

Forget Wealth Tax. We Should Abolish Extreme Wealth Altogether



C.J. Polychroniou

08-02-2024 ~ *Wealth taxation may sound like a good idea, but can it really address, let alone solve, the problem of inequality?*

Economic inequality is the scourge of the 21st century. The rich are getting richer and faster than any other time since the onset of neoliberalism, which calls for “free-market” capitalism, regressive taxation, fiscal austerity and the rejection of the social state. They get richer not only when the economy is on an upswing but even amid crises. Billionaires more than doubled their net worth during the pandemic, according to [Bloomberg Billionaires Index](#).

The latest analysis shows that the [richest 1 percent gained \\$42 trillion](#) in new wealth over the past decade, which amounts to “nearly 34 times more than the entire bottom 50 percent of the world’s population.” In the meantime, the very poor and low-income people across the globe, including the [U.S.](#), are actually getting poorer. So much for [trickle-down economics](#) which was popularized during the 1980s by the Reagan administration’s vast capital gains and income tax cuts and continues to persist to this day in spite of its major flaws. [Cutting taxes on the rich](#) not only increases economic inequality but has no effect on economic growth and unemployment.

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However, inequality should not be examined purely from an economic perspective. Over the years, numerous [studies](#) have shown that economic inequality influences public attitudes toward democracy by generating political disillusion and low trust in government and other institutions, like Congress. Inequality also undermines social mobility, contributes to [political polarization](#) and fuels [authoritarianism](#).

Finally, inequality contributes to climate change. The richest 1 percent is responsible for more carbon emissions than the poorest 66 percent, according to a 2023 report by [Oxfam](#). Of course, while the world’s wealthiest people make a huge contribution to climate change, they are also able to insulate themselves from the worst impacts of global warming.

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 in 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.

SC.J. Polychroniou is a political economist/political scientist who has taught and worked in numerous universities and research centers in Europe and the United States. His latest books are *The Precipice: Neoliberalism, the Pandemic and the Urgent Need for Social Change* (A collection of interviews with Noam Chomsky; Haymarket Books, 2021), and *Economics and the Left: Interviews with Progressive Economists* (Verso, 2021).

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