assets — which were produced by the collective. All wealth is collective by nature in the sense that it relies on the work of hundreds, thousands, millions of engineers, technicians, the accumulation of knowledge. Then, private property is a social construction that we invent in order to organize economic and social relations. It's a very useful social invention as long as you keep under control how much you can accumulate, how much power you can concentrate, etc. But none of these assets are their assets. They are a product of a collective process. No one invented anything by himself or herself.

That kind of ontological argument might be a hard sell for some Americans.

For some, but this has nothing to do with the American spirit, American values. It has something to do with a small subset of people who are just pushing their interests. If you ask the American public about who is working hard, is it the normal people or the elite? Whose effort created everything? You will be surprised by the answer.

My sense is that in the very recent past a lot of the growth in wealth has resulted from entrepreneurship rather than the accumulation of inherited wealth. That's in conjunction with skyrocketing rates of return for the wealthy. Do those factors have any implications for how we understand the accumulation of capital generally or r>g specifically?

[Footnote: According to Piketty's analysis, the return on capital is historically around 4 or 5 percent. Barring the growth that occurred in 2021 after the pandemic-induced losses of 2020, the last time America's G.D.P. grew at a rate close to 4 percent was 2004-5.]

If you go back to the beginning of the 20th century, late 19th century, you also had lots of new innovation and new wealth. We invented the automobile, electricity, trans-Atlantic radio. People in every time period tend to say today is different, this is big innovation, new wealth, but in a changing economy where we make technological discoveries, you always have this process. But the thing is, if it's not regulated, if we don't design institutions in order to spread the wealth — on the contrary, we have an institutional setup where you accumulate wealth by using public infrastructure, public education, the health system, and then once you have accumulated the wealth, you push a button and you transfer it somewhere else. Remember the ProPublica study before the summer of 2021 where they looked at billionaires in the U.S.? They pay almost zero federal income tax, as compared with their wealth. If you pay no tax, it's easier to accumulate more wealth, and that's what continues.

[Footnote: According to that ProPublica investigation, the 25 richest Americans paid federal income tax at what amounted to a rate of 3.4 percent. That's compared with a rate of 14 percent for those American households making the median income of roughly $70,000.]

An economic argument in favor of billionaires is that their doing well is a sign that our system of capitalism is working and that it means growth for everyone. But growth has been slowing down at the exact same time that billionaires have been rolling in it. Has that given definitive lie to the idea that the success of the 0.1 percent is good for the rest of us, too?

It's proof as far as proof can get in the social and political sciences. The evidence that we have is that if you take the United States, the growth rate of national income per capita has been divided by two following the Reagan decade. It's been a little more than 1 to 1.2 percent per year — the national income per capita real growth rate between 1990 and 2020. It used to be more than 2, 2.5 percent between 1950 and 1980. The tax performance in the Reagan decade was supposed to boost growth: Maybe you would have more inequality, but the size of the pie is going to grow so much faster than before that the average wages and income of average Americans will grow like you've never seen. This is not what we've seen.

The big lesson from this is that the period of maximum prosperity of the U.S. economy in the middle of the century was a period where you had a top income-tax rate of 90 percent, 80 percent, and this was not a problem because income gaps of 1 to 100 or 1 to 200 are not necessary for growth. The other big conclusion is that what really matters for economic prosperity is education and relative equality in education.

[Footnote: That is, the top marginal income-tax rate, which peaked in the United States at 94 percent in 1944. From 1932 to 1980, the average top rate was 81 percent. Between 1980 and 2020, the marginal tax rate applied to the highest incomes was, on average, 39 percent.]

The key reason the U.S. economy was so productive historically in the middle of the 20th century was because of a huge educational advance over Europe. In the 1950s, you have 90 percent of the young generation going to high school in the U.S. At the same time, it's 20 to 30 percent in Germany, France, Britain, Japan. The story that Reagan tried to tell the country in the '80s, which is basically forget about equality, the key to prosperity is to let the top become richer and richer — it doesn't work.

[Footnote: There is compelling correlation between income inequality and education: Researchers have found that there is a little more than a 30 percent probability of gaining entrance to an institution of higher learning for young adult Americans whose parents' incomes are within the bottom 10 percent. That probability rises to 90 percent for children whose parents' incomes are within the top 10 percent.]

Have you seen any structural or ideological changes that you think make our moment different from historically comparable ones?
Well, the dominant ideology has been moving toward the view that we've gone too far in terms of market liberalization, in terms of globalization without regulation and the superrich getting richer. The problem is that we're still stuck with institutions that were set up in the '80s and '90s in terms of limited tax progressivity, free capital flows without any common collective regulation, [Footnote: Meaning the ability of the wealthy and of corporations to move capital across borders in an effort to minimize — i.e., evade — taxation] without financial cadastre. [Footnote: A term for an official register of real estate property, value and ownership, often used in determining taxation.] so that you can track who owns what where — which is a big problem when you want to impose sanctions on oligarchs.
In the United States, this institutional setup has been reinforced because of Trump's big tax cut on corporations. There are many dramas we associated with Trump, but part of the drama is that he has been able to tell the middle class and lower middle class, "Look, we are going to continue with tax dumping, but I'm going to protect you in another way by protecting you against Chinese and Mexicans, the Muslims." He was able to be elected on an ideology where you don't redistribute between the rich and the poor but rather you protect Americans, especially white male Americans, against anybody who looks foreign. The risk is that neoliberalism is replaced by this form of neo-nationalism in order to avoid redistribution. Sometimes people like Trump can be successful with this strategy because it's a much clearer message than saying, "Let's look at the history of progressive taxation."
You mentioned oligarchs. In America, we don't like to think that we have them — that's for a country like Russia. Instead we like to think we have entrepreneurs who achieved through merit. But the similarities are obvious: They're all taking advantage of the free global movement of capital and have a disproportionate amount of political influence. Do you see America as being as securely in the grip of the oligarchic class as other countries we think of as being less democratic?
The U.S. oligarchs have less control of the political system than the Putin clique in Russia, that's for sure. In terms of what fraction of wealth accumulation is due to individual effort, individual merit, as opposed to a legal and institutional system that is working for them more than for the rest of the country, it's difficult to say. Many Russian oligarchs bought the right assets at the right time, resold it. This is business life.
To me, maybe the best comparison between the U.S. is not so much with Russia today but with Europe and the Belle Époque before 1914: a system which is nominally democratic but where the concentration of wealth is so high and lacking proper rules about political finance, political influence, that the democratic system is not enabled to have a common-sense reaction to this excessive level of inequality that, in the long run, is not good for U.S. prosperity. Particularly because when other countries get more educated than the U.S., then its economic leadership will be gone forever. U.S. economic leadership came from mass education, not from a small elite of billionaires. They have never been the source of U.S. prosperity, and they will never be.
You know, I do find it hard to wrap my head around the idea that after 40 years of worsening inequality, you — the inequality guy, Mr. r>g — are publishing a book saying we're on the right track historically. It's sort of cold comfort to know we're more equal today than we were 100 or 200 years ago. Really give me a reason to feel as optimistic as you do.
"Give me a reason to be optimistic?" By looking at my historical evidence, by thinking about the big picture, I have become more optimistic. I was a bit puzzled that many people looking at "Capital in the Twenty-First Century" came away with a pessimistic conclusion. I'm trying to show that the key in history is not the big catastrophes but the positive political construction of an alternative, and this process started with the French Revolution, the U.S. revolution. This process toward more equality is more deeply rooted in our modern ethos and modern political cultures than most people believe. I remember in 2014 having a public discussion with Elizabeth Warren in Boston. I was talking about a progressive wealth tax with a rate of 5 percent per year or 10 percent per year on billionaires. She looked at me like, Wow, that's too much. Joe Biden today, a centrist Democrat — who voted for the Tax Reform Act of 1986— is coming in with a wealth tax. Things can change pretty fast.
[Footnote: The Tax Reform Act of 1986 was a key priority of Reagan's second term, which lowered federal income-tax rates.]
This interview has been edited and condensed from two conversations.
David Marchese is a staff writer for the magazine and the columnist for Talk. Recently he interviewed Neal Stephenson about portraying a utopian future, Laurie Santos about happiness and Christopher Walken about acting.