



# Beyond Growth

2023 Conference



Welcome!



## Focus panel 6

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



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SPEAKER

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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
- Source: Kapeller, Leitch and Wildauer (2023): Can a European wealth tax close the green investment gap? *Ecological Economics*, Vol. 209.

# 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

		Survey data + Pareto tail + evasion effects
model I: flat tax	€ bn.	192
tax rate: 2%	% GDP	1.6%
model II: mildly progressive	€ bn.	224
	% GDP	1.9%
model III: strongly progressive	€ bn.	357
tax rates: 2% - 3% - ... - 8% - 10%	% GDP	3.0%
model IV: wealth cap	€ bn.	1,281
	% GDP	10.8%

Source: Kapeller, Leitch and Wildauer (2023): Can a European wealth tax close the green investment gap? *Ecological Economics*, Vol. 209.

## 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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Pathways towards Sustainable Prosperity in the EU