Taxing the Superrich

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Resurging concerns about tax justice

- US Representative Alexandria Ocasio-Cortez
  70% income tax on income >$10 million

- US Senator Elizabeth Warren
  2% wealth tax on wealth >$50 million, 6% on >$1 billion

- US Senator Bernie Sanders
  up to 8% wealth tax on wealth >$10 billion
The rise of income inequality in the US

Source: World Inequality Database
Income inequality in Switzerland

Share of pre-tax national income in %


Source: World Inequality Database
The rise of wealth inequality in the US

Top 1% wealth share in %

Source: World Inequality Database
Wealth inequality in Switzerland

Source: Foellmi and Martinez (2017)
Who are the superrich?

Generation of wealth-creating businesses in the Forbes 400

1982

2018

Heirs  Self-made

Source: Scheuer and Slemrod (2020)
The rising persistence of top wealth

Share of those in the Forbes 400 for 10 consecutive years in %

Source: Scheuer and Slemrod (2020)
The tax burden on the superrich

Maximum statutory rates across OECD countries in 2018

Source: Scheuer and Slemrod (2020)
The role of capital gains for the superrich

Net capital gains (% of AGI) in the US in 2016 in U.S. $

Source: Scheuer and Siemrod (2020)
The Swiss wealth tax

Top marginal wealth tax rates in the Swiss cantons in %

Source: Scheuer (2020)
The Swiss wealth tax

Source: Scheuer (2020)
Should we tax wealth?

- Looking back: tax on pre-existing wealth
- Looking forward: wealth tax ↔ capital gains tax

\[ 2\% \text{ wealth tax} = \begin{cases} 50\% \text{ capital gains tax if } r = 4\% \\ 100\% \text{ capital gains tax if } r = 2\% \end{cases} \]

→ Wealth tax favors productive wealth holders!

- Capital gains ∼ compensation for labor

→ Wealth tax targets only normal return, not excess returns

- Fix capital gains taxation!
Conclusion

- Don’t just look at tax rates: Design tax base, enforce!
- Plasticity of tax base is a policy choice
- So is evasion, tax competition, ...
- We can restore tax progressivity
- Important to get this right!