Inequality and Wealth Taxation

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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 role of capital gains for the superrich

Net capital gains (% of total income) in the US in 2016

Source: Scheuer and Slemrod (2020)
Taxing Wealth?

• Wealth tax ↔ capital gains tax

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

→ Wealth tax favors productive wealth holders!

• Capital gains ∼ compensation for labor

→ Wealth tax targets only normal return, not excess returns

• Fix capital gains taxation to restore progressivity!