Focus panel 6
Inequalities in a beyond growth perspective: taxation as an instrument of ecological and social justice

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Focus panel 6 – Inequalities in a beyond growth perspective: taxation as an instrument of ecological and social justice
How to design a wealth tax?

- Broad public support for wealth taxation
- Less agreement on what such a tax should look like.
- What is purpose of a wealth tax?
  1. ...to reduce (wealth) inequality
  2. ...to fund climate change mitigation and adaptation
  3. ...to directly reduce CO2 emissions
1) Wealth Taxation to Reduce (Wealth) Inequality

- Tackling wealth inequality requires knowing where we stand today:

  - EU Top 1% wealth share (2017):
    - 32% (Kapeller et al. 2023)
    - 26% Blanchet and Martínez-Toledanoz (2022)

- Who is who in the wealth distribution?
  - Net wealth of €2 million or more = wealthiest 1% of households
  - Net wealth of €10 million or more = wealthiest 0.1% of households

1) Wealth Taxation to Reduce (Wealth) Inequality

Takeaways:

- Reducing wealth inequality, means reducing extreme wealth holdings (top 1%)
- Reducing extreme wealth holdings requires **progressive** wealth taxes
2) Wealth Taxation to Fund Green Investment


<table>
<thead>
<tr>
<th>Model</th>
<th>Survey data + Pareto tail + evasion effects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>model I: flat tax</strong></td>
<td>€ bn.</td>
</tr>
<tr>
<td>tax rate: 2%</td>
<td>192</td>
</tr>
<tr>
<td>% GDP</td>
<td>1.6%</td>
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<tr>
<td><strong>model II: mildly progressive</strong></td>
<td>€ bn.</td>
</tr>
<tr>
<td>tax rates: 2% - 3% - … - 8% - 10%</td>
<td>224</td>
</tr>
<tr>
<td>% GDP</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>model III: strongly progressive</strong></td>
<td>€ bn.</td>
</tr>
<tr>
<td>tax rates: 2% - 3% - … - 8% - 10%</td>
<td>357</td>
</tr>
<tr>
<td>% GDP</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>model IV: wealth cap</strong></td>
<td>€ bn.</td>
</tr>
<tr>
<td></td>
<td>1,281</td>
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<tr>
<td>% GDP</td>
<td>10.8%</td>
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</table>
2) Wealth Taxation to Fund Green Investment

Takeaways:

● Flip side of extreme wealth concentration is healthy revenue potential of progressive wealth taxes: 2%–3% GDP annually.

● Because investment gaps probably significantly larger than official commission estimates (historic vs Paris: €465 bn/annually), wealth tax no silver bullet but significant.
3) Wealth Taxation to Reduce CO2 Emissions

- Can a wealth tax be directly used to reduce emissions?
  - No, a one-off reduction of 0.1% – 0.6% (Apostel and O’Neill (2022))
  - Yes, top 10% account for ~50% of emissions (Chancel 2023, Oxfam 2021)
  - Yes, if it is strongly progressive

- What’s going on?
3) Wealth Taxation to Reduce CO2 Emissions

- Differences boil down to:
  1. One-off vs annual wealth tax?
  2. How progressive is the considered wealth tax?
  3. How elastic is wealth (accumulation) to a wealth tax?
  4. Which emissions are taken into account (consumption vs investment)?
- Crucial one in Apostel and O’Neill 2022 is (too high) elasticity
Conclusion

1. Discuss and design wealth taxes with policy objectives in mind.
2. Progressivity is key:
   ○ 1% flat tax unlikely to achieve much except revenue generation
Thank you.
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