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# Isegora Briefs

**November/December 2024**

**Prepared by the Isegora Briefs Team**



**“Promoting equal  
opportunity in  
debate through  
accessible resources  
for all”**

**November/December 2024**

**Resolved: The United States ought to adopt a wealth tax.**

# Notes

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**Goodluck debating!**

# Topic Analysis

# **Topic Analysis – Joshua Bonilla**

**Resolved: The United States ought to adopt a wealth tax**

**Analysis by Joshua Bonilla**

## **1 Intro**

**“Another version of Sep-Oct” was the largest comment that I heard many mention when this topic released. Yet, this topic goes about wealth redistribution based off the wealth gap and a way debaters can argue a solution towards the problem. While it may still rely on economic concepts, this topic presents itself towards its focus on tax laws and inequality that arises from these laws which is distinct from the September-October topic.**

### **1.1 Topicality**

#### **– Wealth Tax**

**Wealth Tax has a broad amount of interpretations between what it can be. The threshold is just being a tax on the wealth of the rich. Often this would not just involve not just money but also the assets the rich have. Here are a few proposals that could help for specific interpretations that were all considered a wealth tax by many:**

- United States Senator Elizabeth Warren with U.S. Representatives Pramila Jaypal and Brendan Boyle advocate for a tax on what they call “ultra-millionaires” (Warren 2024).**
- Before President Biden’s drop in the election, he advocated for a wealth tax for Americans with over 100 million dollars taking about a 25 percent tax for each of them (Kim 2023).**
- Norway holds a 1 percent wealth tax on stocks exceeding NOK 1.7 million (160,000 U.S. dollars) and net wealth of about 1.1 percent for people with 20 million NOK (1.94 million U.S. dollars) (Enache 2024).**

**Additionally, one-off wealth taxes have also been implemented worldwide but were mainly done in huge financial crises when a country required money (O’Donovan 21). [I’m extremely skeptical if a one-off wealth tax is enough to prove that the United States should adopt a wealth tax, but this could be a creative interpretation]**

**Isagora Briefs has also posted its own T/Definition file which can be helpful!**

### **1.2 Background**

#### **1.2.1 Tax Law**

**You’ve probably heard the phrase “Wealthier families often have to pay lower taxes compared to families who have less wealth”. This doesn’t make sense in principle, yet wealthy households have an advantage that many households don’t. These wealthy households can declare taxes as “unrealized” and delay or even up to avoid the income taxes that happen.**

**For example, imagine a person owns stocks worth \$1 billion. If the value of those stocks rises to \$1.5 billion, they don’t owe taxes on that \$500 million gain until they sell the stocks, which may never happen. Meanwhile, middle- and working-class families are taxed on every dollar**

they earn. A wealth tax seeks to correct this imbalance by taxing not just income, but also the total wealth—assets included—of the wealthiest households, ensuring they contribute their fair share to society.

The topic arises as a solution towards this by not just taxing the income that has been “realized” but also the “wealth” that a household has.

### 1.2.2 History

While the U.S hasn’t implemented a wealth tax yet, other countries have implemented a wealth tax (and even some have repealed them). Specifically, Austria, Denmark, Finland, France, Germany, Iceland, Italy, Netherlands, Norway, Spain, Sweden and Switzerland. As mentioned in the Wealth Tax topicality section, there has been multiple instances in which a wealth tax has been proposed in the U.S specifically.

### 1.2.3 Helpful Videos

Videos are some of the most underrated ways to learn about a new topic. I’m going to link 2 below with a general description about what they are about.

Financial Times looks at a general understanding for what a wealth tax is:

[https://www.youtube.com/watch?v=kHeYDHlelBY&t=167s&ab\\_channel=FinancialTimes](https://www.youtube.com/watch?v=kHeYDHlelBY&t=167s&ab_channel=FinancialTimes)

This specifically looks at what happened in Columbia when a wealth tax was implemented

[https://www.youtube.com/watch?v=JXtxdWgYVEQ&t=148s&ab\\_channel=econimate](https://www.youtube.com/watch?v=JXtxdWgYVEQ&t=148s&ab_channel=econimate)

## 2 Affirming

### 2.1 – Inequality

Likely the most common argument that’ll be present in these debates. By addressing extreme wealth concentration, a wealth tax can contribute to a more equitable economy. This helps create a more level playing field, allowing individuals from diverse backgrounds to accumulate wealth and pass it on to future generations

### 2.2 – Generational Wealth

A wealth tax can help increase the generational wealth that the worst-off currently have. If a wealth tax encourages more individuals to invest in businesses or property rather than simply accumulating wealth, this can lead to asset growth. As families accumulate assets, they can pass these on to future generations which begin the cycle of generational wealth.

### 2.3 – Innovation

Many wealthy individuals may seek to avoid the wealth tax by investing in innovative ventures, startups, or research & development. This can lead to an increase in funding for new technologies and ideas, driving innovation in various sectors. By incentivizing wealthy individuals to spend or invest their money rather than hoard it, the tax can promote a more dynamic economic environment that fosters innovation.

## **2.4 – Rawls**

John Rawls is a philosopher who attempts to find the best way to achieve justice and is relevant in this topic because of the prominence of the inequality argument. A debater could argue that a wealth tax is needed to achieve the justice that a Rawlsian framework would want. Most inequality arguments become stronger with a Rawlsian lens which can help defend a lot of different frameworks that are extremely consequential.

## **2.5 – Climate**

Wealth taxes can be helpful towards solving the climate crisis that arises. Most investments fail to happen due to a lack of underfunding, but a wealth tax may be able to fund many proposals that can help reduce climate change. While it may only be the United States implementing this, there is still a help that comes with being able to tax the wealthy and it may even incentivize other countries to do the same.

## **3. Negating**

### **3.1 – Offshoring/Flighting**

Many topics often have an offshoring argument to try and argue that the affirmative will be circumvented. This seems to be particularly true in this topic with France's wealth tax. When France implemented its wealth tax, it saw a small growth of revenue but a net loss when considering the flight, loss of jobs or even brain drain that happened.

This argument is likely to be the most common one but I don't believe that it's a bad example of how a wealth tax can be a dangerous incentive to implement.

### **3.2 – Libertarianism**

The principal idea of the government saying and controlling what you can do with your money is something that libertarianism would state is wrong. Wealth taxes would infringe on the possibility of the free market because it would be the government interfering and taking away your money and sacrificing parts of your autonomy in the process.

This can be an interesting article to look at if you are interested in this!

<https://www.cambridge.org/core/services/aop-cambridge-core/content/view/1C6A36518034B6B82C9759816A2ECE27/S0265052523000092a.pdf/div-class-title-death-and-taxes-a-libertarian-reappraisal-div.pdf>

### **3.3 Constitutionality**

There is some skepticism about if a wealth tax can even be considered constitutional. 2 parts have specifically been highlighted of the constitution:

First, The U.S. Constitution in Article 1, Section 8, Clause 1 states. "The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States".

A wealth tax does not seem to be uniform throughout the United States since it specifically targets the wealthy which can be a compelling argument if established correctly.

Secondly, the question of direct taxes being implemented. Article I, Section 9, goes over how direct taxes should be placed based on states by population. 2 options come into play, a amendment or an overturning of the law. Others have argued that none is needed, but I think it can help the negative to point this out.

Many options go side by side in this situation and more recently, Texas made it so state lawmakers can't impose a wealth tax

### 3.4 Implementation

Beyond the debate about if it is constitutional or requires any other level of policy, enforcing a wealth tax has historically been difficult. The calculations determining what a asset is worth and how much wealth it provides would be a nightmare for the IRS. This may even require more funding towards the IRS which may increase taxes that people hold today.

### 3.5 Disincentives

If it's already dangerous for most people to hold assets based on market fluctuation, the wealth tax disincentivizes many possible investments.

I'll put a hypothetical scenario to make this a clear explanation

Let's say you invested in a stock of about 30,000 and it rises by 50 percent. What the government would do is take a certain percentage of that now 60k. If that stock suddenly falls, the value will likely return to the 30,000 you invested to begin with. There are simply no profits, and you've lost a chunk of your money because of these conditions.

This means that short-term investments would be preferred, and it kills the possibility of people having spare money to be able to pay these taxes later. If all my money is held in assets, I'm forced to sell part of those assets to pay off the taxes which disincentives investments.

Beyond economics, wealth taxes can reduce charitable amounts, given that the wealth do. Here is an article that investigates that:

<https://www.ntu.org/foundation/detail/the-wealth-taxes-impact-on-private-charities>

### 3.6 Criticisms

There are few more critical options that can be taken when it comes to economic topics. Of course, the Cap K is the first one that comes to mind arguing that a wealth tax continues fostering capitalism even if looks like a move away from it. Some arguments could arise of Settler Colonialism arguing that a wealth tax is a move towards innocence and has been historically used as a process in Canada. There is a possibility to explain that the rhetoric of the 1AC is bad and can establish bad discourse and practice that can dehumanize people.

### 3.8 Alternative Options

As mentioned previously, this topic considers wealth redistribution but that doesn't change most if not all alternative proposals that the negative can present. The UBI counterplan, the FJG counterplan, heck even the possibility of a Living Wage counterplan is possible. Yet, beyond these possibilities is an estate tax counterplan that can target transitioning points of wealth rather than accumulation. Luxury taxes may also be great at targeting wealth without having to specifically target assets that people own.



#### **4 Closing Thoughts**

**My first initial thoughts on the topic were being kind of sad about it until I dove into research. You shouldn't see this as another version of September-October but rather a fresh new topic that investigates different ways to solve wealth inequality. I think the topic will lead to some interesting debates and I see equal ground for both traditional debates and more national circuit debates. I wish you all luck in your debates and I hoped this topic analysis helps you get a jumpstart!**

**- Joshua Bonilla**

## **Affirmative Evidence**

## **Plan Texts**

## **Bernie Sanders**

### **[PLAN] The United States ought to adopt a wealth tax as per Sanders.**

**Sanders No Date** [Sanders, Bernie. Bernie Sanders is an American politician and activist who is the senior United States senator from Vermont. "Tax on Extreme Wealth." Bernie Sanders - Official Campaign Website, No Date, berniesanders.com/issues/tax-extreme-wealth/.]

This tax on extreme wealth would have a progressive rate structure that would only apply to the wealthiest 180,000 households in America who are in the top 0.1 percent. It would start with a 1 percent tax on net worth above \$32 million for a married couple. That means a married couple with \$32.5 million would pay a wealth tax of just \$5,000. The tax rate would increase to 2 percent on net worth from \$50 to \$250 million, 3 percent from \$250 to \$500 million, 4 percent from \$500 million to \$1 billion, 5 percent from \$1 to \$2.5 billion, 6 percent from \$2.5 to \$5 billion, 7 percent from \$5 to \$10 billion, and 8 percent on wealth over \$10 billion. These brackets are halved for singles. Under this plan, the wealth of billionaires would be cut in half over 15 years which would substantially break up the concentration of wealth and power of this small privileged class. Under current law, the IRS is already required to assess the net worth of the wealthiest Americans when they pass away, to calculate estate tax liability. A federal wealth tax would require the IRS to make the same assessment on an annual basis for the wealthiest Americans. Steps would also be taken to streamline the process for purposes of the wealth tax. For assets that are difficult to appraise, the Treasury Department would have the option of allowing taxpayers to have appraisals done periodically instead of annually. The Treasury Department would establish the average rates of appreciation for several classes of assets. Those appraised only every few years would be assumed to appreciate in the intervening years at the average rate established for their designated class. Assets placed in a trust would be treated as owned by the grantor of the trust (by the person giving assets to the trust) until that person's death. A Wealth Tax Is Enforceable In order to ensure that the wealthy are not able to evade the tax, the proposal includes a number of key enforcement policies. First, it would create a national wealth registry and significant additional third party reporting requirements. Second, it includes an increase in IRS funding for enforcement and requires the IRS to perform an audit of 30 percent of wealth tax returns for those in the 1 percent bracket and a 100 percent audit rate for all billionaires. Third, the wealth tax includes a 40 percent exit tax on the net value of all assets under \$1 billion and 60 percent over \$1 billion for all wealthy individual seeking to expatriate to avoid the tax. Finally, the wealth tax proposal will include enhancements to the international tax enforcement and anti-money laundering regime including the strengthening of the Foreign Account Tax Compliance Act.

## Elizabeth Warren

### **[PLAN] The United States ought to adopt the Ultra-Millionaire Tax as per Warren.**

**Warren No Date** [Warren, Elizabeth. Elizabeth Warren is an American legal scholar and politician who was elected as a Democrat to the U.S. Senate in 2012. "Ultra-Millionaire Tax | Elizabeth Warren." Elizabethwarren.com, No Date, elizabethwarren.com/plans/ultra-millionaire-tax.]

Our tax code focuses on taxing income, but a family's wealth is also an important measure of how much it has benefitted from the economy and its ability to pay taxes. And judged against wealth, our tax system asks the rich to pay a lot less than everyone else. According to Saez and Zucman, the families in the top 0.1% are projected to owe 3.2% of their wealth in federal, state, and local taxes this year, while the bottom 99% are projected to owe 7.2%. While we must make income taxes more progressive, that alone won't straighten out our slanted tax code or our lopsided economy. Consider two people: an heir with \$500 million in yachts, jewelry, and fine art, and a teacher with no savings in the bank. If both the heir and the teacher bring home \$50,000 in labor income next year, they would pay the same amount in federal taxes, despite their vastly different circumstances. Increasing income taxes won't address this problem. That's why we need a tax on wealth. The Ultra-Millionaire Tax taxes the wealth of the richest Americans. It applies only to households with a net worth of \$50 million or more—roughly the wealthiest 75,000 households, or the top 0.1%. Households would pay an annual 2% tax on every dollar of net worth above \$50 million and a 6% tax on every dollar of net worth above \$1 billion. Because wealth is so concentrated, this small tax on roughly 75,000 households will bring in \$3.75 trillion in revenue over a ten-year period. Rates and Revenue Zero additional tax on any household with a net worth of less than \$50 million (99.9% of American households) 2% annual tax on household net worth between \$50 million and \$1 billion 4% annual Billionaire Surtax (6% tax overall) on household net worth above \$1 billion 10-Year revenue total of \$3.75 trillion **ADDITIONAL DETAILS** All assets are included in the net worth calculation, which will produce more revenue and reduce opportunities for avoidance and evasion: All household assets held anywhere in the world will be included in the net worth measurement, including residences, closely held businesses, assets held in trust, retirement assets, assets held by minor children, and personal property with a value of \$50,000 or more. Taxpayers will be permitted to defer payment of the tax with interest for up to five years: For the rare taxpayer with an extremely high net worth but liquidity constraints that make it difficult to pay this additional tax, there will be an option to defer payment of the tax for up to five years, with interest. The IRS will also be instructed to create rules for cases where deferment is required in truly exceptional circumstances to prevent unintended negative impacts on an ongoing enterprise or a taxpayer facing unusual circumstances that would advise for delay. Valuing assets for the purposes of the Ultra-Millionaire Tax will provide an opportunity to tighten and expand upon existing valuation rules for the estate tax: The IRS already has rules to assess the value of many assets for estate tax purposes. The Ultra-Millionaire Tax is a chance for the IRS to tighten these existing rules to close loopholes and to develop new valuation rules as needed. For example, the IRS would be authorized to use cutting-edge retrospective and prospective formulaic valuation methods for certain harder-to-value assets like closely held business and non-owner-occupied real estate. The proposal also includes strong anti-evasion measures, including but not limited to: a significant increase in the IRS enforcement budget; a minimum audit rate for taxpayers subject to the Ultra-Millionaire Tax; a 40% "exit tax" on the net worth above \$50 million of any U.S. citizen who renounces their citizenship; and systematic third-party reporting that builds on existing tax information exchange agreements adopted after the Foreign Account Tax Compliance Act.

## **Billionaire Minimum Income Tax**

**[PLAN] The United States ought to pass the Billionaire Minimum Income Tax Act as per Cohen.**

**Cohen 2022** [Cohen, Steve. Steve Cohen is an American attorney and politician serving as the U.S. representative from Tennessee's 9th congressional district since 2007. H.R.8558 - Billionaire Minimum Income Tax Act. 2022, [www.congress.gov/bill/117th-congress/house-bill/8558](http://www.congress.gov/bill/117th-congress/house-bill/8558).]

**“SEC. 1481. Minimum tax on certain wealthy taxpayers.** **“(a) In general.**—In the case of an applicable taxpayer, there is hereby imposed (in addition to any other tax imposed by this subtitle) for each taxable year a tax equal to the excess (if any) of— “(1) 20 percent of the sum of— “(A) the taxpayer’s taxable income for such taxable year, plus “(B) the taxpayer’s net unrealized gain for such taxable year, over “(2) the sum of— “(A) the taxpayer’s minimum tax account balance for such taxable year, plus “(B) the taxpayer’s regular tax liability (as defined in section 26(b)) for such taxable year. **“(b) Limitation on minimum tax.**—The tax imposed under subsection (a) with respect to any applicable taxpayer (other than an applicable taxpayer described in subsection (c)(1)(B)) for any taxable year shall not exceed 40 percent of the excess described in subsection (c)(1)(A) with respect to such taxpayer for such taxable year. **“(c) Applicable taxpayer.**—For purposes of this section— **“(1) IN GENERAL.**—The term ‘applicable taxpayer’ means— “(A) any individual for any taxable year if the taxpayer’s net worth for such taxable year exceeds \$100,000,000 (half such amount in the case of a married individual filing a separate return), and “(B) any trust or estate treated as an applicable taxpayer under subsection (g). **“(2) NET WORTH.**—The term ‘net worth’ means, with respect to any taxpayer for any taxable year, the excess (if any), determined as of the close of such taxable year, of— “(A) the estimated value of all assets of the taxpayer and all trust attributed assets of the taxpayer, as determined under regulations provided by the Secretary, over “(B) all debts (and such other liabilities as the Secretary may provide) of the taxpayer and all trust attributed debts of the taxpayer. **“(3) TRUST ATTRIBUTED ASSETS.**—The term ‘trust attributed assets’ means, with respect to any taxpayer— “(A) any asset of a trust which such taxpayer is treated as owning under subpart E of part I of subchapter J of chapter 1, and “(B) any asset of a trust (other than a trust which a person other than the taxpayer is treated as owning under such subpart) that is distributable to the taxpayer or from which income is distributable to the taxpayer in whole or in part, whether or not the taxpayer’s distribution rights are subject to a contingency, unless that contingency is the death of another trust beneficiary. **“(4) TRUST ATTRIBUTED DEBTS.**—The term ‘trust attributed debts’ means, with respect to any taxpayer— “(A) any debt (and such other liabilities as the Secretary may provide) of a trust described in paragraph (3)(A), and “(B) any debt (and such other liabilities as the Secretary may provide) with respect to an asset described in paragraph (3)(B) if the holders of such debt have a right to repayment which is senior to the distribution rights of the taxpayer. **“(5) GRATUITOUS TRANSFERS.**— “(A) IN GENERAL.—In the case of any asset which was transferred by the taxpayer during the 5-year period ending with the close of the taxable year for which the taxpayer’s net worth is determined (and which is not otherwise taken into account in determining such net worth), such taxpayer’s net worth (as determined for purposes of this section) shall be— “(i) increased by the value of such transferred asset at the time of transfer, “(ii) decreased (but not in excess of the amount of the increase under clause (i)) by the amount paid in consideration for such asset by the transferee, “(iii) in the case of any decrease under clause (ii), increased to the extent of any liability of the transferee to the transferor or related party (as defined under section 267(b)) of the transferor, incurred in connection with the transfer of such asset, to the extent that the right to collect such liability is not already reflected in the net wealth of the transferor, and “(iv) increased by the value of any such transferred asset transferred with a purpose that was in substantial part to avoid tax, to the extent not already included as an increase under clause (i) or (iii). **“(B) EXCEPTIONS.**—Subparagraph (A) shall not apply with respect to any transfer of an asset to— “(i) an organization described in section 170(c), “(ii) a spouse or former

spouse if section 1041 applies to such transfer, or “(iii) a spouse if both spouses are applicable taxpayers at the time of such transfer. “(C) SPECIAL RULE REGARDING TRANSFER TO AVOID TAX.—For purposes of subparagraph (A)(iv), if one or more transfers of assets would (but for this sentence) reduce the tax imposed under this section and the taxpayer retains a substantial degree of control over such assets, the purpose of such transfers shall be treated as avoidance of tax unless the taxpayer shows otherwise by clear and convincing evidence. “(d) Minimum tax account balance.—For purposes of this section, the term ‘minimum tax account balance’ means, with respect to any taxpayer for any taxable year, the excess (if any) of— “(1) the aggregate amount of tax imposed under this section with respect to the taxpayer for all prior taxable years, over “(2) the sum of— “(A) the aggregate credits allowed under sections 25E and 36C with respect to the taxpayer for all prior taxable years, and “(B) the aggregate reductions described in subsection (h)(6) with respect to the taxpayer for all prior taxable years. “(e) Net unrealized gain.— “(1) IN GENERAL.—For purposes of this section, the term ‘net unrealized gain’ means, with respect to any taxpayer for any taxable year, the excess (if any) of— “(A) the aggregate gains which would be recognized if such taxpayer sold each asset held at the close of such taxable year (including any asset described in subsection (c)(3)(A)) for such asset’s estimated value at such time, over “(B) the aggregate losses which would be so recognized. “(2) ESTIMATED VALUE.—For purposes of this section— “(A) IN GENERAL.—Except as otherwise provided in this subsection, the term ‘estimated value’ means fair market value determined in such manner as the Secretary may provide. “(B) NON-READILY TRADABLE ASSETS.— “(i) DEFAULT METHOD.—In the absence of regulations or other guidance under clause (iii) or (iv) (and only in such absence), the estimated value of a non-readily tradable asset shall be determined by beginning with the greatest (determined after adjustment under clause (ii)) of— “(I) the original basis amount, “(II) the adjusted cost basis amount, or “(III) the most recent fair market valuation amount. “(ii) ADJUSTMENT FOR DEEMED APPRECIATION.—Each amount described in subclauses (I), (II), and (III) of clause (i) shall be separately increased by a rate of appreciation equal to the sum of— “(I) the annual rate of interest determined by the Secretary to be equivalent to the average of the 5-year constant maturity Treasury yields, as published by the Board of Governors of the Federal Reserve System, for the 5-year period ending on September 30 of the calendar year ending before the date with respect to which the estimated value is determined, plus “(II) 2 percentage points, for the period beginning on the date with respect to which such amount relates and ending on the date with respect to which the estimated value is determined. “(iii) REGULATIONS.—In the case of any non-readily tradable asset, the estimated value of such asset shall be determined by such method as the Secretary may prescribe in regulations or other guidance. Such method may require a single valuation method with respect to any such asset or may provide one or more options for valuing any such asset and may (but is not required to) include one or more of the following: “(I) Required formulaic valuations based on any of the original basis amount (grossed up by a formula), other adjusted cost basis amounts (potentially adjusted by a formula), most recent fair market valuation amount (grossed up by a formula), or formulaic multiple of book value or other financial statement valuation. “(II) Any valuation method utilized with respect to illiquid taxpayers under subsection (f), including any method under the special valuation regime and the rule that a valuation may be challenged by the taxpayer only upon a showing of clear and convincing error. “(iv) CERTAIN REQUIRED APPLICATIONS OF ILLIQUID TAXPAYER RULES.—The Secretary may issue regulations or other guidance which require certain taxpayers which hold one or more non-readily tradable assets to apply one or more of the rules applicable to illiquid taxpayers under paragraph (4) and subsection (h) (without regard to whether the taxpayer makes the election described in paragraph (4) or any election under subsection (h)) with respect to all or any portion of such assets. The Secretary may require calculation and payment of estimated annual taxes on such assets to the extent that the Secretary determines that doing so would best advance the goal of minimizing gaming by taxpayers. “(v) RECAPTURE OF DEPRECIATION AND AMORTIZATION PERMITTED.—Nothing in this subsection shall be construed to prevent the determination of gains and losses for

purposes of this subsection with respect to any asset on the basis of the adjusted basis of such asset (after taking into account any reductions in such basis for depreciation or amortization). “(3) NON-READILY TRADABLE ASSET.—For purposes of this section, the term ‘non-readily tradable asset’ means any asset which is part of any class of assets with respect to which the Secretary has determined that mandatory annual valuations are inappropriate for purposes of this section.”

“(4) ILLIQUID TAXPAYERS.—“(A) IN GENERAL.—In the case of an illiquid taxpayer which makes the election described in subparagraph (B)—“(i) the net unrealized gain of such taxpayer shall be determined by only taking into account the unrealized gains (and losses) on assets other than non-readily tradable assets, and “(ii) such taxpayer shall be subject to the requirements of subsection (f) with respect to all non-readily tradable assets held by the taxpayer.”(B) ILLIQUID TAXPAYER.—For purposes of this subsection, the term ‘illiquid taxpayer’ means any taxpayer for any taxable year if the estimated value of all assets other than non-readily tradable assets of the taxpayer as of the close of such taxable year does not exceed 20 percent of the taxpayer’s net worth for such taxable year.”(C) ELECTION.—Any election made under this paragraph shall be made at such time and in such manner as the Secretary may provide and, once made with respect to any asset, may be revoked only with the consent of the Secretary (and subject to such requirements as the Secretary may provide to ensure proper taxation of gains and losses with respect to such assets). If the Secretary determines that it is consistent with the purposes of this section, the Secretary may permit an illiquid taxpayer to elect to apply this paragraph (and subsection (f)) with respect to such portion of non-readily tradable assets of the taxpayer as the Secretary determines is consistent with such purposes.”(f) Unliquidated Tax Reserve Accounts.—“(1) IN GENERAL.—The Secretary shall issue regulations or other guidance under which, in the case of any taxpayer subject to the requirements of this subsection (including by reason of subsection (e)(2)(B)(iv) or (e)(4) or paragraph (2)(K) of this subsection), the taxpayer’s tax liability under this section, and the timing of any such liability, with respect to any non-readily tradable assets held by such taxpayer are determined on the basis of the Unliquidated Tax Reserve Account rules prescribed by the Secretary under this subsection.”(2) UNLIQUIDATED TAX RESERVE ACCOUNT RULES.—The Unliquidated Tax Reserve Account rules prescribed by the Secretary under this subsection shall, except as otherwise provided by the Secretary, be consistent with the following: “(A) Any taxpayer subject to this subsection shall be treated as having an Unliquidated Tax Reserve Account (hereafter in this subsection referred to as an ‘ULTRA’) which consists of the non-readily tradable assets held by such taxpayer (or, as the case may be, to the portion of such assets described in subsection (e)(2)(B)(iv) or (e)(4)(C)) (hereafter in this subsection referred to as the ‘ULTRA assets’). “(B) Except as provided in subparagraph (K)—“(i) in the case of the first year in which a taxpayer becomes subject to this subsection and so has assets in the ULTRA, the notional interest percentage of the ULTRA shall be 20 percent (0 percent in the case of a taxpayer which elects to recognize all unrealized gains of all assets in the ULTRA upon initiation of the ULTRA), and “(ii) at the end of the first year in which a taxpayer becomes subject to this subsection and so has assets in the ULTRA and at the end of each subsequent year during which the taxpayer continues to be subject to this subsection and have assets in the ULTRA, the notional interest percentage of the ULTRA shall be increased annually by an amount equal to the product of—“(I) the deemed rate of return multiplied by 20 percent, multiplied by “(II) 1 minus the notional interest percentage immediately prior to the increase.”(C) The deemed rate of return for purposes of subparagraph (B)(ii)(I) shall be the estimated investment rate of return for the entire economy as determined by the Secretary, or if the Secretary provides that the notional interest percentage should be determined separately with respect to any class of assets, such other rate of return as the Secretary determines appropriate for such asset class.”(D) Any sale, or other transfer, of any ULTRA asset shall be treated as a distribution from the ULTRA, except that the Secretary shall provide rules for treating transfers made in the ordinary course of a trade or business and exchanges of non-readily tradable assets as other than distributions.”(E) Except as otherwise provided by the Secretary, an increase in debt shall be treated as a distribution from the



ULTRA and any subsequent decrease in debt shall be taken into account as a reduction in distributions from the ULTRA or as a credit against tax (as the Secretary determines appropriate). “(F) Any distribution from the ULTRA shall result in an increase in the taxable income of the taxpayer equal to the product of the estimated value of the distribution multiplied by the notional interest percentage at the time of the distribution. “(G) A taxpayer may elect to pay liabilities under this subsection in advance and proper credit shall be provided for any such liabilities so paid in advance upon resolution of the ULTRA. “(H) The Secretary shall establish a special valuation regime for purposes of determining the estimated value of any distribution of a non-tradable asset from an ULTRA. Such special valuation regime shall ensure valuation accuracy, minimize the potential for under-valuation, and minimize the potential for taxpayer gaming. Such regime may include the use of appraisers employed by the Secretary, formulaic valuations, or any other method designed to ensure valuation accuracy and minimize the potential for gaming. Any estimated value determined under such special valuation regime may be challenged by the taxpayer only upon a showing of clear and convincing error. In place of the standard due process safeguards, a taxpayer may opt to reject such special valuations (under rules and procedures to be determined by the Secretary) and instead maintain the non-tradable asset within an ULTRA. “(I) If a taxpayer is subject to the requirements of this subsection with respect to any assets, such taxpayer shall remain subject to the requirements of this subsection (without regard to whether or not such taxpayer ceases to be an applicable taxpayer) until the ULTRA is resolved and all liabilities with respect to such ULTRA have been paid. For purposes of this subsection, an ULTRA shall be treated as resolved upon the death of the taxpayer, the distribution of all assets of the ULTRA, a determination by the Secretary that further treatment as an ULTRA is inconsistent with the purposes of this section, or a determination by the Secretary described in subparagraph (J). “(J) If the Secretary determines, upon application by the taxpayer, that the resolution of an ULTRA is not inconsistent with the purposes of this section— “(i) all remaining assets of such ULTRA shall be treated as distributed, and “(ii) such ULTRA shall be treated as resolved. “(K) Upon the resolution of the ULTRA, there shall be imposed on the taxpayer a tax (or a refund of taxes previously paid may be awarded) as determined by the Secretary by applying a retrospective formula determined by the Secretary to eliminate the entire tax advantage of deferral. Such tax shall be determined in a manner to take into account prior distributions from the ULTRA and any tax previously imposed thereon and any liability under this subsection which is paid in advance under subparagraph (G). “(L) If, upon the death of a taxpayer, an heir of ULTRA assets elects to initiate a carry-over ULTRA for such inherited assets— “(i) such assets shall not be taken into account under subparagraph (J) upon the resolution of the decedent’s ULTRA, “(ii) such heir’s carry-over ULTRA shall begin with a notional interest percentage equal to that of the decedent’s ULTRA at the time of death, and “(iii) such carry-over ULTRA shall be maintained separately from any ULTRA otherwise maintained by such heir. “(g) Treatment of trusts and estates as applicable taxpayers.—For purposes of this chapter— “(1) IN GENERAL.—Any trust (other than a trust the assets of which are treated as owned by another taxpayer under subpart E of part I of subchapter J of chapter 1) or applicable estate shall be treated as an applicable taxpayer for purposes of this chapter if any assets of the trust are trust attributed assets with respect to any applicable taxpayer. “(2) APPLICABLE ESTATE.—An estate is an applicable estate beginning with the third taxable year following the date of death of the decedent if the decedent was an applicable taxpayer for any taxable year ending during the 5-year period ending on the date of the decedent’s death. “(3) TRUSTS ACQUIRING UNITED STATES BENEFICIARIES.— “(A) IN GENERAL.—If paragraph (1) applies to a trust for a transferor or beneficiary’s taxable year, and paragraph (1) would have applied to the trust for any of the preceding 10 taxable years (other than years prior to the effective date of this section) but for the fact that in such year or years there was no United States beneficiary for any portion of the trust, then the transferor shall be treated as having income for the taxable year equal to— “(i) the aggregate increases in the tax imposed under this title for each such prior taxable year (beginning after the date of the enactment of this chapter) which would

have occurred if paragraph (1) had applied to such trust for such year, plus “(ii) interest on such increase determined with respect to each such taxable year determined at the underpayment rate. “(B) NO LIVING TRANSFEROR.—In the event that subparagraph (A) would apply, but for the fact that there is no living transferor, then each beneficiary of such trust, other than a contingent beneficiary, shall be treated as having income for the taxable year equal to— “(i) the aggregate increases in the tax imposed under this title for each such prior taxable year (beginning after the date of the enactment of this chapter) which would have occurred if paragraph (1) had applied to such trust, but only to the extent of such increases in tax which would have occurred with respect to such portion of trust assets as are distributable to the beneficiary, or such portion of trust income as is distributable to the beneficiary (whether or not such assets or income are so distributed), plus “(ii) interest on such increase determined with respect to each such taxable year determined at the underpayment rate. “(C) CONTINGENT BENEFICIARIES.—In the event that no tax is imposed on a beneficiary under subparagraph (B) because such beneficiary is contingent, then in the first taxable year in which such beneficiary is no longer contingent, such beneficiary shall be treated as having income for the taxable year equal to the amount that would have been imposed under subparagraph (B), plus interest on such increase determined with respect to each such taxable year determined at the underpayment rate, but in no case will such tax and interest be imposed with respect to any portion of trust assets or income previously subject to tax under this section. “(D) CONTINGENT.—For purposes of this paragraph, a beneficiary’s interest in a trust shall be treated as contingent if (and only if) such interest depends on the outcome of uncertain future events (other than the discretion of the trustee to determine the timing of the distribution of income). “(h) Election To pay liability in installments.— “(1) IN GENERAL.—A taxpayer may elect to pay the tax imposed under subsection (a) or (g) for any taxable year in 5 equal annual installments (in the case of the taxpayer’s first taxable year beginning in 2023, 9 equal annual installments). “(2) DATE FOR PAYMENT OF INSTALLMENTS.—If an election is made under paragraph (1), the first installment shall be paid on or before the due date (determined without regard to any extension of time for filing the return) for the return of tax for the taxable year described in subsection (a) and each succeeding installment shall be paid on or before the due date (as so determined) for the return of tax for the taxable year following the taxable year with respect to which the preceding installment was made. “(3) ACCELERATION OF PAYMENT.— “(A) IN GENERAL.—If there is an addition to tax for failure to timely pay any installment required under this subsection (other than by reason of a timely election made under paragraph (5)), a bankruptcy of the taxpayer (including in a title 11 or similar case), or any similar circumstance, then the unpaid portion of all remaining installments shall be due on the date of such event (or in the case of a title 11 or similar case, the day before the petition is filed). “(B) PAYMENT WITHIN 6 MONTHS.—In the case of the payment of any installment required under this subsection during the 6-month period beginning on the due date of such installment, subparagraph (A) shall not apply and rules similar to the rules of section 6166(g)(3)(B) shall apply. “(4) PRORATION OF DEFICIENCY TO INSTALLMENTS.—If an election is made under paragraph (1) to pay tax imposed under subsection (a) in installments and a deficiency has been assessed with respect to such tax, the deficiency shall be prorated to the installments payable under paragraph (1). The part of the deficiency so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as, and as a part of, such installment. The part of the deficiency so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary. This subsection shall not apply if the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax. “(5) ELECTION.—Any election under paragraph (1) shall be made at such time and in such manner as the Secretary shall provide. “(6) REDUCTION OF INSTALLMENT PAYMENTS TO EXTENT MINIMUM ACCOUNT BALANCE IS IN EXCESS OF EXPECTED RECOGNIZED GAIN.—If the minimum account balance of the taxpayer for any taxable year (reduced by the amount of any credit allowed under section 25E for such taxable year) exceeds 20 percent of the taxpayer’s net

unrealized gain for such taxable year, such excess shall be applied to reduce the amount of any installment payments of the taxpayer the date for payment of which has not yet arrived (without regard to the taxable year to which such installment payment relates). Any reduction under the preceding sentence shall be applied to installment payments on a last-due, first-reduced basis. “(i) Information reporting.—The Secretary shall, not later than 1 year after the date of the enactment of this section, issue regulations— “(1) requiring such persons as the Secretary determines appropriate to file a return with the Secretary which include such information as the Secretary determines necessary to carry out this section, including the provision of applicable financial statements (within the meaning of section 451(b)), other financial or accounting statements, insurance valuations, or similar documents, and “(2) requiring persons required to file returns under paragraph (1) to furnish statements to such other persons as the Secretary determines appropriate which contain all or a portion of the information contained in such return. “(j) Regulations.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes this section and sections 25E and 36C, including regulations or other guidance to— “(1) require reporting of basis and estimated value of assets, aggregated by asset class or otherwise, held by the applicable taxpayer, and liabilities of the applicable taxpayer, as of the close of the taxable year, in such manner as the Secretary may provide, “(2) discourage applicable taxpayers from inappropriately converting assets into assets which are non-readily tradable assets, “(3) treat assets held directly or indirectly by the applicable taxpayer as held by the applicable taxpayer, “(4) in such circumstances as the Secretary determines there is a reasonable risk of an intent to avoid tax, treat assets owned or controlled by persons related to the applicable taxpayer as owned by the applicable taxpayer, “(5) provide for the application of such sections with respect to married individuals, including rules with respect to— “(A) individuals whose marital or joint return filing status changes, and “(B) the transfer of an individual’s minimum tax account balance to the individual’s spouse or otherwise upon the death of such individual, “(6) provide that the tax imposed under this section shall not be taken into account in determining the amount of any required payment of estimated tax or in satisfying the safe harbor to avoid a penalty for the underpayment of estimated tax, and “(7) if the Secretary determines appropriate to carry out the purposes of this section, provide for the separate application of such sections with respect to different classes of assets. “(k) Standards for making certain determinations.—For purposes of making any determination described in subsection (e)(2)(A), (e)(2)(B)(iii), (e)(3), (f)(2)(C), or (f)(2)(D), the Secretary shall balance the goals of ensuring valuation accuracy, minimizing the potential for taxpayer gaming, and avoiding unduly excessive compliance and administrative costs. “SEC. 1482. Certain otherwise exempt transfers by certain wealthy taxpayers treated as taxable. “(a) In general.—Notwithstanding any other provision of this title, in the case of any specified transfer by a covered taxpayer, gain shall be recognized by such covered taxpayer in an amount equal to the excess (if any) of the estimated value (as defined in section 1481(e)(2)) of the property transferred over the adjusted basis of such property. “(b) Specified transfer.—For purposes of this section, the term ‘specified transfer’ means any gift, charitable contribution, bequest, or other transfer upon death. “(c) Covered taxpayer.—For purposes of this section, the term ‘covered taxpayer’ means, with respect to any taxable year, any taxpayer which is an applicable taxpayer for such taxable year or was an applicable taxpayer for any of the 10 taxable years immediately preceding such taxable year. “(d) Regulations.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance that provide for exceptions with respect to— “(1) transfers which are de minimis or which otherwise do not pose a risk of circumventing the purposes of this chapter, and “(2) taxpayers which do not pose such a risk.”. (b) Credit against taxes on recognized gains.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 25D the following new section: “SEC. 25E. Minimum tax on certain wealthy taxpayers credited against recognized gains. “In the case of an individual (including any estate or trust), there shall be allowed as a credit

against the tax imposed by this chapter for the taxable year an amount equal to the lesser of— “(1) the taxpayer’s minimum tax account balance (as defined in section 1481) for such taxable year determined, in the case of any tax imposed under section 1481 with respect to which an election is made under such section to pay such tax in installments, by only taking into account so much of such tax as has been paid as of the close of such taxable year, and “(2) the excess (if any) of— “(A) the taxpayer’s regular tax (as defined in section 26(b)) for such taxable year, over “(B) the amount which would be determined under subparagraph (A) if the taxpayer did not recognize any gain or loss for such taxable year.”. (c) Refund of excess minimum tax on certain wealthy taxpayers.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 36B the following new section: “SEC. 36C. Credit for excess minimum tax on certain wealthy taxpayers. “In the case of an individual (including any estate or trust), there shall be allowed as a credit against the tax imposed by this subtitle for any taxable year an amount equal to the excess (if any) of— “(1) the amount described in section 25E(1) for such taxable year, over “(2) the sum of— “(A) 20 percent of the taxpayer’s net unrealized gain (as defined in section 1481) for such taxable year, “(B) the aggregate credits allowed under section 25E for such taxable year and all prior taxable years, and “(C) the aggregate reductions determined under section 1481(h)(6) for such taxable year and all prior taxable years.”. (d) Penalties for failure To report.— (1) RETURNS.—Section 6724(d)(1)(D) of the Internal Revenue Code of 1986 is amended by inserting “1481(i)(1) or” before “6055”. (2) STATEMENTS.—Section 6724(d)(2) of such Code is amended— (A) in subparagraph (II), by striking “or” at the end, (B) in the first subparagraph (JJ), by striking the period at the end and inserting a comma, (C) in the second subparagraph (JJ)— (i) by redesignating such subparagraph as subparagraph (KK), and (ii) by striking the period at the end and inserting “, or”, and (D) by adding at the end the following new subparagraph: “(LL) section 1481(i)(2) (relating to statements relating to minimum tax on certain wealthy taxpayers).”. (e) Conforming amendments.— (1) Section 6211(b)(4)(A) of the Internal Revenue Code of 1986 is amended by inserting “36C,” after “36B,”. (2) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting “36C,” after “36B,”.

# Inequality

## **The growing wealth gap is uniquely driving inequality across society.**

**Zia 22** [Zia Qureshi, Cheonsik Woo, et al. "Rising Inequality: A Major Issue of Our Time." Brookings, 11 Jan. 2022, [www.brookings.edu/articles/rising-inequality-a-major-issue-of-our-time/](https://www.brookings.edu/articles/rising-inequality-a-major-issue-of-our-time/).]

Wealth inequality within countries is typically much higher than income inequality. It has followed a rising trend across countries since around 1980, similar to income inequality. Higher wealth inequality feeds higher future income inequality through capital income and inheritance. The increase in inequality has been especially marked at the top end of the income distribution, with the income share of the top 10 percent (and even more so that of the top 1 percent) rising sharply in many countries. This was so particularly up to the global financial crisis of 2008-09. Those in low- and middle-income groups have suffered a loss of income share, with those in the bottom 50 percent typically experiencing larger losses of income share. These trends in inequality have been associated with an erosion of the middle class and a decline in intergenerational mobility, especially in advanced economies experiencing larger increases in inequality and a greater polarization in income distribution.

## **The root cause of inequality is the wealth gap.**

**Maizland 22** [Maizland, Lindsay, et al. "The U.S. Inequality Debate." *Council on Foreign Relations*, 20 April 2022, <https://www.cfr.org/backgrounders/us-inequality-debate>.]

Income and wealth inequality in the United States is substantially higher than in almost any other developed nation, and it is on the rise, sparking an intensifying national debate. The 2008 global financial crisis, the slow and uneven recovery, and the economic shock caused by the COVID-19 pandemic have deepened these trends and challenged policymakers to respond. Economists say the causes of worsening inequality are complex and include a failure to adapt to globalization and technological change, shifting tax policy, reduced bargaining power among workers, and long-standing racial and gender discrimination. The effects of inequality are similarly varied, and they have exacerbated crises such as the pandemic and deepened societal divisions. Inequality can also weaken democracy and give rise to authoritarian movements. President Joe Biden has pledged to reduce economic inequality with new social spending financed by higher taxes on the wealthy and corporations, but he faces opposition from those who say his plans go too far. Inequality is a drag on economic growth and fosters political dysfunction, experts say. Concentrated income and wealth reduces the level of demand in the economy because rich households tend to spend less of their income than poorer ones. Reduced opportunities for low-income households can also hurt the economy. "When those at the bottom of the income distribution are at great risk of not living up to their potential, the economy pays a price not only with weaker demand today, but also with lower growth in the future," economist [Joseph Stiglitz writes](#) [PDF].

## **The wealth gap is associated with higher mortality rates and wrecks social cohesion**

**Kawachi and Kennedy 97** [Kawachi I, Kennedy BP. Health and social cohesion: why care about income inequality? *BMJ*. 1997 Apr 5;314(7086):1037-40. doi: 10.1136/bmj.314.7086.1037. PMID: 9112854; PMCID: PMC2126438. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2126438/>]

Throughout the world, wealth and income are becoming more concentrated. Growing evidence suggests that the distribution of income—in addition to the absolute standard of living enjoyed by the poor—is a key determinant of population health. A large gap between rich people and poor people leads to higher mortality through the breakdown of social cohesion. The recent surge in income inequality in many countries has been accompanied by a marked increase in the residential concentration of poverty and affluence. Residential segregation diminishes the opportunities for social cohesion. Income inequality has spillover effects on society at large, including increased rates of crime and violence, impeded productivity and economic growth, and the impaired functioning of representative democracy. The extent of inequality in society is often a consequence of explicit policies and public choice. Reducing

income inequality offers the prospect of greater social cohesiveness and better population health. The world's wealth is becoming more concentrated. According to the 1996 United Nations Human Development Report, the world's 358 richest individuals control economic assets equivalent to the combined annual incomes of the poor countries that are home to 45% of the world's population.<sup>1</sup> In the past 20 years, many countries including the United States and Britain have experienced soaring rates of income inequality. Do these trends matter for the health of populations? No one would dispute that poverty is bad for health. In general, the lower the material standard of living (as measured by indicators like income) the worse is the level of health, whether measured by mortality, morbidity, or quality of life. In the United States, which is supposedly the richest country in the world, poverty still accounts for nearly 6% of all adult mortality.<sup>2</sup> Aside from the evidence on absolute deprivation, there is growing evidence that the relative distribution of income in a society matters in its own right for population health. This thesis, which has become most closely identified with the work of Richard Wilkinson,<sup>3 4</sup> has been replicated in nearly a dozen studies internationally.<sup>4</sup> Although some questions have been raised about the international evidence linking income inequality to mortality,<sup>5</sup> three recent studies reported in this journal—two from the United States<sup>6 7</sup> and one from Britain<sup>8</sup>—have suggested that income inequality predicts excess mortality within individual countries. In the American study by Kennedy et al, income inequality at the state level was strongly correlated with total mortality rates ( $r = 0.54$ ,  $P < 0.05$ ), even after median income, poverty rates, smoking prevalence, and race were taken into account.<sup>6</sup> Income inequality was measured in that study by the Robin Hood index, which is the proportion of aggregate income that needs to be redistributed from the rich to the poor so as to achieve equality of incomes. A 1% rise in the Robin Hood Index was associated with an excess mortality of 21.7 deaths per 100 000 (95% confidence interval 6.6 to 36.7), suggesting that even a modest reduction in inequality could have an important impact on population health. The maldistribution of income was related not only to total mortality but also to infant mortality, homicides, and deaths from cardiovascular disease and neoplasms.

## **Inequality wrecks the institutions needed to fight of existential risks and makes extinction inevitable through conflict**

**Schmidt & Juijn 23** [Andreas T.; faculty at the University of Groningen; Daan; Dutch Ministry of Economic Affairs and Climate Policy, the Hague; 5-20-2023; "Economic inequality and the long-term future"; The Murphy Institute of Political Economy at Tulane University: Politics, Philosophy, & Economics; <https://journals.sagepub.com/doi/epub/10.1177/1470594X231178502/>]

**Institutional quality and conflict** It is often argued that a country's long-term performance depends to a significant extent on the quality of its institutions, including its political and legal institutions (Acemoglu et al., 2005). Economic research mostly focuses on explaining long-term differences in growth rates. As seen above, some researchers argue that high inequality will reduce growth rates, among other things, because it can worsen institutional quality. However, besides facilitating economic growth, public institutions have other functions that matter from a long-term perspective. For example, disaster preparedness, education, public health, foreign policy, science policy, and many other areas could influence the expected value of the long-term future. If such things go badly, they could increase existential risk. Conversely, good institutions will help reduce existential risk. For many existential risk reduction strategies likely require public goods and collective action, which in turn require good public institutions (among other reasons, because some such public goods are unlikely to be provided by markets). So, it seems reasonable to assume that, with most other societal goals, good institutions can help deliver existential risk reduction. Here is a cheesy analogy: targeted actions like washing your hands regularly or getting a flu shot can reduce your risk of dying from an infection. But you will also do well investing in a strong immune system, as that is an 'all-purpose good' in lowering your risk of dying from any bacterium or virus. Investing in good institutions might similarly be an all-purpose-good: rather than tackling individual sources of existential risk directly, we improve conditions for tackling whatever

existential risks may come our way. There are several reasons why higher inequality could weaken institutional capacities for longtermist public goods. First, there is some direct evidence that, whatever the causal pathway, inequality reduces institutional quality (which in turn typically leads to more inequality) (Chong and Gradstein, 2007; Savoia et al., 2010). Second, high inequality can lead to elite capture. Empirical work on studying political and de facto legal power is difficult, yet there is a growing consensus that high levels of inequality can lead to elite capture and thereby reduce the long-term quality of legal and political institutions (Acemoglu and Robinson, 2008, 2013; Bartels, 2018; Chong and Gradstein, 2007; Cummins and Rodriguez, 2010; Savoia et al., 2010; van Bavel, 2016). Further, if institutions are disproportionately geared towards elite interests, then they might be less likely to be geared towards positive long-term trajectories. We might see more rent-seeking and less investment in public goods. Moreover, if elite capture is strong enough, such capture, and the potential inequality that comes with it, can intensify going forward (Chong and Gradstein, 2007). Now, one might object and wonder whether elite interests and longtermist interests will necessarily be misaligned. Could an enlightened elite not even be more longtermist than a more democratic system? Here are two potential arguments. First, wealthy donors fund a significant part of research and direct action on existential risk and longtermism (the Open Philanthropy Project, for example). Indirectly, inequality might thus reduce existential risk through such funding. Second, rich people might have a lower rate of pure time preference than less well-off people, which might make them more aligned with investing in long-term causes. In response to the first argument, remember we here focus on income inequality reductions. Private funding only requires 'enough' wealth inequality going forward, it need not require elite capture. And reducing income inequality is unlikely to eradicate the required wealth inequality and the existence of big donors. In response to the second argument, we are sceptical that elite capture would translate a lower impatience rate into longtermist strategies in policy. First off, a successful transmission would require influence to be systematic and well-coordinated across time and, probably, across different elite actors. Yet lobbying and elite influence must often capitalise on shorter windows of opportunities, which makes well-coordinated intertemporal policy capture less likely. Second, even if rich people have a lower impatience rate in the sense that they might care more about returns on investment rather than direct consumption, this is quite different from being concerned with the far future. It would be a coincidence if being concerned with getting a good return in the next years (or even decades) on my own investment converged much with policies that protect the interests of far-future people. Of course, such considerations are speculative. But, in any case, we think that, on balance, there are stronger reasons to believe elite capture would increase – rather than decrease – existential risk. First, elite capture often comes with rent seeking, which lowers institutional quality (Chong and Gradstein, 2007). Second, industries like oil, gas, weapons and others are often concentrated and well organised in exerting influence in law and legislation. Their interests and influence overall are likely to be more short-term than longtermist. Third, recent decades have seen a shift towards a stronger shareholder value orientation in corporate governance. A common criticism of this shift is that it incentivises more short-term decisions. Accordingly, corporate influence into public institutions will likely display short-termist bias too. Finally, we can, of course, imagine that 'pro-longtermist elite capture' could happen and gamble on that possibility. However, if strong democratic and legal oversight and the power to check elite influence is lost, we might struggle to reverse our gamble. Third, high inequality is likely to reduce social capital and trust (Alesina and La Ferrara, 2002; Knack and Keefer, 1997; Rothstein and Uslaner, 2005). Social capital and trust in public institutions in turn are important for effective public goods provision (Beugelsdijk et al., 2004; Knack and Keefer, 1997). Effective public goods provision, in turn, is important for (some) effective measures to reduce existential risk (and, more generally, to coordinate towards more valuable long-term trajectories). Therefore, high inequality could reduce societies' capacities to effectively respond to large-scale challenges like existential risk. Finally, some limited direct evidence suggests societies with higher social capital and lower inequality exhibit better preventive and

adaptive outcomes for environmental risks and can show greater resilience to external shocks (Kahn, 2005; van Bavel et al., 2018). For example, Matthew Kahn provides some evidence that more equal countries, when controlled for GDP, have significantly lower death rates in natural catastrophes (Kahn, 2005). While smaller natural catastrophes are different from global catastrophic risk scenarios, resilience in such events might be somewhat indicative of societies' resilience to catastrophic risks. So, good social and institutional conditions could help reduce existential risk. Consider next how, conversely, bad conditions might increase existential risk. A key driver of existential risk is conflict, both between and within nation-states (or what (Ord, 2020: 175–9) calls a 'risk factor'). Conflicts and arms races raise human-induced existential risks such as nuclear war, the outbreak of a bio-engineered virus or the launch of misaligned artificial intelligence. Note that an existential catastrophe could be set in motion either purposefully or accidentally. Both are more likely during conflict. Nuclear warheads, cyberweapons, and bioweapons could all be used purposefully to attack enemy states, leading to potential global escalation. But as past nuclear incidents and close calls during the Cold War show, arms races also increase the probability of accidental catastrophes (Schlosser, 2013). Esteban and Schneider find that formal and empirical evidence suggests that political and social polarisation increases the risk of violent conflict, both intra-nationally and internationally (Esteban and Schneider, 2008). If income inequality increases polarisation, inequality may indirectly drive existential risk. Indeed, recent evidence suggests that income inequality can increase the degree of polarisation between groups of citizens. Bonica et al. find that the degree of polarisation within the US House of Representatives, for example, is accurately tracked by domestic income inequality, with correlation coefficients rising up to 0.95 depending on the chosen time-period ([Bonica et al., 2013](#): 105–8). Of course, correlation does not imply causation and the correlation is likely at least partially the result of reverse causation or a confounding variable. That said, we should assign a non-negligible credence to inequality partially causing polarisation. Moreover, inequality and polarisation might also play some role in getting polarising and populist candidates elected ([Piketty, 2018](#)). In a preliminary analysis of US election data, Darvas and Efstathiou find that more unequal states were more likely to vote for Donald Trump, after controlling for variables such as income, race and education ([Darvas and Efstathiou, 2016](#)). Populist politicians – like Trump, Bolsonaro, and others – are likely bad news for existential risk reduction. They are less cooperative in delivering regional and global public goods and typically prefer riskier, and more conflictual and nationalistic policy styles.

## **The Wealth Tax will decrease Inequality – Switzerland Proves.**

**Marti et al 23** [Marti, Samira, et al. "Does a Progressive Wealth Tax Reduce Top Wealth Inequality? Evidence from Switzerland." OUP Academic, Oxford University Press, 18 Aug. 2023, [academic.oup.com/oxrep/article/39/3/513/7245729?login=true#414297563](https://academic.oup.com/oxrep/article/39/3/513/7245729?login=true#414297563). ]

We therefore complement our information on cantonal wealth distributions with the corresponding panel data on top marginal wealth taxes, going back to 1964. Cantons have frequently changed their top tax rates with an overall downward trend but significant variation. For instance, the highest rate in our data is 1.34 per cent in Glarus in 1970, and the lowest is 0.13 per cent in Nidwalden in 2014. Combining these data sets, we then explore the link between the two. Our event study design allows us to estimate the dynamic effect of wealth tax reforms on the subsequent evolution of top wealth shares. Focusing on large tax reforms and controlling for income and bequest taxes, we find that cuts to the top marginal wealth tax rate in a given canton increase wealth concentration in that canton over the course of the following decade, and that tax increases reduce it. The effect is strongest at the very top of the distribution. For the top 1 per cent and 0.1 per cent, for instance, a reduction in the top marginal wealth tax rate by 0.1 percentage points increases their wealth share by 0.9 and 1.2 percentage points, respectively, 5 years after the reform (compared to an average wealth share of 34 per cent for the top 1



per cent, and 16 per cent for the top 0.1 per cent). This implies that the overall reduction in the progressivity of the wealth tax in the Swiss cantons over the last decades explains roughly a fifth (a quarter) of the increase in concentration among the top 1 per cent (0.1 per cent) over this time horizon. Figure 7 displays the coefficients  $\beta_{kj}$  for the top 1 per cent wealth share as a dependent variable and for large reforms. The results suggest that cantonal tax cuts increase the cantonal top 1 per cent wealth share up to 7 years after the reform, whereas tax hikes reduce it. The point estimates indicate an effect of a change in the top 1 per cent wealth share between one and two percentage points (in either direction) but the statistical significance is only marginal (the effect of small reforms is insignificant). This needs to be compared to an average top 1 per cent wealth share of roughly 34 per cent in our estimation sample.

### **The Swiss system proves that the wealth tax will mitigate inequality.**

**Wolff 19** [Wolff, Edward N. "Wealth Taxation in the United States." NBER, 16 Dec. 2019, [www.nber.org/papers/w26544](http://www.nber.org/papers/w26544).]

The pronounced rise in wealth inequality since the early 1980s creates some urgency in policy remedies. The most telling statistic is that virtually all the growth in (marketable) wealth between 1983 and 2016 accrued to the top 20 percent of households (see Chapter 2 in Wolff, 2017). Indeed, the bottom 40 percent of households saw their wealth decline in absolute terms. This was compounded by the stark reality of a growing proportion of households with zero or negative net worth. What, if anything, should be done about this? If one policy goal is to moderate the rising inequality of recent years, direct taxation of wealth is one proposed remedy. This would compensate for the reduced progressivity of the income tax system. The years since 1980 witnessed falling marginal tax rates on income, particularly for the rich and very rich. The top marginal tax rate fell from 70 percent in 1980 to 35 percent in 2012, though it was then raised to 39.6 percent under President Obama. What do the simulation results of Section 3 suggest regarding a Swiss-style wealth tax? First, the current personal income tax system of this country helps mitigate the disparities in earnings, but its overall effects are modest. Second, the Swiss wealth tax system would have increased total tax revenues (over and above the personal income tax) by only 10 percent in 2016 – too small to have much distributional impact. Third, the wealth tax would have some desirable features from a demographic standpoint. It falls proportionately more on older families than younger ones; more on married couples than singles; and more on whites and Asians than blacks and Hispanics. Moreover, the equalizing effects of the wealth tax would be greater among older families, married couples, and whites. Fourth, the rather modest Swiss-style system would have yielded an additional \$189.3 billion of revenue in 2016, including the Forbes 400. However, in 2016 only 11 percent of families would have seen their federal tax bill rise by more than 10 percent and only 8 percent would have paid an additional \$500 or more of taxes. In conclusion, a direct wealth taxation system like Switzerland's could ease the country's budgetary strains and provide greater equity across generational, racial, and familial categories. These characteristics argue in favor of its adoption in the United States.

### **Wealth tax solves – Norway proves.**

**Berg 21** [Berg, Kristoffer, and Shafik Hebous. "Does a Wealth Tax Improve Equality of Opportunity? Evidence from Norway." *IMF*, 19 Mar. 2021, [www.imf.org/en/Publications/WP/Issues/2021/03/19/Does-a-Wealth-Tax-Improve-Equality-of-Opportunity-Evidence-from-Norway-50258](http://www.imf.org/en/Publications/WP/Issues/2021/03/19/Does-a-Wealth-Tax-Improve-Equality-of-Opportunity-Evidence-from-Norway-50258).]

In an ideal world, parental wealth should not directly affect wages of the children. The discussion on wealth inequality stresses that parental wealth is a significant predictor of future wealth of the children through mechanisms such as wealth transfers and returns to wealth through links operating via capital income. Our findings add one more aspect to this discussion. Namely, using exogenous variations in

parental net wealth, we find that children from wealthy families tend to have higher labor income. The analysis suggests that a wealth tax brings the income of the children closer to their peers from less wealthy families. This finding contributes to the debate on wealth taxation. It does not state that the wealth tax is the only, or the optimal, policy tool to influence intergenerational income inequality, but the results suggest that in the absence of the Norwegian wealth tax, intergenerational income mobility would have been lower. Our results from Norway are also indicative for other countries. If wealth entails a “privilege effect” on the income of the children in a country with a relatively strong provision of public goods—especially health and education—, this raises the question whether this effect is even more pronounced in countries with lower provision of public goods. Our analysis does lend support to one—and thus far neglected—mechanism through which parental wealth impacts the income of the children. Results indicate heterogeneous returns to labor in the form of positive correlation between wage dispersion and parental net wealth. This finding suggests that the risk profile of occupational choice is influenced by the stock of parental wealth, contributing to the literature that attempts to explain why wealthy parents tend to have well-off children. Future research can shed light on further mechanisms.

### **Expert models show that a wealth tax would decrease inequality in the US.**

**Banzhaf 21** [Banzhaf W. The effects of taxes on wealth inequality in Artificial Chemistry models of economic activity. PLoS One. 2021 Aug 11;16(8):e0255719. doi: 10.1371/journal.pone.0255719. PMID: 34379658; PMCID: PMC8357169.]

These results seem at first sight somewhat counter-intuitive. Why would a wealth tax have so much stronger distributive effects than an income tax? After all, an income tax is supposed to tax the changes in wealth, so shouldn't it have the same effect as an admittedly smaller tax on the entire wealth? The answer is “yes”. But one needs to keep in mind that income is only a tiny portion of overall wealth of an individual agent, and its influence in our model shrinks as economic inequality grows larger (since exchange is determined by the agent with smaller wealth). Further, the current status of economies points to the fact that wealth and income are not as highly correlated as naively assumed [43]. Thus, an income tax becomes progressively less effective in curbing the differential effects of wealth in a population. From our simulations, we can see that a wealth tax of approximately 1% corresponds to a high flat income tax of 60%, a close to two orders of magnitude difference in effectiveness! Note that the assumption of an asymmetric role of agents in an exchange is crucial. Absent the ability to go into debt, an agent can only afford and pay for goods and services up to the value of their wealth (but normally even only up to a smaller amount). Thus, the larger the difference in wealth between two agents, the smaller the amount of exchange in relation to the wealth of the agent with larger wealth, and therefore, the smaller the effect of their income tax. In other words, as economic inequality grows, so does the inefficiency of income taxes. Not surprisingly, the best outcome in terms of equality ( $g \approx 0$ ) is reached by a strong wealth tax, the worst outcome ( $g \approx 1$ ) by a weak flat income tax. A strong flat income tax dampens inequality ( $g \approx 0.5$ ), but does in no way sufficiently dampen it (Gini coefficients of around 1/2 are still considered to reflect high inequality). Progressive income taxes are surprisingly inefficient in fighting inequality. A medium wealth tax still achieves substantial equality, whereas a weak wealth tax allows for creeping growth of inequality. The results shine a harsh light on the idea that fiddling with income tax systems can rectify the highly unequal distribution of economic assets that exists today in most societies. Income taxes are by definition only applied to *changes* in wealth and normally vanish for very small or negative incomes. They, therefore, cannot correct a situation that is unequal from the outset, at least not without a substantial redistribution *beyond* the revenue an income tax can generate, something like a stable basic income or a large basic personal deduction that can be monetized if not taken in as agent income. In our system this was demonstrated by the fact that income taxes were applied only to agents that engaged in economic activity. It is worth mentioning that the

unequal distribution of wealth today is actually a good starting point for introducing a weak wealth tax. The reason is that effective tax rates are close to zero for most agents (see Supporting information), and nonlinearly increase on both sides of the wealth distribution. That is due to the redistribution of revenue from this tax as it was introduced here. In a situation where most agents are at the lower end of the wealth spectrum a comparatively even smaller percentage of agents will have to pay substantial amounts of tax. It can be safely assumed, that the scenario also allows for more mobility between segments of the society (at least as far as wealth is concerned).

## **A wealth tax takes money from the top, reducing the wealth gap and generating government revenue.**

**Wamhoff 19** [Wamhoff, Steve. "The U.S. Needs a Federal Wealth Tax." Institute on Taxation and Economic Policy, 23 January 2019, <https://itep.org/the-u-s-needs-a-federal-wealth-tax/>.]

A federal wealth tax on the richest 0.1 percent of Americans is a viable approach for Congress to raise revenue and is one of the few approaches that could truly address rising inequality. As this report explains, an annual federal tax of only 1 percent on the portion of any taxpayer's net worth exceeding the threshold for belonging to the wealthiest 0.1 percent (likely to be about \$32.2 million in 2020) could raise \$1.3 trillion over a decade.

## **A wealth tax gives the U.S. government money to reinvest in the lower class.**

**Mattauch 19** [Mattauch, Linus. "Reducing wealth inequality through wealth...." Oxford Martin School, 24 January 2019, <https://www.oxfordmartin.ox.ac.uk/blog/reducing-wealth-inequality-through-wealth-taxes-without-compromising-economic-growth>.]

Recent research, to which we have contributed, shows better ways to think about taxing wealth that avoid the two classic objections. Wealth taxes can reduce wealth disparities without compromising efficiency; it can sometimes even increase economic growth. One way is to realize that wealth not only consists of producible capital, but also of non-producible (or "fixed") factors. Fixed factors generate rents—that is, payments in excess of what is needed to sustain production. Taxing these rents can enhance efficiency and, potentially, reduce inequality. Another way is to use capital tax revenue not for direct redistribution but rather for financing public investment, which is severely under-funded in rich countries (see Bom and Ligthart, 2014). This under-funding is illustrated by the fact that public wealth as a share of national wealth has fallen in major economies (see figure 2). In France, for example, public wealth decreased from around 20 percent to 3 percent over the course of the last four decades; and spending on public construction in the United States has fallen to 1.4 percent of GDP in 2017, the lowest share on record (The Economist, 2017). Reinvesting the tax proceeds in human capital, via education, creates a dynamic workforce that is more resilient to technological advances and to changes in global production structures such as those from decarbonizing the economy. Further, the automation of routine tasks by robots and artificial intelligence accelerates technological change and requires perpetual learning over the course of a standard career. In such an environment, our research shows that the efficiency-reducing effect of capital taxes is offset by the productivity-enhancing effects of public investments. At the same time, wealth inequality is reduced, first, as a direct effect of the tax on wealth owners, and second, through higher wages received by better-educated workers (Klenert et al., 2018; Mattauch et al., 2016; Mattauch et al., 2018; Stiglitz 2018).

## **Wealth taxes close loopholes that the wealthy currently use to circumvent paying taxes.**

**Eisinger 21** [Eisinger, Jesse. "The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax." ProPublica, 8 June 2021, <https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax>.]

Taken together, it demolishes the cornerstone myth of the American tax system: that everyone pays their fair share and the richest Americans pay the most. The IRS records show that the wealthiest can — perfectly legally — pay income taxes that are only a tiny fraction of the hundreds of millions, if not billions, their fortunes grow each year. In the coming months, ProPublica will use the IRS data we have obtained to explore in detail how the ultrawealthy avoid taxes, exploit loopholes and escape scrutiny from federal auditors. Aggressive new laws would likely inspire new, sophisticated avoidance techniques. A few countries, including Switzerland and Spain, have wealth taxes on a small scale. Several, most recently France, have abandoned them as unworkable. Opponents contend that they are complicated to administer, as it is hard to value assets, particularly of private companies and property.

## **Wealth taxes allow governments to reduce inequality.**

**Avanceña 21** [Anton L. V. Avanceña, Ellen Kim Delucamph, Bradley Iottms, Mph, Amanda Maurimph, Nicholas Millermp, Daniel Eisenbergphd, and David W. Huttonphd, 3-19-2021, "Income and Income Inequality Are a Matter of Life and Death. What Can Policymakers Do About It?", American Journal of Public Health, <https://ajph.aphapublications.org/doi/full/10.2105/AJPH.2021.306301>]

Finally, policymakers can consider adopting progressive tax policies to fund social programs. A wealth tax, for example, can be used to improve access to health care, housing, and job training. Such an approach can achieve multiple goals, such as increasing the disposable income of families and individuals, decoupling the role of income in accessing health-promoting resources, and reducing the magnitude of income inequality, which, as we pointed out, is independently associated with negative health

outcomes. Other policies gaining popularity and acceptance are guaranteed income programs such as universal basic income and negative income taxes, which could replace or supplement current means-tested safety net and antipoverty programs. <sup>29</sup> These redistributive policies would increase the role of government in reducing inequality, which helped narrow inequality in the United States and elsewhere in the early to mid-20th century.

## **State tax laws prove wealth taxes are key to inequalities which proves te fed gov should implement them as well.**

**Waxman 21** [Samantha Waxman, 12-7-2021, "States Enacting Wealth Taxes to Support Pandemic Recovery, Improve Equity", <https://www.cbpp.org/blog/states-enacting-wealth-taxes-to-support-pandemic-recovery-improve-equity>]

Recent high-profile news investigations have emphasized how wealthy people can avoid paying taxes in ways that most ordinary wage-earners can't: ProPublica's analysis of tax records showed that many of the wealthiest U.S. residents pay little to no income tax, and the investigation of the Pandora Papers showed how many wealthy people hide money in offshore accounts to avoid taxation. While the federal government should improve its taxation of wealth, states don't have to wait for federal policymakers. This year several states strengthened their taxes on wealth or high incomes or closed loopholes that primarily benefit corporations and wealthy individuals, raising revenue that can support an antiracist, equitable response to the pandemic that centers the needs of the people hit hardest by the pandemic and its economic effects. State actions include: Colorado eliminated or reformed more than a dozen tax loopholes for corporations and the wealthy and redirected much of the savings — several hundred million dollars per year — to help families make ends meet and contribute to the economic recovery, such as by expanding the Earned Income Tax Credit (EITC) and funding the state's Child Tax Credit. The District of Columbia made its income tax more progressive by raising revenue from the highest earners, which it will use to boost wages for early childhood educators, provide additional affordable housing supports, and expand the EITC. These measures will make D.C.'s tax code more racially equitable. Maine eliminated an ineffective and expensive corporate loophole, the Foreign Derived Intangible Income deduction. This will provide the state almost \$9 million annually. New York raised over \$4.3 billion in revenue annually by temporarily raising the top personal income tax rate and corporate franchise tax rate and by decoupling from misguided federal tax breaks for "Opportunity Zones." Rhode Island increased its tax on the transfer of high-value property by placing an additional tax on the portion of property sold worth over \$800,000. Revenue will go to creating and maintaining affordable housing in the state. Washington State created a 7 percent tax on capital gains above

\$250,000 per year to help support child care, early learning, and public schools. The measure — which is expected to raise more than \$500 million annually, almost exclusively from the wealthiest 1 percent of households — will [boost the state economy](#). Families' access to wealth has largely determined how the pandemic has affected them, with wealthier and higher-paid families more likely to avoid the worst health and economic effects. This divergence reflects both racial and class inequities, especially since wealthy families are disproportionately white. For example, high earners have been much less likely to lose their jobs than other workers due to COVID-19. Between January 2020 and August 2021, the employment rate fell by more than 25 percent for people earning less than \$27,000 but rose by 10 percent for people earning over \$60,000, according to [Opportunity Insights](#). (See chart.) And millions still report (through the Census Bureau's Household Pulse Survey) that their household isn't getting enough to eat or isn't caught up on rent, with households of color likelier to report greater hardship. This reflects longstanding inequities — often stemming from structural racism — in education, employment, housing, and health care that the current crisis has aggravated.

## **Wealth taxes are key to halting inequality through providing important funding to social programs and increasing the lower & middle classes' bargaining power.**

**Bivens and Blair 16** [Josh Bivens and Hunter Blair, 11-15-2016, "Financing recovery and fairness by going where the money is: Progressive revenue increases are key to meeting nation's fiscal challenges", Economic Policy Institute, <https://www.epi.org/publication/financing-recovery-and-fairness-by-going-where-the-money-is-progressive-revenue-increases-are-key-to-meeting-nations-fiscal-challenges/>]

What this report finds: Progressive tax increases should be a top policy priority. If the economy returns to and stays at full employment, they can finance current federal commitments to social insurance and public investments as well as future commitments that could stop the rise in income inequality that has stymied living standards growth for the vast majority of Americans over the last generation. Finally, even if enacted right away, progressive tax increases would provide only a minimal drag on economic recovery, and if combined with near-term public investments would allow fiscal stimulus to lock in full employment. Why it matters: Deficit hawks insist that policymakers plan now for closing projected long-run deficits that could emerge when the economy reaches full employment. Full employment hawks insist that closing deficits too rapidly in the short run could put excessive drag on economic recovery. Progressive revenue increases are the only policy change that threads this needle. They provide long-run financing for projected deficits, but impose only minimal short-run fiscal drag. All other deficit-reduction measures would do clear economic damage if imposed in the short run. What we can do about it: There are a menu of progressive tax policies we can choose from to take care of today's challenges and commitments and move us toward a more equal economy, from raising top tax rates to closing loopholes such as the provision allowing heirs to avoid paying capital gains taxes on inherited wealth.

Introduction and key findings Since the start of the Great Recession, discussions among economists regarding the nation's fiscal policy stance have become more pragmatic and sensible. At the same time, too many policymakers have remained stuck in destructive orthodoxy, preaching that policies that increase federal budget deficits are bad always and everywhere, and that only spending cuts constitute a sustainable strategy for reducing deficits. What has become clear over the past decade is that closing budget deficits is not always the optimal fiscal policy in the short term (one to two years) or the medium term. Instead, the federal budget balance should simply be seen as a tool with which to boost living standards. Sometimes policy needs to move the budget toward a deficit to achieve this; at other times, the budget needs to be moved closer to a balance or surplus. This paper highlights the key policy challenges facing the U.S. economy and fiscal policy over the coming years and decades. It finds that a key plank in any sensible platform to address these challenges is a commitment to progressive tax increases, and it provides a menu of progressive tax policies that would broaden the tax base and raise top tax rates. Some specific findings include: The most immediate fiscal policy challenge is to avoid crippling a still-incomplete recovery from the Great Recession. This means minimizing fiscal drag and

avoiding unnecessary austerity measures (particularly on spending) in the short and even medium term. If the economy returns to and stays at full employment: the clearest long-term fiscal challenge is simply paying for commitments the federal government has made to financing health care. cutting non-health spending to maintain fiscal sustainability in the face of rising health care costs will not boost living standards for the vast majority. American commitments to social insurance (Social Security, Medicare, Medicaid), income support (unemployment insurance, food stamps) and public investment are extraordinarily valuable to American living standards yet quite modest by international standards. If the economy returns to and stays at full employment in the long run, then expanded federal spending commitments are likely necessary to stop the rise in income inequality that has characterized the last generation of American life. Progressive revenue increases help meet all three of these challenges: They impose less fiscal drag than any other deficit-reducing measures. They could provide financing for current spending commitments in the long term. They provide financing for new commitments and would likely slow the rise of income inequality. Recent research strongly indicates that higher top marginal tax rates could well provide a powerful check against rising income inequality, through the *bargaining channel*. The key fiscal policy challenges: locking in full employment, paying for health care, and stopping the rise in inequality The key fiscal policy challenge is too often presented as reducing the federal budget deficit, period. Defining it this way in the present economic environment, however, is simply bad economic analysis. Instead, the most pressing economic task should be viewed as finally securing a durable return to genuine full employment. This means the first fiscal challenge is precisely to *avoid* too-rapid policy moves toward smaller budget deficits. However, *if* a return to full employment is attained *and* the economy manages to stay anchored there in decades to come, then long-run trends do indicate that more revenue will be needed to honor existing federal commitments to provide social insurance, income supports, and public investments. This means that the second fiscal challenge is finding long-run revenue sources to cover existing federal spending commitments. Crucially, *all* projected increases in long-run federal spending can be accounted for by rising health care costs. As we argue later in this paper, this fact argues strongly for closing long-run projected fiscal gaps with increased revenue rather than spending cuts. Finally, besides the effects of the Great Recession, the greatest damage to low- and moderate-income Americans' living standards over the past generation has been done by the large rise in inequality. Fiscal policy is extremely well-targeted to address this. Hence, the final fiscal challenge is using taxes and transfers to ensure that future increases in overall economic growth translate more seamlessly into growth of living standards for the vast majority. Below, we will flesh out these challenges and then explain why each is well-addressed by finding new, progressive revenue sources for the federal budget.

Locking In full employment At the moment, the U.S. budget deficit is relatively low in historical terms. It is projected to be less than 3 percent of GDP for the next three years, a level consistent with a stable debt-to-GDP ratio. The Congressional Budget Office ([CBO 2016a](#)) projects it to rise to 4.9 percent of GDP by 2026, a level that would start moving the debt-to-GDP ratio upward. It is this projected upward movement of the debt-to-GDP ratio even at a time of projected full employment that has revived calls to begin policy efforts to close budget deficits, a push that had been (correctly) put on the back-burner during the Great Recession and subsequent slow recovery. However, a close look at the [CBO \(2016a\)](#) projections show that all of the projected rise in budget deficits between 2016 and 2026 are accounted for by a projected increase in interest rates. That is, there are no tax cuts, no new spending programs, and no explosion in the costs of current spending programs that drive these larger projected budget deficits. Instead, the projection is driven by an assumption that the U.S. economy will quickly converge back to full employment and this convergence will drive upward pressure on long-term interest rates. But this projected near-term return to full employment has been a recurring feature of CBO forecasts for years now, and has yet to happen (see Figure A). It is certainly true that the U.S. economy is closer to full employment today than it has been in years, but the fact that full employment remains relatively far away is demonstrated by the complete

failure of long-term interest rates to rise. Given the huge benefits to restoring the economy to full employment, all levers of macroeconomic policy—including fiscal policy—should be oriented to spurring demand growth and finally cementing the long-awaited recovery. Figure A Banking on full economic recovery arriving in next two years has been a bad strategy CBO projections of output gap between 2008 – 2013 Note: CBO's various projections for when full economic recovery will be achieved are illustrated by where the line for each projected GDP trend (identified by the month and year the projection was made) intersects the horizontal axis. Source: Authors' analysis of Congressional Budget Office data (2008; 2009; 2010; 2011; 2012; 2013a) It is hard to attribute this slowdown purely to policy, so there is always some concern that it may prove transitory. But the savings are undeniable; and the introduction of the Affordable Care Act (ACA) and its numerous cost-control measures provides further insurance that downward *policy* puts pressure on health care costs. To put it more plainly, the combination of the still-slack economy and the very rapid reduction in health care cost growth combine to give policymakers a long window of time before significant policy-driven deficit reduction is needed. Paying for health care The data in the last section indicate that our current federal spending trajectory does not require any near-term (and maybe not even any medium-term) new revenue sources. However, if the economy *does* finally get to full employment and stays there for an extended period of time, then most projections show that a “fiscal gap” will require some combination of revenue increases or spending cuts to close. It is important to note, however, that almost the *entire* fiscal gap can be explained by the *excess cost growth* of federal health spending (excess cost growth is the difference between health care cost growth and overall economic growth rates. While federal health costs have grown significantly slower than equivalent private-sector insurance costs in recent decades, both sets of health costs are projected to grow significantly faster than overall economic growth, as explained below.) In the 2016 edition of the CBO Long-Term Budget Outlook ([CBO 2016b](#)), all noninterest spending by the federal government rises by 2.7 percent of GDP over the next 30 years. But the combined cost of federal health programs rises by 3.3 percent of GDP over this time.<sup>1</sup> Since the rest of the federal budget looks to be on a sustainable path over the long run, the question of how best to close the nation’s “fiscal gap” (if the economy settles into full employment in the long run) really boils down to whether federal health spending is a good deal for American households, and whether living standards would be raised by cutting this spending to keep taxes from rising, or whether they would be raised by raising taxes to pay for health care costs. If federal spending on health programs was cut, this would obviously not lead to a healthier population that no longer needed medical care. Instead, it would simply shift the costs for health spending off of the federal budget and onto the budgets of American households. A crucial question that arises is whether this shift of costs from federal to household budgets would change the overall burden of paying for health care. The evidence is clear that this shift would lead over time to a significantly higher health care burden for most American families, as epitomized most clearly by Medicare. Medicare provides health insurance coverage to essentially all Americans over the age of 65. Importantly, while Medicare per capita costs have been forecast to grow significantly faster than overall economic growth and put upward pressure on federal spending, they have grown significantly slower than equivalent private-sector insurance costs in recent decades.<sup>2</sup> By 2012, the cumulative difference was well over 40 percent. One way to see the importance of this is to realize that if private insurance costs had followed the trajectory of Medicare costs since 1970, a family health insurance policy that today costs employees and employers roughly \$15,000 would cost just \$10,000, leaving room for employees to have substantially higher cash wages. In short, cutting Medicare from federal spending on Medicare simply offloads costs currently managed by the federal government onto households. And the federal government has demonstrated a much greater ability to control these costs. Finally, it’s important to note, if the huge reduction in the growth of health care costs that has characterized the last decade is sustained, then the increased revenue needed to honor existing federal spending commitments is largely a one-time increase in revenue levels, not an ongoing ratchet over time. In the



years before 2010, long-run deficit projections seemed to show ever-spiraling increases in federal spending that would have required ever-higher rates of taxation to meet without cuts. This upward spiral was often attributed (at least in part) to demographics, as federal retirement programs (Social Security and Medicare, lumped together) were identified as key drivers of spending growth. However, the purely demographic effect on spending is largely just a one-time shift in spending levels reflecting the baby boom generation retiring over the next 20 years. After this one-time absorption of baby boomers, there was perceived to be little upward pressure on spending stemming from demographics. This can be seen most clearly by disentangling trends in Social Security from trends in Medicare. Social Security spending is essentially driven entirely by demographics—people become eligible for it by reaching retirement age. Medicare spending trends, conversely, are driven by both demographics (people reaching the age of eligibility) *and* by the rising per capita cost of health care. The CBO's 2007 long-run budget projections exhibit entirely different trajectories. Social Security spending undertakes a level shift between 2015 and 2030 and then largely stays constant (as a share of gross domestic product). Medicare, on the other hand, sees its cost continually spiral upward. And the cause of this upward spiral is entirely the excess cost of health care. By 2016, the rapid deceleration of health care spending has led the trajectory of Medicare spending to converge to Social Security, as shown in Figure C. In short, a decade ago, relying only on new revenues to ensure long-run fiscal sustainability would have required a rapid upwards ratchet in taxation to cover health spending. This is no longer true. Figure C Long-run spending projection dominated by health cost growth assumptions, not demography

What about nonhealth federal spending? So far, we have documented that essentially all of the rise in projected federal spending over the next 30 years can be accounted for by rising health care spending, and that much evidence suggests that having the federal government manage these health care costs instead of households is likely to boost living standards. This raises a related question of whether or not current federal spending commitments besides health care are valuable enough to be preserved and financed with new revenue rather than be cut back (possibly to make way for more health spending)? There is plenty of reason to think the answer to this is yes. The social insurance, income support, and public investment functions of the federal budget are, by and large, run efficiently and provide huge value to American families. There is no compelling economic reason to think they should be substantially scaled back. *Social insurance* The American commitment to social insurance is quite thin compared with the commitment of our international peers, and a large body of research argues strongly that social insurance programs are not a drag on economic growth.<sup>3</sup> But they are supremely valuable to those who receive them. For example, in 2014 61.1 percent of “aged households” in the United States relied on Social Security for more than half of their income, and 33.4 percent relied on it for more than 90 percent of their income.<sup>4</sup> The insurance products provided by Social Security (disability insurance, survivors’ insurance, and fully inflation-adjusted annuities) are just not offered by private markets, and yet are extraordinarily valuable. The introduction and expansion of Social Security led to rapid and significant reductions in elderly poverty. This seems like an achievement to be at least sustained (if not expanded upon). Similarly, unemployment insurance (UI) in the United States is extremely stingy by advanced country standards, yet the benefits of UI are large. For one, it acts as an important macroeconomic automatic stabilizer. For another, it allows liquidity-constrained households to maintain consumption during periods of joblessness, which both supports economy-wide spending but also improves matching in the labor market, by allowing potential workers to wait a bit and search for a job that is a good fit, rather than being forced by desperation into taking the first available job. *Income support and safety net spending* The income support portion of the federal budget is similarly thin by international standards. Figure D shows the difference in poverty rates pre- and post-taxes and transfers for a range of countries. The larger this difference, the more a country’s tax and transfer system aids in reducing poverty. It is apparent that the United States makes a smaller policy effort to reduce poverty through the tax and transfer system than essentially any other advanced nation. Yet despite this poor



relative effort, the programs that do exist have been the *only* reliable economic tool lowering poverty rates in the United States over the past generation, as rising inequality has kept the benefits of economic growth from decreasing market-based poverty (poverty as measured by the incomes households bring in before government taxes and transfers such as Social Security). For example, market-based poverty actually *rose* between 1967 and 2007, but increased transfers reduced the overall poverty rate (as measured by the supplemental poverty measure, or SPM), from 19.3 to 14.3 percent (Fox et al. 2014). Further, recent research provides evidence that much of what is classified as income support in the federal budget actually generates high investment returns as well. One study finds large improvements in the health of adults who had access to food stamps when they were children (Hoynes, Schanzenbach, and Almond 2014). Another shows that childhood access to Medicaid also leads to improved adult outcomes (Brown, Kowalski, and Lurie 2015). Finally, even straight transfers of cash to poor households with children are found to improve school performance and academic achievement (Duncan, Ziol-Guest, and Kalil 2008).

*Public investment* Finally, it is worth noting that the current level of public investment provided for by the federal budget is likely already too low. Figure E shows trends in public investment and productivity growth over the past 50 years. The relationship in the chart is confirmed by dozens of academic studies: public investment boosts private productivity growth and carries quite high rates of return. Given that recent years have seen a sharp deceleration in productivity growth, it seems clear that maintaining the current level of federal commitment to public investment should be the minimum we do.<sup>5</sup> Figure E More public capital leads to faster productivity growth Average growth rate of public capital stock and productivity, 1953–2007 Stopping (or reversing) the rise in inequality Finally, besides the effects of the Great Recession, the single-most destructive trend for low- and moderate-income Americans' living standards in the past generation has been the rise in inequality. [Bivens \(2016\)](#) shows that for the bottom 90 percent, this rise in inequality has put more downward pressure on household income growth since 1979 than the slowdown in overall economic growth that occurred during this time. Figure F shows actual income growth for the middle 60 percent of American households and what this growth could have been had their incomes risen in line with overall average income (i.e., had no increase in inequality taken place). The difference between these lines can be thought of as an inequality tax that has lowered incomes for the vast majority. By the time the Great Recession hit, this inequality tax was suppressing middle-class incomes by nearly a quarter, or roughly \$18,000 per year. Figure F The U.S. middle class has faced a huge "inequality tax" in recent decades Household income of the broad middle class, actual and projected, assuming it grew at overall average rate, 1979–2013 Fiscal policy is the most direct policy lever that can be used to lean against this rising tide of inequality and redistribute income from those who have seen the biggest gains in market-based income to those who have seen market-based incomes stagnate. This fiscal policy effort should include changes on both the spending and the revenue side of the budget to push back against inequality. On the spending side, there are clearly ways that the United States could deepen and modernize its social insurance and income support programs to move us closer to international norms. As noted earlier, our attempts to fight poverty with taxes and transfers have constituted the only progress made on this front in the past generation of economic life, yet these efforts remain paltry in international comparisons. Key low-hanging fruit for making progress on these scores include modernizing the unemployment insurance system and extending the earned income tax credit to childless adults. Further, public investment in rebuilding core infrastructure has been shown in much research to provide large economic benefits. But public investment need not be restricted to just this "core" infrastructure (streets, bridges, and sewers)—much additional evidence shows that investments in education, clean energy, and early child care and development would similarly yield large social returns. Importantly, these returns are likely to be more broadly distributed than returns from private investment.<sup>6</sup> In short, expanding federal commitments to social insurance, income support, and public investment seems like a wise and decent response to the very large increase in income inequality that

has occurred over the past generation. Such an expansion would require an increase in revenues, and to maximize the extent that such a new policy package would lean against inequality, it makes sense to finance much of this with progressive revenue sources. Taxes were made less progressive over much of the last generation If there was any economic policy benefit stemming from the rise in income inequality over the past generation, it should have been rising tax revenues resulting from a progressive tax system. Unfortunately, policymakers have too often squandered this potential benefit by cutting taxes—including often large tax cuts for high-income households. Table 1 shows the static revenue attainable (in billions of 2013 dollars) from returning federal tax levels for the top 1, 5, and 10 percent simply to the rates they paid in 1979. In 2013, taxing the top 1 percent as they were taxed in 1979 would have brought in \$22.6 billion, for the top 5 percent the revenue possible would be \$37.0 billion, and for the top 10 percent it would be \$64.1 billion. This roughly \$64 billion would close about a quarter of “fiscal gap” in the last year (see CBO 2016a). Further, top tax rates certainly do not have to be capped at 1979 levels. As we will detail later, there is evidence that the revenue-maximizing top income tax rate may be as high as 83 percent. Further, besides just raising rates, a number of base-broadening measures with progressive incidence could also be enacted. The table also shows the extent to which Republican administrations have rolled back progressive taxation while Democratic administrations have raised taxes on higher-income households. In general, households in the top income groups saw their tax rates fall during the administration of Ronald Reagan, rise during the administration of Bill Clinton, fall again during the George W. Bush administration, and eventually tick back up significantly in the second term of Barack Obama, following tax changes in 2013 stemming from the so-called “fiscal cliff” deal, the American Taxpayer Relief Act of 2012 (ATRA). It should be noted, however, that income tax rates for the bottom 80 percent of households have fallen steadily over time across all administrations. To see what is behind the loss of tax progressivity, Table 2 focuses on the differences in the average effective tax rates (individual, payroll, and corporate) faced by income groups in 1979 and 2013. In particular, the highly progressive corporate income tax (since 75 percent of its incidence is assigned to owners of capital) has significantly eroded as a revenue source. The top 1 percent faced effective corporate rates of 11.1 percent in 1979, now they face an effective rate of only 7.7 percent. Likewise, increasing average payroll tax rates have less effect on the top 1 percent due to income over \$118,500 being exempt from the Social Security portion of the payroll tax (the largest portion). Table 2 Tax cuts since 1979 reduce progressivity and revenue Effective tax rates by type, 1979 vs. 2013 The loss of federal tax progressivity is magnified because federal taxes are just one component of total taxes—and they have always been by far the most progressive component of overall taxes. As Figure G shows, federal taxes constitute about two-thirds of total tax collections, while state and local taxes make up one third. This makes federal taxes crucial, because state and local taxes are overwhelmingly regressive and mitigate a significant amount of the tax progressivity of federal taxes. Just how much state and local taxes dilute the progressivity of the tax system can be seen in Figures H, adapted from Citizens for Tax Justice (CTJ 2016). This figure shows that once state and local taxes are accounted for the overall effective tax rates on the bottom 20 percent are in fact quite high—19.3 percent. Further, while the tax system is progressive overall, it flattens out considerably near the top. The fourth quintile (taxpayers in the 61st to 80th percentiles) pay effective tax rates of 30.6 percent, while the top 1 percent faces an only slightly higher effective rate of 33.7 percent. Figure H Progressivity of the overall tax system flattens near the top Total federal, state, and local effective tax rates in 2016, by income percentile The Institute on Taxation and Economic Policy (ITEP 2015) also notes that some states’ tax systems are particularly regressive. For instance, in Washington, which has no income tax, the bottom 20 percent pay an effective rate of 16.8 percent while the top 1 percent pay 2.4 percent; in Florida, which also has no income tax, the bottom 20 percent pay an effective rate of 12.9 percent while the top 1 percent pay only 1.9 percent. When one-third of the average individual’s tax bill is this starkly regressive, the final two-thirds, federal taxation, are vital to ensuring the overall progressivity of the entire tax system. *Can raising top tax rates stop even*

*pre-tax inequality from rising?* The most important and well-established channel through which higher tax rates on high-income households can combat inequality is by making more public spending possible. Whether it's preserving current federal spending commitments or creating new commitments, federal non-defense spending is extremely progressive in incidence, so anything that allows it to be expanded will be a progressive win. But the beneficial inequality-fighting effects of higher top tax rates may be even larger than this. Thomas Piketty, Emmanuel Saez, and Stefanie Stantcheva (2014) build a framework for and find evidence suggesting that high marginal income tax rates may be a crucial economic tool for shifting economic leverage and bargaining power toward low- and middle-wage workers. Essentially, if higher marginal tax rates reduce the incentive for well-placed economic actors (think CEOs) to claim as much of an enterprise's income as possible, it may leave more money on the table for raises for rank and file workers. To believe this channel is important, one has to think that bargaining power matters for wage determination, but, a host of economic evidence indicates exactly this. Piketty, Saez, and Stantcheva (2014) find that the empirical evidence is indeed consistent with these compensation bargaining effects, both within the United States over time and across a range of advanced countries. Figure I, taken from Piketty, Saez, and Stantcheva, shows visually how this zero-sum transfer seems likely at play across countries. Relative to the top 1 percent, income growth for the bottom 99 percent slowed most where top income tax rates were cut the most. Figure I In this international evidence, Piketty, Saez, and Stantcheva also look at the link between top tax rates and economic growth. They find (as many others have before them) no significant relationship between the two; higher tax rates (again) just do not kill the golden goose of economic growth. While the evidence from the macro level is suggestive, Piketty, Saez, and Stantcheva (2014) also consider micro-level evidence drawn from CEO pay. They check the extent to which CEO pay responds to top tax rates, and the extent to which such a response comes through the compensation bargaining channel instead of productive effort (i.e., the extent to which CEOs secure pay increases through their bargaining power rather than by becoming more productive top managers) . They find evidence "that CEOs are rewarded for luck and that the prevalence of pay for luck is reduced by top tax rates." They also find evidence that CEOs are more rewarded for luck than the average worker, and that workers' pay for luck is not sensitive to the fall in top tax rates—consistent with a CEO zero-sum compensation bargaining explanation and inconsistent with productivity explanations. They also find international evidence suggesting that CEO compensation is more in line with rent-seeking. This is consistent with evidence from Bivens and Mishel (2013) who also found that the pay of CEOs and financial professionals is indicative of rent seeking. That the rise of top incomes seems consistent with zero-sum redistribution rather than net income generation is critical to income tax policy. Rather than being worried about choking off growth—and modest growth at that—policymakers should be more concerned that growing top incomes are coming at the expense of the vast majority. Piketty, Saez, and Stantcheva (2014), using estimates consistent with their evidence, find that the optimal top income tax rate when taking into account compensation-bargaining and rent-seeking is 83 percent. The intuition for why such a high tax rate is optimal is exactly that though high top income tax rates could modestly slow growth, these rates are a critical tool holding back CEOs and other top earners from engaging in rent seeking bargaining at the expense of the rest of us. While a top rate of 83 percent is certainly currently politically unlikely, concerns about rampant income inequality should mean that at the very least there is little to be lost from experimenting with continuing to raise top marginal income tax rates. Meeting all three fiscal challenges with one policy tool: progressive taxation There is one policy lever that threads the needle in regard to meeting all the concerns noted above: making sure that fiscal policy does not drag on recovery, ensuring long-run fiscal sustainability, and pushing back against the rise of inequality. This lever is progressive taxation, and in particular progressive taxation that obtains a larger contribution from the very top of the income distribution. There is a wide literature now on which fiscal policies provide the most stimulus or drag.<sup>7</sup> This literature highlights that progressive tax increases provide less fiscal drag than any other deficit-

reducing policy. This means that if policymakers are determined to start deficit reduction sooner rather than later, it makes by far the most sense to begin this deficit reduction with progressive tax increases, as these will impose the least drag on continuing recovery. The rise in inequality over the past generation argues strongly that the burden of financing current federal spending commitments in the long run should be largely borne by that relatively small group of households that have disproportionately benefited from economic growth in recent decades. Further, a deeper and more modern system of social insurance and income supports are needed if policymakers want to guarantee going forward that living standards for the vast majority will keep pace (at least roughly) with overall economic growth. Because spending can be targeted at low- and middle-income households, it is often thought to be the more powerful tool in the fiscal policy kit to raise living standards. But new research shows that more progressive taxes—and particularly higher top marginal rates—can also be powerful dampers on the rise in market-based inequality. In essence, by directing more pre-tax income to the vast majority, higher top marginal rates carry the promise of reducing how much redistributive spending is needed to keep low- and middle-income households' incomes in line with overall growth. The ability of progressive tax increases (particularly if they are used to finance transfers to low- or moderate-income households) to directly lean against rising market-based inequality is obvious. However, these increases may not just lean against the rise in market-based inequality, they may help contain this market-based rise directly. A relatively new set of literature highlights the fact that incomes in the U.S. economy are not distributed in competitive markets based simply on individuals' marginal productivity. Instead, income distribution is largely a function of bargaining power. Well-placed economic actors (think corporate CEOs) balance the benefits of bargaining hard against their employees and shareholders for every last dime in compensation they receive against the costs of this strategy (public outrage over the scale of compensation and tactics used to achieve it). Higher marginal tax rates tilt this calculus away from hard bargaining and may make the "outrage constraint" more binding. In this way, higher marginal tax rates may actually compress the *pre-tax* distribution of income. Some policy guidance for raising revenue progressively

## Wealth tax can fund fighting homelessness.

**Adler 23** [Sami Adler, 6-13-2023, "What Will It Take to End Homelessness in the U.S.?", Giving Compass, <https://givingcompass.org/partners/homelessness/what-will-it-take-to-end-homelessness-in-the-u-s/>]

According to the Department of Housing and Urban Development, it would cost \$20 billion to end homelessness in the United States. That is a big number, yes, but let's put it into perspective:

# Society at Large

**The Wealth tax is key to existential crises of the era – Fights inequality, systemic racism, climate change, democratic backsliding, and more.**

**Oxfam 23** [Oxfam, 4-13-2023, "Wealth tax vital to reduce extreme inequality and tackle climate crisis", <https://www.oxfamamerica.org/press/press-releases/wealth-tax-vital-to-reduce-extremeinequality-and-tackle-climate-crisis/>]

An annual net wealth tax could inject half a trillion dollars into the economy. In advance of Tax Day, Oxfam called for a US wealth tax to reduce extreme wealth inequality, advance racial justice, tackle the climate crisis, and protect democracy. Oxfam also highlighted how fairer taxation of the ultrawealthy could have prevented the current debt-ceiling gridlock. In a new analysis released today titled "Tax Wealth, Tackle Inequality," Oxfam underlined that extreme wealth concentration is at a record high in the US. New Oxfam calculations based on Forbes data show that US billionaires are almost a third richer than they were at the onset of the pandemic in 2020, even accounting for the turbulent stock market in 2022. Since 2013, US billionaires have gotten 86 percent richer. Oxfam also calculated that for every \$100 of wealth created from 2012-2021 in the US, \$37 have gone to the richest 1 percent, with the bottom 50 percent only receiving \$2. "Tax Day is a reminder that the tax system isn't working for ordinary Americans. It's built to favor the richest in our society," said Nabil Ahmed, Oxfam America's Director of Economic Justice. "The ultrawealthy are sitting on mountains of wealth that remain largely untouched by taxes, and their wild riches are in no small part a result of intentional public policy. We need to implement strategic wealth taxes if we want to stand any chance at reining in this kind of Gilded-Era wealth inequality that allows the super-rich to have a stranglehold over our economy." Not only is wealth inequality more extreme than income inequality, but wealth is also highly stratified by race. Oxfam makes the case that wealth taxation can narrow the racial wealth gap, which has hardly moved since 1950. Today, the average Black American household holds only about 12 cents in wealth for every dollar of the average white American household. The same trend applies to stock ownership: 89 percent of shares are owned by white families, compared with just 1 percent owned by Black families. Wealth taxation also plays a vital role in responding to the climate crisis. Climate breakdown is disproportionately driven by the investments and emissions of the wealthiest people, and their choices to invest in polluting industries affect how all Americans use energy. Oxfam's analysis of 125 of the richest billionaires shows that on average their individual investments result in a million times more emissions than one average person. "Taxing the ultrawealthy is essential to tackle extreme wealth inequality and protect our democracy from the threat of oligarchy – but it is also central to advancing racial and climate justice, connections that we must pay more attention to," continued Ahmed. "It's also clear that political gridlock around the debt ceiling is a consequence of tax cuts on the richest." Oxfam calls on the Biden administration and Congress to enact a wealth tax in order to build a more equitable and prosperous economy, and underlines Senator Warren's Ultra-Millionaire Tax as an "urgent and necessary proposal." Oxfam estimates that a 3 percent tax on billionaire wealth alone, as proposed in the Warren wealth tax, would raise \$114 billion annually, while taxing all wealth above the lower threshold of \$50 million would raise this revenue substantially. Oxfam, the Institute for Policy Studies, and Patriotic Millionaires calculated that an annual net wealth tax could raise over half a trillion dollars (\$582.6 billion) each year by taxing the ultrawealthy at higher rates: 2 percent above \$5 million, 3 percent above \$50 million, and 5 percent above \$1 billion. As an illustrative example, over \$1 trillion could be raised through implementing a one-off windfall tax of 27 percent on each billionaire. The billions of dollars raised from these wealth taxes could fund countless crucial inequality-busting investments for working families across the US and abroad. For example, a 3 percent wealth tax on billionaires alone could finance the \$97 billion needed to reinstate the Child Tax Credit program, which cut child poverty by an astonishing 30 percent during the height of the pandemic. \$80 billion would go a

long way to help lower-income countries address the catastrophic impacts of the climate crisis. “Without a wealth tax, extreme inequality will stubbornly persist and working families will continue to be held back,” said Ahmed. “Polls consistently show that raising taxes on the ultrawealthy and corporations is overwhelmingly popular with the American public, and other high-income countries offer lessons for how it can be done. These taxes would allow us to make strategic investments in our country that directly address the existential crises of our time and pave the way for a more prosperous future for everyone. Tax Day is a great time to start.”

## **Wealth tax creates enough money to fund the entire student debt crisis and defense budget**

**Kaplan & Hoff 22** [Juliana Kaplan, Madison Hoff, “A wealth tax on America’s billionaires could cover the child tax credit extension — and the entire defense budget”, 01/19/2022, <https://www.businessinsider.com/wealth-tax-billionaires-could-pay-defense-budget-child-tax-credit-2022-1>]

America's wealthiest of the wealthy have seen their ranks grow in the past five years, with pandemic wealth gains coming to \$2 trillion alone for US billionaires. And those billionaires are so rich that a wealth tax on them could fund massive parts of government spending. That's according to a new report from the Institute for Policy Studies, Patriotic Millionaires, Fight Inequality Alliance, and Oxfam, analyzing data from Forbes and Wealth X — and mapping out the possible repercussions of a wealth tax. The report finds that, globally, there's 2,660 billionaires. As of November 30, 2021, those billionaires hold a combined wealth of \$13.76 trillion. The US alone accounts for 740 of those billionaires, holding \$5.1 trillion collectively, according to the report. That includes the \$2 trillion they've accumulated during the pandemic. Those gains alone would be enough to pay off the entire \$1.7 trillion student debt crisis. The report finds that the country's wealthiest billionaire — Elon Musk, who had a net worth of \$294.2 billion as of November 30, 2021 — held more wealth than the bottom 40% of the country. It's the latest finding to illustrate the hyper-concentration of wealth among America's richest, and call into question the idea of trickle-down economics, where tax cuts for the wealthiest will eventually benefit all income levels. It also comes as many taxes on the wealthiest Americans have been nixed completely from Democrats' social spending plan, as negotiations over legislation like the child tax credit remain drawn out — and families are cut off from checks in the meantime. The report proposes one measure for evening the playing field: A wealth tax. Wealth taxes have grown in popularity throughout the pandemic, with the International Monetary Fund throwing its support behind one-off taxes on the wealthy to offset pandemic recovery. Argentina ended up doing just that, taxing the top 0.8% of its earners to pump funding into things like public health and housing. The tax ended up bringing in around \$2.4 billion. In America, a wealth tax of 2% on people holding over \$5 million, 3% for those with over \$50 million, and 5% for those with over \$1 billion would bring in \$928.39 billion annually, according to the report. Those rates are similar to Senator Elizabeth Warren's Ultra-Millionaire Tax Act, which would place a 2% tax on households holding between \$50 million and \$1 billion, and 3% for those with over \$1 billion. As seen in the following chart, this figure of \$928.39 billion a year could cover some of the largest and most prominent parts of US federal spending. For instance, extending the child tax credit for one year would cost around \$185 billion, per CBO. But don't expect targeted taxes on America's wealthiest to come anytime soon. A proposal to tax billionaires' unrealized capital gains — the value that things like stocks accrue, and are only taxed on when they're sold — was promptly nixed hours after its announcement. The nonpartisan Joint Committee on Taxation found that Billionaires' Income Tax could raise \$557 billion over ten years.

## Wealth taxes promote quality public services & infrastructure, lessen inequalities, and strengthen the social contract.

**Cobham 22** [Alex Cobham, Alex Cobham Is Chief Executive Of The Tax Justice Network., 2-28-2022, "Taxing for a New Social Contract", IMF, <https://www.imf.org/en/Publications/fandd/issues/2022/03/Taxing-for-a-new-social-contract-Cobham>.]

We cannot afford to rethink fiscal policy only in the context of the pandemic. The climate and biodiversity crises are upon us too, and both are ultimately crises of social justice. Immediate responses to the pandemic showed the great power of states to act for the public good. But many states appeared indifferent to the brutal inequalities observed, both within and between countries. The dramatic shift necessary to respond to these crises calls for nothing less than the renewal of the social contract. That means putting the “four Rs of tax” at the heart of our analysis and policy, to fix our broken tax rules and rebuild the accountability of governments. Empowered by tax Effective taxation most obviously provides revenue and redistribution, ensuring states can deliver quality public services and infrastructure while curbing inequalities. But tax also allows the repricing of public goods and public “bads” (such as the wider public health costs of individual tobacco consumption). Any climate response that requires changing the price of carbon or other emissions will depend on this. But most important of all is the fourth R of tax: representation. Paying tax is the glue in the social contract. When people pay tax, they are empowered to hold their governments to account for how their money is spent. That’s why the share of tax revenues in government spending is one of the very few variables that are consistently associated with improvements in the quality and integrity of government, with the reduction of corruption. Tax not only provides states with the means for the progressive achievement of human rights, it also strengthens the motivation of states to deliver on that promise, by bolstering the effectiveness of political representation. And it is direct tax—on income and profits, say, rather than on consumption—that is most important to the relationship. Paradoxically, however, lower-income people and households are almost always the most heavily taxed, as a share of their gross income, but are also actively disempowered in the process. This result stems from the fact that the great majority of tax paid by lower-income households is in the form of indirect taxes. Consumption necessarily accounts for a greater share of income for these households, and so consumption taxes fall more heavily—indeed, regressively—on them. But these taxes do not drive the sense of tax citizenship nearly as powerfully as direct taxes on personal incomes or wealth. Since value-added and similar taxes are typically less salient, those paying them are less aware, and so their role is also weaker in strengthening political representation and supporting accountability and the social contract. And of course, the households with lower incomes disproportionately include people already struggling for representation. They are, for example, more likely to be headed by women and to include people living with disabilities, racialized and marginalized ethnolinguistic groups, and LGBTIQ people. A silver lining to the pandemic is that people have clearly seen the power of states to act to protect public health but also the deep inequalities in who has benefited. These same groups are also disproportionately likely to fall outside of formal government systems and are therefore often excluded from public services and fiscal transfers. That is, people in these groups are most likely to go uncounted. They will miss out systematically on the benefits of public spending, while at the same time contributing disproportionately through indirect taxes. Where tax systems fail to deliver on the fourth R—representation—they compound this problem and deepen political inequalities as well as economic ones, weakening the social contract of the already marginalized. National obstacles, international failures At the national level, political incentives are completely misaligned. Short-term popularity is prioritized for electoral success, which encourages lower taxes and less salient, indirect taxes that will annoy voters less. But strengthening the social contract over the medium and longer term requires more salient, direct taxes that lead people to demand accountability. A silver lining to the pandemic is that people have clearly seen the power of states to act to protect public health but also the deep inequalities in who has benefited. Public demand for truly universal public services and social security confirms the need for longer-term tax measures.



And there is no doubt who should meet new tax responsibilities—[extreme wealth inequalities](#) have flourished during the pandemic. Even with domestic political commitment, however, direct taxes are too often stymied by the weaknesses of international tax rules. These rules, and the Organisation for Economic Co-operation and Development’s (OECD’s) [latest proposals](#), still do not require the taxation of multinational companies where their economic activity takes place. They still do not prevent the anonymous ownership of assets and income streams—central to every case of individual tax abuse and, more widely, to almost every corruption case and every illicit financial flow. Since the Tax Justice Network was established in 2003, we have sought global delivery of the “ABC of tax transparency.” A is for the [automatic exchange of financial information](#), to ensure that people’s home tax authorities are aware of their overseas bank accounts. B is for [beneficial ownership transparency](#), through public registers for companies, trusts, partnerships, and other legal vehicles, so these cannot be used for hidden abuses. And C is for [country-by-country reporting](#), a simple measure to ensure accountability for multinationals if there is a divergence between where they do business and where they declare profits and pay tax. There has been substantial progress. All these ideas were originally written off as entirely unrealistic and utopian, but just 10 years later the [Group of Eight confirmed support](#) for automatic exchange arrangements and for country-by-country reporting to be introduced, and then [the Group of Twenty adopted all three](#) in principle. But delivery remains patchy even now, and the OECD mechanisms for international exchange both of financial information and of privately held country-by-country reporting systematically exclude lower-income countries from the benefits of cooperation. Global inequalities These international failures result in stark inequality in the [global distribution of taxing rights](#). Specifically, lower-income countries are denied the right to tax effectively the proceeds of economic activity and wealth accrued in their jurisdictions—and with direct human consequences. The [State of Tax Justice 2021](#), published jointly by the Global Alliance for Tax Justice, Public Services International, and the Tax Justice Network, estimates that the combined global revenue losses from cross-border tax abuse by people with undeclared offshore assets and of multinational companies amount to some \$483 billion a year—or enough to vaccinate everyone in the world three times over. The greatest losses in absolute terms are suffered by the member countries of the OECD, which presides over the tax rules—many of them former imperial powers. But by far the greatest losses as a share of their tax revenues, or of their public health budgets for example, are the lower-income countries—many of them former colonies. The losses translate directly into forgone public services and in turn forgone human development—including many thousands of [needless deaths](#). At the same time, some of the richest countries—OECD member states and their dependent territories—are responsible for the great majority of the tax losses suffered by others. To deliver on the four Rs requires us to confront the underlying inequalities. Imagine a Venn diagram with four circles. One contains countries made wealthy by imperial conquest. A second contains countries with greatest historical responsibility for the climate crisis. A third circle contains the countries that benefit most from the unfair distribution of global taxing rights. And a fourth contains countries that have hoarded COVID-19 vaccines and the intellectual property rights to produce them. We don’t need to imagine that the four circles are perfectly overlapping to understand two things. First, the countries inside most of the circles seem to make the same choices, over and over again—to prioritize their own immediate, perceived needs above all else. And second, we’re unlikely to make major progress without changing the fundamental dynamic that underpins the picture. Rethinking fiscal policy In the shadow of the pandemic, there may be political space for the first time in decades for significant tax policy changes to fight inequality. There is remarkable, perhaps unprecedented, consensus between groups ranging from [tax justice activists](#) to the [World Economic Forum](#)’s Global Future Council on the New Agenda for Fiscal and Monetary Policy on the need for measures including wealth taxes, such as that adopted by Argentina, and excess profit taxes on companies like Amazon that collected huge unearned revenue from pandemic lockdown measures. At the global level, the final report of the high-level [UN Financial Accountability, Transparency](#)



[and Integrity \(FACTI\) panel](#) recommended a range of measures. [These include](#) a UN tax convention to ensure consistent transparency and to create a globally inclusive intergovernmental body to set tax rules, long supported by the Group of 77. The FACTI panel also adopted our proposal for a [Centre for Monitoring Taxing Rights](#) to provide consistent data and analysis on the tax abuse suffered by, and facilitated by, each country. For the countries most responsible for global harm simply to allow the damage they do to be seen would represent an important step toward accountability—and toward reestablishing their own social contract with the world. Policymakers need to combine new progressive tax policies with domestic and international transparency measures. This will strengthen the four Rs of tax and—crucially—make possible a meaningful renewal of the social contract within countries at all levels of per capita income. Without such measures, we may see neither the necessary responses to the pandemic nor to the climate crisis, nor the curtailing of the unnecessary inequalities that scar our world.

## **Wealth taxes shift wealth toward high-productivity entrepreneurs and workers, raising aggregate productivity, innovation, and entrepreneurial effort.**

**Guvenen et al 24** [Fatih Guvenen, Gueorgui Kambourov, Burhan Kuruscu & Sergio Ocampo-Diaz, 06/2024, "Book-Value Wealth Taxation, Capital Income Taxation, and Innovation", NBER, <https://www.nber.org/papers/w32585>]

We now show that innovation increases with the wealth tax. The wealth tax increases the equilibrium dispersion of returns for any given  $\mu^*$  (Proposition 4). This increase in return dispersion provides incentives for higher innovation effort, as the returns to a high-productivity idea are higher and the returns to a low-productivity one are lower. The result is an increase in the equilibrium level of innovation effort and hence in the share of H-type entrepreneurs. By contrast, capital income taxes have no effect on equilibrium returns, and hence are neutral for innovation. The proof of this result builds on standard comparative static results for fixed points found in Villas-Boas (1997). Proposition 8. (Innovation Gains from Wealth Taxation) For all  $\tau_a < \tau \mu^* a$ , an increase in the wealth tax ( $\tau_a$ ) increases the equilibrium share of high-productivity entrepreneurs,  $\mu^*$ . Capital income taxes do not affect innovation. Productivity. Having established that innovation effort is increasing in the wealth tax, we can also prove that equilibrium productivity increases after taking into account the changes in  $\mu^*$ . The proof follows from the fact that the solution to equation (31) is increasing in both  $\mu^*$  and  $\tau_a$ . This ensures that productivity rises with the wealth tax. Proposition 9. (Productivity Gains from Wealth Taxation with Innovation) For all  $\tau_a < \tau \mu^* a$ , an increase in the wealth tax ( $\tau_a$ ) increases productivity,  $Z^*$ . Similar to what we found in Section 2, this result implies that the wealth share of H-type entrepreneurs increases with the wealth tax. The fact that the equilibrium level of  $\mu^*$  increases implies that the returns gap,  $\log R_h - \log R_\ell$ , increased as well. We can also show that  $dR_\ell/d\tau_a < 0$ ; however, the direction of the change in  $R_h$  cannot be signed without further restrictions on the effort cost function  $\Lambda$ .

**\*\*\*FIGURE OMITTED\*\*\***

Aggregates. Under a balanced budget (Assumption 3), the increase in productivity implies that capital, output, and wages increase in response to an increase in  $\tau_a$  (and a corresponding reduction in  $\tau_k$ ). This follows directly from Lemma 3, as the steady-state values of these variables do not depend on  $\mu^*$  directly. In this paper, we have studied book-value wealth taxation and capital income taxation in an infinite-horizon economy with heterogeneous entrepreneurial productivity. We showed an important neutrality result that distinguishes the two forms of taxation: capital income taxation has no effect on the steady state after-tax marginal product of capital and returns, whereas the wealth tax does. In particular, the wealth tax increases the dispersion of aftertax returns, thereby shifting aggregate wealth toward high-productivity entrepreneurs and therefore raising aggregate productivity. In addition, when the government balances its budget, aggregate capital, output, and wages all rise. We showed that the effects on welfare from a higher wealth tax differ across groups: workers and high-productivity entrepreneurs unambiguously benefit through higher wages and higher wealth growth, respectively, whereas low-productivity entrepreneurs typically lose. We then characterized the optimal combination

of capital income and wealth taxes that balances these gains and losses and showed that it features a positive wealth tax if the increase in productivity that the wealth tax generates has a strong-enough pass-through into higher wages and capital, something that happens when the capital intensity in the economy, captured by the capital share  $\alpha$ , is above a threshold (around 0.3 for a wide range of parameters). We also studied how the form of capital taxation affects the distribution of entrepreneurial productivity through its effects on innovation and entrepreneurial effort. Raising the wealth tax increases innovation and entrepreneurial effort and, consequently, the equilibrium number of high-productivity entrepreneurs as well as their marginal product of capital. This, in turn, increases productivity, output, wages, and welfare. As a result, the optimal wealth tax is higher in the presence of endogenous innovation and entrepreneurial effort. At the core of these results are the powerful incentives provided by increasing return dispersion. One feature we left out from our analysis is fluctuations in productivity during the life time of entrepreneurs. This could be of interest because such fluctuations would increase misallocation as some of the capital stock will be owned by previously productive entrepreneurs who have lost their productivity. To understand these and other ramifications, we study an infinite-horizon version of our model (without death) with productivity that evolves as a first-order Markov process. In Appendix E, we present this model and show that our main results (e.g., efficiency gains from wealth taxation; the increases in capital, output, and wages with the wealth tax; and the trade-offs that determine optimal taxation) continue to hold as long as entrepreneurial productivity is positively autocorrelated. Before concluding, we want to discuss an alternative way to understand the importance of book-value wealth taxation and how it differs from levying the wealth tax on the market value. First, taxes on the book value of wealth operate very differently from taxes on the market value because they do not tax current or future returns. We can see this in the context of our baseline model where the market value of wealth of an entrepreneur with productivity  $z$  and  $a$  units of assets is given by the book value of their assets and the discounted value of their future returns (which depend on their productivity), with the market interest rate used for discounting:<sup>32</sup>

$$V(z, a) = a + \sum_{t=0}^{\infty} \frac{1}{1+r} \delta^t \Pi(z, a_t) = a + \sum_{t=0}^{\infty} \frac{1}{1+r} \delta^t [z + \pi(z)a + \beta \delta R(z)]$$

where  $\Pi(z, a_t)$  is the entrepreneur's profit in period  $t$ . Therefore, a tax on market value wealth is a tax on the book value of assets, plus a tax on current returns (profits), and a tax on future (unrealized) returns. So, conceptually, a tax on the market value of wealth mixes the properties of book-value wealth taxes we have studied with those of a tax on (excess) returns, like the capital income tax.<sup>33</sup> Second, the taxation of book value wealth helps to address many of the practical implementation issues raised by wealth taxes. While valuing the market value of infrequently-traded and closely-held assets is intrinsically hard, most tax agencies already have access to measures of the book value of private firms and other forms of wealth from standard accounting practices. This makes book-value wealth taxation a viable and theoretically grounded alternative to proposals of wealth taxation based on market values and to the more commonly used capital income tax based on realized returns.

## Wealth taxes even the playing field between big conglomerates and small businesses, allowing innovation to proliferate.

**Saez and Zucman 19** [Emmanuel Saez and Gabriel Zucman, 09/05/2019, "Progressive wealth taxation", Brookings, <https://www.brookings.edu/articles/progressive-wealth-taxation/>]

Both papers also find that concentrated activity due to agglomeration effects dampens the effects of taxes on location choices. This suggests that a wealth tax in a large country with worldwide taxation <sup>77</sup>. See Rosen (2005) for a survey. EMMANUEL SAEZ and GABRIEL ZUCMAN <sup>491</sup> based on citizenship like the United States is likely to have much smaller effects than a wealth tax in a small jurisdiction with residency-based taxation (such as a state or a small European country). It is harder to evaluate whether high taxes on success (such as a wealth tax) would discourage young innovators to start with. The

literature has found conflicting results on the effect of progressive income taxes on risk taking; for example, Gentry and Hubbard (2005) find negative effects while Cullen and Gordon (2007) find the reverse.<sup>78</sup> Therefore, more empirical and well-identified research is needed to resolve this key question. To foster innovation, it is key to encourage young—and not yet wealthy— people to become entrepreneurs. Bell and others (2019a) have shown that exposure to innovation during childhood has significant causal effects on children’s propensities to become innovators themselves later in life. Building on these results, Bell and others (2019b) present a stylized model of inventor career choice. The model predicts that financial incentives, such as top income tax reductions, have limited potential to increase aggregate innovation in a standard intertemporal expected utility model. In contrast, increasing exposure to innovation (for example, through mentorship programs) could have substantial impacts on innovation by drawing individuals who produce high-impact inventions into the innovation pipeline. Established businesses typically devote a lot of their resources to protect their dominant positions by fighting new competition. A progressive wealth tax hits wealthy owners who have already established their businesses, while it does not immediately affect emerging businesses. Other policies, like antitrust, should also play a major role in leveling the playing field. Large businesses with diluted ownership can also be anticompetitive (even if the rents accrue to a large number of middle-class owners rather than a few superwealthy owners). Antitrust was typically thought of as a market efficiency policy blind to distributional considerations. In practice, monopoly rents are concentrated at the top of the wealth distribution, and therefore the bad distributional consequences of monopoly power are likely more important than the efficiency consequences. The antitrust movement of the early twentieth century was famously fueled by anger at the robber barons.

## **Taxes have little impact on inventors’ financial incentives to innovate.**

**Bell et al 19** [Alexander M. Bell, Raj Chetty, Xavier Jaravel, Neviana Petkova & John Van Reenen, 01/2019, "Do Tax Cuts Produce More Einsteins? The Impacts of Financial Incentives vs. Exposure to Innovation on the Supply of Inventors", NBER, <https://www.nber.org/papers/w25493>]

In this setting, as the skewness of stochastic shocks rises, both the elasticities of the number of inventors and quality-weighted innovation with respect to tax rates converge to zero if agents are risk averse ( $\theta > 0$ ). The logic underlying this result is easiest to understand in the context of a limiting example with two states of the world: a bad state in which innovation has zero return and a good state in which innovation has a large payoff, say \$10 million. In the bad state, taxes have no impact on utility. In the good state, a slightly smaller payout (e.g., \$9 million instead of \$10 million) does not reduce an agent’s incentive to become an inventor by very much because the marginal utility of consumption is already low this far out in the income distribution. Intuitively, when returns are very skewed, taxes only affect inventors’ payoffs when they are very deep in the money and are not sensitive to financial incentives, resulting in small behavioral responses. Put differently, when innovation has very risky payoffs, inventors must enter innovation partly because of its non-monetary benefits, making their behavior less sensitive to financial incentives.

## **Innovation impact is irrelevant; most innovation comes from young individuals not affected by the tax**

**Alba 19** [Francisca Alba, "Estimating the economic impact of a wealth tax", 09/25/2019, Brookings Institute, <https://www.brookings.edu/articles/estimating-the-economic-impact-of-a-wealth-tax/>] purisai

The final argument against a wealth tax are the potential negative economic impacts, such as a reduction in the capital stock or a decrease in innovation. Saez and Zucman show that a wealth tax with a \$50 million threshold would apply to only about 10 percent of the total household wealth stock. They argue that increased savings from the rest of the population (as the result of decreased inequality) and the government could potentially offset any reduction in the capital stock. In terms of the effects on innovation, Saez and Zucman reason that most innovation is produced by young, not wealthy individuals (the wealthy tend to be much older than average), who would not be impacted by a high-exemption

wealth tax. Moreover, Saez and Zucman argue that established businesses spend resources protecting their dominant market positions which reduces innovation. As a result, a wealth tax that only collects taxes from established business owners could increase competition and thus innovation.

# Carbon-Based Wealth Tax

[PLAN] The United States ought to adopt a carbon-based wealth tax

**A carbon-based wealth tax is best to halt emissions, and its better than traditional carbon pricing**

**Neves and Semmler 22** [Jose Pedro Baston Neves and Will Semmler are both professors at the New School Department of Economics, specializing in macroeconomics and the economics of climate change] Bastos Neves, Jose Pedro and Semmler, Willi, A Proposal for a Carbon Wealth Tax: Modelling, Empirics, and Policy (May 19, 2022). Available at

SSRN: <https://ssrn.com/abstract=4114243> or <http://dx.doi.org/10.2139/ssrn.4114243> To fill this gap, **we propose a Carbon Wealth Tax (CWT) to complement current carbon pricing efforts and accelerate the green transition.** Our work discusses how a tax scheme such as CWT could be implemented by governments, addressing its tax base, incidence, and efficiency. Moreover, to investigate the effects of the proposed taxation on consumption and asset allocation patterns, we set up a dynamic portfolio model incorporating alternative tax regimes in asset returns, thus impacting the investor's decisions. We use it to compare the wealth, consumption, and allocation trajectories under alternative tax scheme specifications. We expect that the **CWT will decelerate the accumulation of carbon-intensive assets in favor of green ones, contributing thus to the green transition.** Moreover, we also investigate the case where the **revenues raised with the proposed tax can be further recycled into subsidies to green capital.** Empirically, we calibrate our model with low-frequency returns estimated from SP 500 companies' stock prices. Moreover, the differentiation of green from carbon-intensive companies is a crucial element of our empirical strategy. In this paper, we rely on ESG firm-level data on carbon emissions, and we justify our choice by comparing it to the alternatives in the literature, particularly the carbon disclosure efforts from Central Banks and the private sector. Overall, our **results show the feasibility and relevancy of the CWT as a climate policy instrument.** The fundamental rationale for a CWT is derived from the public finance literature. The **proportionality principle in taxation**, revived by the work of Richard Musgrave (Musgrave, 1973), maintains that those who enjoy a higher proportion of public goods need to pay higher taxes. Viewed in reverse, this means that **those who create a higher proportion of "public bads"** (Beckerman & Markandya, 1974)— meaning negative externalities— **need to pay a higher tax.** **Brown capital stock locks the economy in an unsustainable path from which no individual can exclude themselves.** In other words, it implies non-excludability, and, in that sense, it can be thought of as a public bad. **The CWT can accelerate the green transition because it directly tackles the polluting asset, whereas the classic carbon tax targets the flow of emissions associated with the consumption or production of carbon-intensive goods, hence basically an excise tax.** In this respect, recent work has shed light on the relevancy of brown capital (carbon-intensive industries and firms, power plants, transportation infrastructure, etc.) to carbon emission dynamics. First, the emerging economies that are still building up their capital stock are likely to contribute to higher emissions quite soon (Semieniuk, Taylor, Rezai, & Foley, 2021). Secondly, those industries with a long life cycle lock the economy into a carbon-intensive path: **investments in brown capital today imply emissions for a long time in the future** (Luderer et al., 2018; Pfeiffer, Millar, Hepburn, & Beinhocker, 2016). Some authors, thus, refer to the Committed Cumulative Emission (CCE), a type of carbon budget associated with energy and transport investment projects (Pfeiffer et al., 2016). In some calculations, these **locked-in emissions already fill up most of the carbon budget** (Davis & Caldeira, 2010). In this context, **policies incentivizing disinvestment and rapid depreciation in installed capacity in dirty sectors are pivotal for the green transition.** Furthermore, by explicitly tackling production factors so far missing from climate

policymaking, namely, carbon-based wealth and capital return, the CWT echoes a growing public (and academic) concern with low levels of corporate taxation. The recent debate on wealth taxation (Guvenen, Kambourov, Kuruscu, Ocampo-Diaz, & Chen, 2019; Saez & Zucman, 2019) suggests that such a tax can have meaningful consequences on the dynamics of capital. In economic theory, more recent studies have shown that finite-lived agents (Golosov, Tsyvinski, Werning, Diamond, & Judd, 2006), heterogeneity in asset's returns (Guvenen et al., 2019), and the introduction of a wealth motive in the utility function (Saez & Stantcheva, 2018) undermine the classic capital taxation results from the 1970s and 1980s (Atkinson & Stiglitz, 1976; Chamley, 1986; Judd, 1985). Empirically, Piketty (2013) demonstrated that wealth is highly concentrated, much more than income, and follow-up works have associated the recent trend in inequality with the decrease in corporate taxation.

## **The CWT is different than a carbon tax or tax-credits which aren't enough and unfairly target the poor**

**Cochrane ND** [DT Cochrane is an economist and policy researcher with Canadians for Tax Fairness] Cochrane, DT. "A Wealth Tax Is a Progressive Carbon Tax - Broadbent Institute." BROADBENT Institute, [www.broadbentinstitute.ca/a\\_wealth\\_tax\\_is\\_a\\_progressive\\_carbon\\_tax](http://www.broadbentinstitute.ca/a_wealth_tax_is_a_progressive_carbon_tax). Accessed 11 Oct. 2024.

The latest [Speech from the Throne](#) states plainly that "we cannot afford to wait" for action on the climate crisis. The same urgency can be found in the [most recent report](#) from the International Panel on Climate Change (IPCC) which makes abundantly clear the need for drastic action. The language used by the report—widespread, rapid, undisputed—is stunning when we remember that it is the product of both international and interdisciplinary consensus. Scientists from sixty-six countries including China, India, Chile, and Canada all agree: humanity needs massive collective action. While the federal government is talking about the need for urgent and dramatic action, their spending and revenue plans have failed to match the rhetoric. Massive spending will require massive revenues far beyond carbon taxes. Among the most

important, and underused, tools in the toolbox is a wealth tax. Carbon taxes aren't enough While the carbon tax is important, it is not sufficient. As currently designed, the carbon tax lets too many large emitters off the hook. As a consumption tax, the carbon tax is also regressive, meaning it hits lower income people harder than those with higher incomes. Even if better designed, the carbon tax would still be too little. By putting a price on carbon, the carbon tax offers a market-based mechanism, which makes much of the political opposition to the tax very confounding. However, the social transformation needed to sufficiently cut emissions cannot be achieved via

markets. Tax credits aren't enough Among the few measures in the 2021 federal budget intended to address the climate crisis was a tax credit for development of carbon capture technologies. Like carbon taxes, business tax credits are justified by a market-based logic. By reducing expected tax costs, credits are supposed to entice innovation and investment. However, much of what must be done to confront the climate crisis offers little hope of revenue, let alone profit. High levels of uncertainty means that even generous tax credits will do little to entice sufficient private sector investment. Additionally, by putting our hope on private sector innovation, we implicitly rely on intellectual property rights that would restrict access to new technologies. Any technological innovation that can efficiently reduce levels of atmospheric carbon needs to be widely deployed, not restricted for greater profit. In order to counter business

uncertainty, and to ensure that innovations are in the public domain, we need government investment. A wealth tax is overdue For decades, a carbon subsidy kept high-emission products overly cheap. The higher a consumers' income, the more benefit they derived. However, consumers were not the only beneficiaries. The carbon subsidy lowered the cost of production, which made possible high profit margins, and/or increased sales volumes. The beneficiaries of these distortions were corporations and their owners. Unfortunately, Canada lacks

long-term data on wealth distribution. However, data for the United States shows worsening wealth inequality since the early 1980s. In 2020, the Parliamentary Budget Office estimated that Canada's wealthiest 1% own 26% of the country's net wealth. A portion of that outsized wealth was subsidized by cheap fossil fuels. We can think of a wealth tax as a progressive way of pricing past emissions. If the government spends what needs to be spent transforming our economy, the money will provide incomes to workers and revenues to businesses. Portions will be syphoned off to the wealthy in the form of interest and dividends. A wealth tax will provide revenue to the government and help to prevent the wealthy from

becoming needlessly wealthier as an outcome of the climate struggle. The [latest estimates](#) show that a modest wealth tax of 1% on fortunes over \$20 million, 2% over \$50 million, and 3% over \$100 million would generate about \$20 billion in revenue. Reconciliation and wealth In the Throne Speech, the government identified our resource wealth as a means to act. It said, "this is the moment for bolder climate action". It also made commitments to protect nature by partnering with First Nations, Inuit, and Métis peoples. But the government failed to acknowledge that much of the resources of Canada are on Indigenous lands. The history of resource extraction in Canada is one of violating Indigenous jurisdiction and despoiling their lands. While Indigenous communities endured the costs, the wealthy reaped the benefits. Resource extraction companies have paid out hundreds of billions in interest and dividends, which overwhelmingly go to the wealthiest Canadians. A few have prospered at the cost of many suffering. Canada owes an enormous debt to the Indigenous nations that share these lands. A wealth tax offers a way to address that debt in a just manner. There is hope in solidarity Although the latest IPCC report is harrowing, it also offers hope. The report's authors tell us that we can limit the climate crisis with immediate and aggressive action to reduce carbon emissions. The Throne Speech asserted that we can grow the economy and protect the environment. Indeed, Canada is in a prime position to help lead a global effort at a just transition. We

certainly have the expertise in energy, transportation, construction, manufacturing, agriculture, and other industries that will need rapid, substantial transformation. Indigenous nations have long experience and deep knowledge of ecological stewardship. In partnership with these nations, we can mobilize resources in a just, sustainable manner. But we have to stop pretending that a few meagre, market-based initiatives will get us where we need to go. Justice and fiscal responsibility both demand a wealth tax as part of the federal government's fight against climate change and its harms.

## **The top 1%'s carbon emissions alone will push us past the climate brink Footprints of poorest half the population set to remain well below this limit**

**OXFAM 21** [[Oxfam is a global organization that fights inequality to end poverty and injustice. The 3 editors of this article specialize in climate/environmental issues]OXFAM. *Carbon Emissions of Richest 1% Set to Be 30 Times the 1.5°C Limit in 2030*, 5 Nov. 2021, [www.oxfam.org.uk/media/press-releases/carbon-emissions-of-richest-1-set-to-be-30-times-the-15c-limit-in-2030/?pscid=ps\\_ggl\\_gr\\_Google%2BGrants%2B-%2BPress%2BReleases%2B%28DSA%29\\_Press%2BReleases%2B%28DSA%29&gad\\_source=1&gclid=CJ0KCQjwgrO4BhC2ARisAKQ7zU17jch9FwJenpVYd0RAouEnnNtCCKEsH1czo\\_gN87ANhxScGKHBOBoaAhK1EALw\\_wcB&gclsrc=aw.ds.](http://www.oxfam.org.uk/media/press-releases/carbon-emissions-of-richest-1-set-to-be-30-times-the-15c-limit-in-2030/?pscid=ps_ggl_gr_Google%2BGrants%2B-%2BPress%2BReleases%2B%28DSA%29_Press%2BReleases%2B%28DSA%29&gad_source=1&gclid=CJ0KCQjwgrO4BhC2ARisAKQ7zU17jch9FwJenpVYd0RAouEnnNtCCKEsH1czo_gN87ANhxScGKHBOBoaAhK1EALw_wcB&gclsrc=aw.ds.)]

The carbon footprints of the world's richest 1% are set to be 30 times greater than the level compatible with the 1.5°C goal of the Paris Agreement in 2030, according to a new report published today. It comes as delegates grapple with how to keep this goal alive at the COP26 meeting in Glasgow. In 2015, governments agreed to the goal of limiting global heating to 1.5°C above pre-industrial levels, but current pledges to reduce emissions fall far short of what is needed. To stay within this guardrail, every person on Earth would need to emit an average of just 2.3 tonnes of CO2 per year by 2030 – this is roughly half the average footprint of every person today. Today's report, commissioned by Oxfam based on research carried out by the Institute for European Environmental Policy (IEEP) and the Stockholm Environment Institute (SEI), estimates how governments' pledges will affect the carbon footprints of richer and poorer people around the world. It treats the global population and income groups as if they were a single country. It finds that by 2030: The poorest half of the global population will still emit far below the 1.5°C-aligned level in 2030. The richest 1% and 10% of people are set to exceed this level by 30 times and nine times respectively. Someone in the richest 1% would need to reduce their emissions by around 97 per cent compared with today to reach this level. But in a sign that the 2015 Paris Agreement is having some impact, the middle 40 per cent are on course for per capita emissions cuts of nine per cent from 2015 to 2030. This is a turnaround for a group, which is mostly made up of citizens in middle-income countries like China and South Africa that saw the fastest per capita emissions growth rates from 1990 to 2015. Looking at total global emissions, instead of per capita emissions, the richest 1% – fewer people than the population of Germany – are expected to account for 16 per cent of total global emissions by 2030, up from 13 per cent in 1990 and 15 per cent in 2015. The total emissions of the richest 10% alone are set to exceed the 1.5°C-aligned level in 2030, regardless of what the other 90 per cent do. Nafkote Dabi, Climate Policy Lead at Oxfam, said: “The emissions from a single billionaire space flight would exceed the lifetime emissions of someone in the poorest billion people on Earth. A tiny elite appear to have a free pass to pollute. Their over-sized emissions are fueling extreme weather around the world and jeopardizing the international goal of limiting global heating. The emissions of the wealthiest 10% alone could send us beyond the agreed limit in the next nine years. This would have catastrophic results for some of the most vulnerable people on Earth who are already facing deadly storms, hunger and destitution.” The geography of global carbon inequality is set to change too, with a larger share of the emissions of the world's richest 1% and 10% linked to citizens in middle income countries. By 2030, Chinese citizens will be responsible for almost a quarter (23 per cent) of the emissions of the richest 1%, US citizens for a fifth (19 per cent) and Indian citizens for a tenth (11 per cent). Tim Gore, author of the report and Head of the Low Carbon and Circular Economy programme at IEEP, said: “The global emissions gap to keep the 1.5°C Paris goal alive is not the result of the consumption of most of the world's people: it reflects instead the excessive emissions of just the richest citizens on the planet. To close the emissions gap by 2030, it is necessary for governments to target measures at their richest, highest emitters – the climate and inequality crises should be tackled together. That includes both measures to constrain luxury carbon consumption like mega yachts,



private jets and space travel, and to curb climate-intensive investments like stock-holdings in fossil fuel industries.” Emily Ghosh, Scientist at Stockholm Environment Institute says: “Our research highlights the challenge of ensuring a more equitable distribution of the remaining and rapidly diminishing global carbon budget. If we continue on the same trajectory as today the stark inequalities in income and emissions across the global population will remain, challenging the equity principle at the very heart of the Paris Agreement. Analysis of carbon inequality must urgently be put at the center of governments efforts to reduce emissions.” Oxfam said world leaders should focus on targeting deeper emissions cuts by 2030, in line with their fair share, and ensure that the richest people worldwide and within countries make the most radical cuts. **The richest citizens have the potential to speed up this process dramatically**, both by leading greener lifestyles but also by directing their political influence and investments towards a low-carbon economy.

## **Reducing emissions any amount solves mass suffering – every degree counts**

**Wells 19** (David Wallace-Wells is a National Fellow with the New America Foundation and is a deputy editor of New York Magazine, 2-4-2019, “The Cautious Case for Climate Optimism Believing in a comfortable future for our planet probably means some giant carbon-sucking machines,” New York Magazine, <http://nymag.com/intelligencer/2019/02/book-excerpt-the-uninhabitable-earth-david-wallace-wells.html>)

**It’s not too late. In fact, it never will be.** Whatever you may have read over the past year — as extreme weather brought a global heat wave and unprecedented wildfires burned through 1.6 million California acres and newspaper headlines declared, “Climate Change Is Here” — global warming is not binary. It is not a matter of “yes” or “no,” not a question of “fucked” or “not.” Instead, it is a problem that gets worse over time the longer we produce greenhouse gas, and can be made better if we choose to stop. Which means that no matter how hot it gets, no matter how fully climate change transforms the planet and the way we live on it, it will always be the case that the next decade could contain more warming, and more suffering, or less warming and less suffering. Just how much is up to us, and always will be. A century and a half after the greenhouse effect was first identified, and a few decades since climate denial and misinformation began muddying our sense of what scientists do know, we are left with a set of predictions that can appear falsifiable — about global temperatures and sea-level rise and even hurricane frequency and wildfire volume. And there are, it is true, feedback loops in the climate system that we do not yet perfectly understand and dynamic processes that remain mysterious. But to the extent that we live today under clouds of uncertainty about the future of climate change, those clouds are, overwhelmingly, not projections of collective ignorance about the natural world but of blindness about the human one, and they can be dispersed by human action. The question of how bad things will get is not, actually, a test of the science; it is a bet on human activity. How much will we do to forestall disaster and how quickly? These are the disconcerting, contradictory lessons of global warming, which counsels both human humility and human grandiosity, each drawn from the same perception of peril. There’s a name for those who hold the fate of the world in their hands, as we do — gods. But for the moment, at least, many of us seem inclined to run from that responsibility rather than embrace it. Or even admit we see it, though it sits in front of us as plainly as a steering wheel. That climate change is all-enveloping means that it targets us all and that we must all share in the responsibility so we do not all share in the suffering — at least not share in so suffocatingly much of it. Since I first began writing about climate a few years ago, I’ve been asked often whether I see any reason for optimism. The thing is, I am optimistic. But optimism is always a matter of perspective, and mine is this: No one wants to believe disaster is coming, but those who look, do. At about two degrees Celsius of warming, just one degree north of where we are today, some of the planet’s ice sheets are expected to begin their collapse, eventually bringing, over centuries, perhaps as much as 50 feet of sea-level rise. In the meantime, major cities in the equatorial band of the planet will become unlivable. There will be, it has been estimated, 32 times as many extreme heat waves in India, and even in the northern latitudes, heat waves will kill thousands each summer. Given only conventional methods of decarbonization (replacing



dirty-energy sources like coal and oil with clean ones like wind and solar), this is probably our best-case scenario. It is also what is called — so often nowadays the phrase numbs the lips — “catastrophic warming.” A representative from the Marshall Islands spoke for many of the world’s island nations when he used another word to describe the meaning of two degrees: genocide. You do not need to contemplate worst-case scenarios to be alarmed; this best-case scenario is alarming enough. Two degrees would be terrible, but it’s better than three, at which point Southern Europe would be in permanent drought, African droughts would last five years on average, and the areas burned annually by wildfires in the United States could quadruple, or worse, from last year’s million-plus acres. And three degrees is much better than four, at which point six natural disasters could strike a single community simultaneously; the number of climate refugees, already in the millions, could grow tenfold, or 20-fold, or more; and, globally, damages from warming could reach \$600 trillion — about double all the wealth that exists in the world today. We are on track for more warming still — just above four degrees by 2100, the U.N. estimates. So, if optimism is always a matter of perspective, the possibility of four degrees shapes mine.

## **Yes extinction and it’s an impact magnifier, try or die**

**Spratt and Dunlop 19**, David Spratt [Research Director for Breakthrough National Centre for Climate Restoration, Melbourne, and co-author of Climate Code Red: The case for emergency action] & Ian Dunlop [member of the Club of Rome. Formerly an international oil, gas and coal industry executive, chairman of the Australian Coal Association, chief executive of the Australian Institute of Company Directors, and chair of the Australian Greenhouse Office Experts Group on Emissions Trading 1998-2000], “Existential climate-related security risk: A scenario approach,” Breakthrough - National Centre for Climate Restoration, May 2019, pg. 8-10, Brackets in original text

2020–2030: Policy-makers fail to act on evidence that the current Paris Agreement path — in which global human-caused greenhouse emissions do not peak until 2030 — will lock in at least 3°C of warming. The case for a global, climate-emergency mobilisation of labour and resources to build a zero-emission economy and carbon drawdown in order to have a realistic chance of keeping warming well below 2°C is politely ignored. As projected by Xu and Ramanathan, by 2030 carbon dioxide levels have reached 437 parts per million — which is unprecedented in the last 20 million years — and warming reaches 1.6°C.<sup>18</sup> 2030–2050: Emissions peak in 2030, and start to fall consistent with an 80 percent reduction in fossil-fuel energy intensity by 2100 compared to 2010 energy intensity. This leads to warming of 2.4°C by 2050, consistent with the Xu and Ramanathan “baseline-fast” scenario.<sup>19</sup> However, another 0.6°C of warming occurs — taking the total to 3°C by 2050 — due to the activation of a number of carbon-cycle feedbacks and higher levels of ice albedo and cloud feedbacks than current models assume. [It should be noted that this is far from an extreme scenario: the low-probability, high-impact warming (five percent probability) can exceed 3.5–4°C by 2050 in the Xu and Ramanathan scheme.] 2050: By 2050, there is broad scientific acceptance that system tipping-points for the West Antarctic Ice Sheet and a sea-ice-free Arctic summer were passed well before 1.5°C of warming, for the Greenland Ice Sheet well before 2°C, and for widespread permafrost loss and large-scale Amazon drought and dieback by 2.5°C. The “hothouse Earth” scenario has been realised, and Earth is headed for another degree or more of warming, especially since human greenhouse emissions are still significant.<sup>20</sup> While sea levels have risen 0.5 metres by 2050, the increase may be 2–3 metres by 2100, and it is understood from historical analogues that seas may eventually rise by more than 25 metres. Thirty-five percent of the global land area, and 55 percent of the global population, are subject to more than 20 days a year of lethal heat conditions, beyond the threshold of human survivability. The destabilisation of the Jet Stream has very significantly affected the intensity and geographical distribution of the Asian and West African monsoons and, together with the further slowing of the Gulf Stream, is impinging on life support systems in Europe. North America suffers from devastating weather extremes including wildfires, heatwaves, drought and inundation. The summer monsoons in China have failed, and water flows into the great rivers of Asia are severely reduced by the loss of more than one-third of the Himalayan ice sheet. Glacial loss reaches 70 percent in the Andes, and rainfall in Mexico and central America falls by

half. Semi-permanent El Nino conditions prevail. Aridification emerges over more than 30 percent of the world's land surface. Desertification is severe in southern Africa, the southern Mediterranean, west Asia, the Middle East, inland Australia and across the south-western United States. Impacts: A number of **ecosystems collapse**, including coral reef systems, the Amazon rainforest and in the Arctic. Some **poorer nations and regions**, which lack capacity to provide artificially-cooled environments for their populations, **become unviable**. Deadly heat conditions persist for more than 100 days per year in West Africa, tropical South America, the Middle East and South-East Asia, **contributing to more than a billion people being displaced from the tropical zone**. **Water availability decreases sharply** in the most affected regions at lower latitudes (dry tropics and subtropics), **affecting about two billion people worldwide**. Agriculture becomes nonviable in the dry subtropics. **Most regions in the world see a significant drop in food production and increasing numbers of extreme weather events, including heat waves, floods and storms**. Food production is inadequate to feed the global population and **food prices skyrocket**, as a consequence of a one-fifth decline in crop yields, a decline in the nutrition content of food crops, a catastrophic decline in insect populations, desertification, monsoon failure and chronic water shortages, and conditions too hot for human habitation in significant food-growing regions. The lower reaches of the agriculturally-important river deltas such as the Mekong, Ganges and Nile are inundated, and significant sectors of some of the world's most populous cities — including Chennai, Mumbai, Jakarta, Guangzhou, Tianjin, Hong Kong, Ho Chi Minh City, Shanghai, Lagos, Bangkok and Manila — are abandoned. Some small islands become uninhabitable. Ten percent of Bangladesh is inundated, displacing 15 million people. Even for 2°C of warming, more than a billion people may need to be relocated and In high-end scenarios, **the scale of destruction is beyond our capacity to model, with a high likelihood of human civilisation coming to an end**.<sup>21</sup> National security consequences: For pragmatic reasons associated with providing only a sketch of this scenario, we take the conclusion of the Age of Consequences 'Severe' 3°C scenario developed by a group of senior US national-security figures in 2007 as appropriate for our scenario too: Massive **nonlinear events in the global environment give rise to massive nonlinear societal events**. In this scenario, nations around the world will be overwhelmed by the scale of change and pernicious challenges, such as pandemic disease. The **internal cohesion of nations will be under great stress, including in the United States**, both as a result of a dramatic rise in migration and changes in agricultural patterns and water availability. The **flooding of coastal communities around the world, especially in the Netherlands, the United States, South Asia, and China, has the potential to challenge regional and even national identities**. **Armed conflict between nations over resources, such as the Nile and its tributaries, is likely and nuclear war is possible**. The social consequences range from increased religious fervor to outright chaos. In this scenario, climate change provokes a permanent shift in the relationship of humankind to nature'.<sup>22</sup> (emphasis added)

DISCUSSION This scenario provides a glimpse into a world of "outright chaos" on a path to the end of human civilisation and modern society as we have known it, in which the challenges to global security are simply overwhelming and political panic becomes the norm. Yet the world is currently completely unprepared to envisage, and even less deal with, the consequences of catastrophic climate change.<sup>23</sup> What can be done to avoid such a probable but catastrophic future? It is clear from our preliminary scenario that dramatic action is required this decade if the "hothouse Earth" scenario is to be avoided. To reduce this risk and protect human civilisation, a **massive global mobilisation of resources is needed in the coming decade to build a zero-emissions industrial system** and set in train the restoration of a safe climate. This would be akin in scale to the World War II emergency mobilisation. There is an increasing awareness that such a response is now necessary. Prof. Kevin Anderson makes the case for a Marshall Plan-style construction of zero-carbon-dioxide energy supply and major electrification to build a zero-carbon industrial strategy by "a shift in productive capacity of society akin to that in World War II".<sup>24</sup> Others have warned that **"only a drastic, economy-wide makeover within the next decade, consistent with limiting warming to 1.5°C", would avoid the transition of the Earth System to the Pliocene-like**

conditions that prevailed 3-3.3 million years ago, when temperatures were  $\sim 3^{\circ}\text{C}$  and sea levels 25 metres higher.<sup>25</sup> It should be noted here that the  $1.5^{\circ}$  goal is not safe for a number of Earth System elements, including Arctic sea-ice, West Antarctica and coral reefs.

## **Err on the side of caution – models underestimate warming, and significant climatic changes make fast runaway warming likely – tipping point could sneak up on us**

**Wuebbles et al. 17**, D.J., D.W. Fahey, K.A. Hibbard, B. DeAngelo, S. Doherty, K. Hayhoe, R. Horton, J.P. Kossin, P.C. Taylor, A.M. Waple, and C.P. Weaver, 2017: Executive summary. In: *Climate Science Special Report: Fourth National Climate Assessment, Volume I* [Wuebbles, D.J., D.W. Fahey, K.A. Hibbard, D.J. Dokken, B.C. Stewart, and T.K. Maycock (eds.)]. U.S. Global Change Research Program, Washington, DC, USA, pp. 12-34, doi: 10.7930/JODJ5CTG. Pg. 32-33,

**There is a Significant Possibility for Unanticipated Changes** Humanity's effect on the Earth system, through the large-scale combustion of fossil fuels and widespread deforestation and the resulting release of carbon dioxide ( $\text{CO}_2$ ) into the atmosphere, as well as through emissions of other greenhouse gases and radiatively active substances from human activities, is unprecedented. There is significant potential for humanity's effect on the planet to result in unanticipated surprises and a broad consensus that the further and faster the Earth system is pushed towards warming, the greater the risk of such surprises. There are at least two types of potential surprises: compound events, where multiple extreme climate events occur simultaneously or sequentially (creating greater overall impact), and critical threshold or tipping point events, where some threshold is crossed in the climate system (that leads to large impacts). The probability of such surprises—some of which may be abrupt and/or irreversible—as well as other more predictable but difficult-to-manage impacts, increases as the influence of human activities on the climate system increases. (Ch. 15) Unanticipated and difficult or impossible-to-manage changes in the climate system are possible throughout the next century as critical thresholds are crossed and/or multiple climate-related extreme events occur simultaneously. (Ch. 15) • **Positive feedbacks** (self-reinforcing cycles) within the climate system have the potential to accelerate human-induced climate change and even shift the Earth's climate system, in part or in whole, into new states that are very different from those experienced in the recent past (for example, ones with greatly diminished ice sheets or different large-scale patterns of atmosphere or ocean circulation). Some feedbacks and potential state shifts can be modeled and quantified; others can be modeled or identified but not quantified; and some are probably still unknown. (**Very high confidence** in the potential for state shifts and in the incompleteness of knowledge about feedbacks and potential state shifts). (Ch. 15) • **The physical and socioeconomic impacts** of compound extreme events (such as simultaneous heat and drought, wildfires associated with hot and dry conditions, or flooding associated with high precipitation on top of snow or waterlogged ground) can be greater than the sum of the parts (very high confidence). Few analyses consider the spatial or temporal correlation between extreme events. (Ch. 15) • While climate models incorporate important climate processes that can be well quantified, they do not include all of the processes that can contribute to feedbacks (Ch. 2), compound extreme events, and abrupt and/or irreversible changes. For this reason, future changes outside the range projected by climate models cannot be ruled out (very high confidence). Moreover, the systematic tendency of climate models to underestimate temperature change during warm paleoclimates suggests that climate models are more likely to underestimate than to overestimate the amount of long-term future change (medium confidence). (Ch. 15)

## **The CWT strengthens US leadership, spills over globally to encourage global carbon wealth taxes**

**IMF 15** (IMF. "Conclusion." [www.elibrary.imf.org](http://www.elibrary.imf.org), Routledge, Mar. 2015, [www.elibrary.imf.org/display/book/9781138825369/ch014.xml?tabs=abstract](http://www.elibrary.imf.org/display/book/9781138825369/ch014.xml?tabs=abstract).)

Although the future extent and effects of global climate change remain uncertain, the expected damages are not zero, and risks of serious environmental and macroeconomic consequences rise with rising atmospheric greenhouse gas concentrations. Despite the uncertainties, reducing emissions now makes sense, particularly by using flexible policy approaches that can adjust as further scientific evidence accumulates. At the same time, historically high debt-to-GDP levels in the United States (and other countries), along with rising health care and social security spending, and calls to reform personal and in particular capital income taxes, suggest that new revenue sources (in addition to spending cuts) are an inevitable part of the fiscal future. Carbon taxes help to address both of these challenges. It is well established that carbon taxes (or emissions trading systems) are the most effective instruments for promoting the full range of mitigation options, including longer-term mobilization of clean technology investments, so long as they target the right base (the carbon content of fossil fuels and perhaps also other greenhouse gases). They also achieve a given emissions reduction at lowest overall cost to the economy, in the sense of providing the same marginal incentive for emissions reductions across different sources. In contrast, a fragmented system of regulations is far less cost-effective, because it pushes too hard on some sources while exempting others. Indeed, a carbon tax could provide opportunities for eventually scaling back a range of climate-related, federal- and state-level regulations, as well as suspending upcoming initiatives at the U.S. Environmental Protection Agency (e.g., limits on power plant emissions) under the auspices of the Clean Air Act – efforts that would become unnecessary in the presence of a sufficient carbon price. Aligning the carbon price appropriately also provides an automatic balance between environmental benefits and economic costs. Carbon taxes also raise substantial new revenues, and if these are put to good use – lowering the burden of other taxes, reducing the budget deficit, funding high-value public spending – the overall costs of a (reasonably scaled) carbon tax are modest. Moreover, carbon taxes that build off long-established fuel excise taxes are among the easiest of tax policies (or climate policies) to administer. Indeed, finance ministries around the world have a potentially important role to play in implementing and administering carbon taxes, ensuring the appropriate balance between energy taxes and broader taxes in the fiscal system, and reforming fiscal incentives (e.g., tax preferences for fuel suppliers) that create unwarranted distortions in energy markets. In short, a carbon tax could be a central component of a broad policy package that replaces less efficient regulations, lowers other taxes, eliminates tax loopholes, and reduces the federal budget deficit. Comprehensive carbon pricing in the United States would also promote international dialogue over similar pricing initiatives among other large emitting countries (20 countries account for about 80 percent of global carbon emissions). Negotiations around carbon pricing could add a useful economic dimension to climate talks, by building on other multilateral economic fora on issues such as international tax, finance, and trade policies. A carbon tax can work in the United States. This volume shows how, by laying out sound design principles, opportunities for broader fiscal and regulatory reforms, and feasible solutions to specific implementation challenges.

## **The CWT increases renewable energy production via a shift away from coal, and increases federal revenue to invest in renewables. Global shift to renewables.**

**Marsters et al. 18** Peter Marsters is a former Research Associate at the Center on Global Energy Policy at Columbia University SIPA, focusing on climate change policy, including policy levers and economic outcomes of deep decarbonization and carbon pricing. Mr. Marsters has researched and published on issues such as state-level transitions to 100% clean energy, the energy and environmental implications of a federal carbon tax, and the future of the U.S. coal industry. Before joining the Columbia Center on Global Energy Policy, he worked at the Rhodium Group, the National Renewable Energy Laboratory, and the Woodrow Wilson Center for International Scholars. He holds a Master of Arts in Energy and Resources from the University of California-Berkeley and Bachelor of Science in History from Bates College.] Marsters, Peter, et al. "Energy and Environmental Implications of a Carbon Tax on the United States." Edited by Noah Kaufman. *Columbia Climate School Climate, Earth, and Society*, July 2018, <https://people.climate.columbia.edu/projects/view/748#:~:text=A%20carbon%20tax%20can%20drive,the%20near%20and%20medium%20term.&text=Emission%20reductions%20primarily%20occur%20in%20the%20electric%20power%20sector.&text=A%20carbon%20tax%20drives%20large,large%20declines%20in%20coal%20production>.

Energy Market Impacts: A carbon tax drives an increase in renewable energy production matched with a decline in coal production. Zero-emitting renewable energy makes up 29 to 41 percent of total US electric power generation in 2030, depending on the tax rate scenario, which represents a two- to threefold increase from 2015 levels. Renewables fill in behind coal generation, which declines substantially in all scenarios; the carbon tax drives a 28 to 84 percent reduction in US coal production by 2030 compared to the current policy scenario. US consumption of natural gas and petroleum products are less affected. In the initial years of the carbon tax, natural gas demand increases as electric power generation shifts from coal to gas. However, by 2030 gas demand is no more than 1.4 Bcf/day higher than under current policy due in large part to the emergence of renewable energy. Demand for gasoline and diesel fuel is little changed because the transportation sector is the least responsive to a carbon tax.

- Average per capita energy expenditures rise under a carbon tax but do not reach the (inflation adjusted) high levels seen in recent history, even in the highest tax rate scenario. Increases in per-capita expenditures due to a carbon tax range from 7 to 27 percent relative to current policy in 2030. Per capita expenditures during the commodities boom in the run-up to the great recession were even higher.

Federal Revenue Impacts: The increase in government revenue due to the carbon tax could be large, ranging from \$617 million to \$2.5 trillion over the first 10 years. Decisions over revenue of this magnitude could be contentious. If steady or increasing revenue is a goal of a carbon tax, an escalation rate higher than the 1.5 to 3 percent used in this analysis may be necessary. We found that in all but the \$14/ton tax rate scenario, revenue gradually declines as emissions are reduced at a rate that is faster than the tax escalator. If steady or rising revenue from a carbon tax is desired, a higher escalation rate should be considered.

## **A transition to renewables raises global GDP and allows oil exports to diversify their economy**

**IRENA 16** International Renewable Energy Agency. “Renewable Energy Benefits: Measuring the Economics.” IRENA, 2016, [www.irena.org/-/media/Files/IRENA/Agency/Publication/2016/IRENA\\_Measuring-the-Economics\\_2016.pdf](http://www.irena.org/-/media/Files/IRENA/Agency/Publication/2016/IRENA_Measuring-the-Economics_2016.pdf).

This section provides a framework for understanding the greater economic role of renewable energy through its impact on GDP<sup>13</sup>. As the most common measure of economic development and growth, IRENA estimated its impacts as part of the analysis. The findings show that doubling the share of renewables in the final global energy mix increases global GDP in 2030 between 0.6% and 1.1% compared to business as usual (Reference Case)<sup>14</sup>. The increase amounts to between USD 706 billion and USD 1.3 trillion<sup>15</sup>. The magnitude of the impact is broadly consistent with the results obtained by national studies conducted to date (see Box 5). The subsequent sensitivity analysis to test the results is discussed in Chapter 3. When renewable energy is doubled to 36% (REmap Case), global GDP increases by 0.6% in 2030, which equates USD 706 billion.<sup>16</sup> This is equivalent to the combined economies of the Colombia and Malaysia as of today. The scale of GDP impacts varies across countries (see Figure 3). In the first IRENA case for doubling the share of renewables – the REmap Case – Japan experiences the greatest positive impact (2.3%). This results from a large investment in solar PV and substantial reduction of fossil fuel imports. Australia, Brazil, Germany, South Korea, Mexico and South Africa also experience positive impacts amounting to more than 1% of GDP. Many other countries, including large economies such as China, France, India, the UK and US, also benefit from positive impacts, though with less than 1% (0.2% in China and around 0.9% for the others). Most of these positive impacts on GDP can be explained by the increased investment required by renewable energy deployment, which triggers ripple effects throughout the economy. A few countries face a decline in GDP in line with their vulnerability to the dynamics of global fossil fuel markets. Oil and gas exporters such as Saudi Arabia, Russia, Nigeria and Venezuela face reductions in their export volumes in the long term. Given the high share fossil fuels play in their GDP, the reduced trade in these fuels are expected to have effects on their economies. The global deployment of renewable energy affects fossil fuel exporters according to the degree of diversification in their economies. In general, large oil and gas exporters rely on their energy

sectors more than coal exporters rely on coal. The oil and gas sector, for example, represents around 25% of GDP in Saudi Arabia and Venezuela, and around 15% in Nigeria and Russia. By contrast, coal is around 8% of GDP in Australia and 5% in South Africa (World Bank, 2015a; Devaux 2013; Australian Bureau of Statistics, 2012; South Africa Embassy, 2013). As a result, coal exporters in general are less affected by an increase in renewables. Whereas oil and gas exporting countries Saudi Arabia and Russia face a GDP decline of 2% and 0.7% respectively, coal exporters Australia and South Africa experience a GDP improvement. Some of **these countries could, however, become bioenergy exporters** (e.g. Russia). In this case, **the GDP impact could be better** than seen here<sup>17</sup>. The high dependency of oil and gas exporting countries on export revenues and the **vulnerability to potential oil price reductions creates economic fragility**. The present situation is a case in point: GDP growth in Saudi Arabia is expected to slow down from 4%-5% in 2013/14 to below 3% in 2015 and 2016, according to the International Monetary Fund (IMF, 2015). This is not a foregone conclusion. **Countries exporting oil and gas could embrace renewable energy deployment as an opportunity for economic diversification** and positioning in the new markets that will be created. In addition, renewable energy deployment could be an opportunity to reduce domestic fossil fuel consumption. **This could be achieved by integrating renewable energy into an overall strategy which also includes the increase of energy efficiency**. This is already in progress in some of the countries analysed in this report (IRENA, 2016a). **When renewable energy is doubled** through a higher rate of electrification of final energy uses and lower reliance on bioenergy, the **increase in global GDP is even higher** (see Box 6). It amounts to 1.1%, which equates to USD 1.3 trillion.<sup>19</sup> This is the second case analysed in this report i.e. REmapE. This increase is equivalent to the combined economies of South Africa, Chile and Switzerland today in the global economy. In most cases, **the additional investment leads to higher levels of output and GDP**. Several countries are notable for having a large positive impact on GDP due to higher investment, including Ukraine (3.7%), Japan (3.6%), India (2.4%), South Africa (2.2%), the US (1.8%) and Australia (1.7%) as shown in Figure 3. As in the REmap Case, oil and gas exporters also face a GDP decline which is slightly larger since global demand for oil is further reduced by the electrification of heat and transport. In the electrification case, the positive impacts are generally greater and mainly reflect the higher amounts of investment required.

## A higher GDP and stronger global economy reinforces and encourages peace

**Strauss-Kahn 09** Economic Stability, Economic Cooperation, and Peace—the Role of the IMF, speech by Dominique Strauss-Kahn Managing Director, International Monetary Fund at Oslo, October 23, 2009

Over the past year or so, the global financial crisis has been the subject of intense debate. But today, instead of dwelling on the economic risks, I would like to turn instead to another important topic—the relationship between **economic stability and peace**. It is my abiding belief that they **are** intimately **entwined**. If you lose one, you are likely to lose the other. Peace is a necessary precondition for trade, sustained economic growth, and prosperity. In turn, **economic stability**, and a rising prosperity that is broadly shared—both within and among countries—**can foster peace**. This is most likely to happen in an atmosphere of economic cooperation, of openness, of a multilateral approach to economic and political problems. Ultimately, **peace and prosperity feed on each other**. I believe history teaches us this lesson. We all remember how **the Great Depression created fertile ground for a devastating war**. More recently, in many parts of the world, **economic instability provoked political upheaval**, social unrest, and conflict. The current slowdown is the deepest and broadest since the Great Depression. Not long ago, the global economy stood at the edge of the abyss. With the collapse of Lehman Brothers, uncertainty turned to outright panic, and economic activity started to collapse. People raised the specter of another Great Depression, and these fears were not unfounded. But today's world looks different. Fear has turned to hope. We seem to have turned the corner as the growth engine starts up again. Our latest projections suggest that global economic activity will expand by about 3 percent in 2010. This was no mere accident. It was not just good luck. It came from the bold decisions taken by

polymakers the world over, and—just as importantly—from an unprecedented degree of economic policy cooperation. In the face of crisis, countries came together to face common challenges with common solutions, focusing on the global common good. We saw this in fiscal policy, in monetary policy, and in financial sector policy. This collaboration encompassed more countries than ever before in history—showing us that in our modern globalized world, **responsibility for the economic policy agenda can no longer rest with a small club of countries**. This crisis heralded the ascent of the G-20—a group that includes the dynamic emerging economies—as the leading vehicle of multilateral cooperation. The challenge is to sustain this spirit of cooperation as we venture into the post-crisis world. In an atmosphere of great fear and uncertainty, cooperation was not so hard to achieve. But with optimism on the rise, and recovery on the horizon, countries may be tempted to go their own way, and to abandon the cooperative approach that served them so well during the crisis. I am happy to note that early signs are positive. Meeting a short while back in Pittsburgh, G-20 leaders stressed that the global collective interest must always infuse national policy decisions. Multilateralism, I hope, is here to stay. The IMF played its part in this multilateral response, promoting the global public good of economic stability. When the crisis hit, we were sent out as a first responder, and G-20 leaders boosted our resources substantially. And as the crisis unfolded, we scaled up our emergency financing dramatically, we injected an unprecedented amount of liquidity into the system, we made our lending more flexible, and we supported the international response to the crisis with our forecasts and policy advice. We tried to play our part in calming the waters. And having earlier expressed confidence in us by increasing our resources, G-20 leaders meeting in Pittsburgh extended this confidence to our surveillance, asking us to help with their mutual assessment of policies. Our goal is now to adapt to the needs of the post-crisis world. Of course, to be effective, we must be seen as legitimate. Here, too, the G-20 has moved the institution forward, pledging to shift quota shares toward dynamic emerging markets and developing countries by at least five percent from over-represented to under-represented countries. This boosts our legitimacy, and represents a significant down payment on our future effectiveness. Let me stress that the crisis is by no means over, and many risks remain. Economic activity is still dependent on policy support, and a premature withdrawal of this support could kill the recovery. And even as growth recovers, it will take some time for jobs to follow suit. This **economic instability will continue to threaten social stability**. The **stakes** are particularly **high in the low-income countries**. Our colleagues at the United Nations and World Bank think that up to 90 million people might be pushed into extreme poverty as a result of this crisis. In many areas of the world, what is at stake is not only higher unemployment or lower purchasing power, but life and death itself. Economic marginalization and destitution could lead to social unrest, political instability, a breakdown of democracy, or war. In a sense, our collective efforts to fight the crisis cannot be separated from our efforts guard social stability and to secure peace. This is particularly important in low-income countries. War might justifiably be called “development in reverse”. War leads to death, disability, disease, and displacement of population. War increases poverty. War reduces growth potential by destroying infrastructure as well as financial and human capital. War diverts resources toward violence, rent-seeking, and corruption. War weakens institutions. War in one country harms neighboring countries, including through an influx of refugees. Most wars since the 1970s have been wars within states. It is hard to estimate the true cost of a civil war. Recent research suggests that one year of conflict can knock 2-2½ percentage points off a country’s growth rate. And since the average civil war lasts 7 years, that means an economy that is 15 percent smaller than it would have been with peace. Of course, no cost can be put on the loss of life or the great human suffering that always accompanies war. The causality also runs the other way. Just as wars devastate the economy, a **weak economy makes a country more prone to war**. The evidence is quite clear on this point—**low income or slow economic growth increases the risk of a country falling into civil conflict**. Poverty and economic stagnation lead people to become marginalized, without a stake in the productive economy. With little hope of employment or a decent standard of living, they

might turn instead to violent activities. Dependence on natural resources is also a risk factor—competition for control over these resources can trigger conflict and income from natural resources can finance war.

**A wealth tax can be SOME assets, we spec brown assets.**

**Tax Policy Center 24** <https://taxpolicycenter.org/briefing-book/what-wealth-tax>

A **wealth tax** is **imposed on** the value of **some or all** of a taxpayer's **assets**, such as stocks, real estate, and businesses. At the federal level, the United States does not have a wealth tax, and many other countries have repealed wealth taxes because of administrative challenges.



# Anti-Capitalism

**The wealth tax is the first step toward radical change – It collapse's markets guaranteeing state control.**

**Odom 21** [John Odom, "Letter: Wealth tax is a giant step toward socialism", 04/13/2021, Shreveport Times,

<https://www.shreveporttimes.com/story/opinion/readers/2021/04/13/letter-wealth-tax-would-giant-step-toward-socialism/7206259002/>]

President Joe Biden and Sen. Elizabeth Warren's wealth tax would cause a disruption in the markets that could cause losses of value in the retirement and investment accounts of the middle class. This is because the wealthy's wealth is not in cash but largely in stocks, real estate and art. To pay a wealth tax they would have to sell large blocks of stock that would force market prices down for everyone invested in the markets. Warren is not ignorant of the market disruption her proposed Wealth Tax could take. Indeed, it is the opening salvo toward government control of industry. The next step is for a "responsible" Congress to intervene and "prevent the disruption in the markets that could cause the middle class to incur losses in their retirement accounts" when significant stock liquidations occur as the wealthy prepare to pay their taxes. The "cure" will be to require the taxes be paid by transferring stock to the government in a "private sale." The government may even state what stocks it will accept. The end game is to have enough stock transferred to the government for the government to be able secure seats on the boards of selected companies which will eventually result in government representatives controlling senior management. As long as we maintain free and fair elections, which are also under attack, the citizens can maintain some control, but the march toward government control of all aspects of our society is underway. I, for one, do not think Warren's wealth tax is intended as a short-term solution to pay off massive debt, but a plan designed with a socialist outcome intended, probably with a lot of input from Sen. Bernie Sanders.

**Covid created the foundation for fighting capitalism through communal spirit – the wealth tax is the key enabler.**

**Andrew et al 24** [Jane Andrew, Max Baker, Christine Cooper, and Jonathan Tweedie, "Wealth taxes and the post-COVID future of the state", 1/13/2024, Critical Perspectives on Accounting Volume 98, <https://doi.org/10.1016/j.cpa.2022.102431>]

In choosing to focus on the justification of wealth taxes from both a consequentialist and non-consequentialist perspective, we attempt to offer critical researchers in accounting another set of arguments that can be mobilised to challenge the neoliberal state. In this paper, we contribute to the critical accounting literature on tax and its redistributive potential. In supplementing the study of corporate strategy, given the COVID-driven growth in the number of billionaires, we suggest the need for future research focusing more on the individual as a site for tax reform. Precisely because of the horrors we have borne over the last year, conditions are ripe with possibilities, and ideas that were either so marginal as to be unnoticed or deemed so impracticable as to be unactionable are finding their way into popular discourse – because it seems, just as Žižek argues, disasters, if nothing else, have the potential to ground us in our communal spirit.

**Building coalitions powerful enough to counter global capitalism requires empowering the proletariat through legal and political reformism.**

**Leftcom 21** [Leftcom, January, 01-13-2021, "Wealth Tax: Expropriation of the Rich or Capitalist Smokescreen?", Leftcom, <https://www.leftcom.org/en/articles/2021-01-13/wealth-tax-expropriation-of-the-rich-or-capitalist-smokescreen>]

While the bourgeoisie is wracking its brains to find solutions to this epochal crisis, even considering a partial revision of the fiscal policies of the last decades, the tax lever has become one of the main tools which reformists on the left believe will put an end to capitalist aggression and bring substantial benefits

for the depleted pockets of the proletariat. We are referring, of course, to the political elements gravitating around SiCobas, which has recently given birth to hybrid organisms with a combination of union and political features. Even given the different acronyms, they are often animated by the same people with very similar, or even exactly the same, programmes. From the Pact of Unity of Anti-Capitalist Action, to the Assembly of Combative Workers and others, a shopping list of objectives to be achieved, here and now, has been drawn up. It represents "at best" the essence of radical reformism. By its very nature, this vision of the anti-capitalist struggle thinks that communism can make headway not only within the current relations of production (and therefore of distribution), not only within the current political-institutional structures — the capitalist state — but even in the midst of one of the most devastating crises in the history of capital. It is an extremely harmful vision, one that is catastrophic for the purposes of the class struggle. First, because it has nothing to do with the real world and, as they say, mistakes the desire for reality. Also, but not secondarily, because it entangles significant fringes of the more combative or less resigned proletariat in these cheap illusions, let alone beguiling various comrades and those who are sincerely convinced that this kind of "revolutionary trade unionism" (a contradiction in terms) is really practicable. The "shopping list" is well known and, in any case, easily available online (for example, on the SiCobas website). It ranges from the "guaranteed average wage for unemployed, underemployed, precarious and laid-off workers", to the classic "drastic and generalised reduction in working hours for equal pay: work less, work for all; for socially necessary work"(2), up to a "Wealth Tax", naturally much more drastic than the one proposed by the centre-left parties. In fact, point 4 of the Action Pact document says: "The costs of the pandemic and the crisis must be paid for by the bosses, starting with a 10% tax increase on the richest 10% of the population whose proceeds are to be used to cover 100% of all wages and a guaranteed average wage for unemployed and precarious workers. Refusal to accept the state debt as an instrument to stifle proletarian and social demands." Apart from the fact that the state debt, rather than a tool to stifle proletarian and social demands(3), is a tool to rob the proletariat and sections of the petty bourgeoisie, how could these measures be imposed on the bourgeoisie? Il Pungolo Rosso (Red Spur), one of the components of the Pact and member of SiCobas, argues that it is possible "by attacking the power of the bourgeoisie with the force of an extraordinary class mobilisation, to deprive them of their freedom to appropriate and dispose of the general wealth produced by the proletarians".(4) What does "extraordinary mobilisation" mean? Strikes proclaimed two months earlier or perhaps, in a "more" incisive way, all-out strikes, permanent marches, occupation of factories and companies in general? Depriving the bourgeoisie of the "freedom to appropriate wealth ..." means killing it as a class, drying up the source that gives life to the capitalist mode of production, but at this point an economic-trade union mobilisation, however extraordinary and radical, is grossly insufficient. "Taking over the streets" or "taking control of the factory" is not enough if large sectors of the proletariat, the most conscious, do not take power: power, through its revolutionary organisms (the councils), not the appointment of some minister in a 'left' government emanating from some bourgeois parliament. (It goes without saying that for us the active presence of the revolutionary party in the class is indispensable, so that awareness of the need for the revolutionary leap can mature inside significant sectors of it.) History is full of examples where a magnificent proletarian surge was led by radical reformist pipers — it doesn't matter whether in good or bad faith — to momentous defeats. From the factory occupations of a century ago to the Popular Fronts of 1936 — to name some of the most painful proletarian defeats — an extremely determined proletariat halted at the gates of the bourgeois state and then paid most painfully for the consequences. But this is forgotten, or ignored, by the 21st century version of that socialist maximalism which has done so much harm to the working class. They want to impose measures on the bourgeoisie that would constitute the first, immediate measures of proletarian power. Yet it is never mentioned that first it is necessary to conquer that power, break the capitalist state machine and replace it with organs of proletarian self-

government, with the dictatorship of the proletariat. On the other hand, once the proletariat has the strength to impose those "points" on the bourgeoisie, it might as well directly seize power for itself.

## **Wishing away capitalist realities doesn't work – fighting tax reform reinforces systemic capitalist inequality.**

**Hiley 19** [Scott Hiley, 8-22-2019, [Scott Hiley is an author for the Communist Party USA] "Should property and income taxes be abolished?," Communist Party USA, [https://www.cpusa.org/interact\\_cpusa/should-property-and-income-taxes-be-abolished/](https://www.cpusa.org/interact_cpusa/should-property-and-income-taxes-be-abolished/)]

Hi, and thanks for writing in. You raise an interesting question. Since I'm a bit more familiar with the tax code than with the Federal Reserve, I'm going to concentrate on that. But I think the basic idea is the same. Unless we abolish capitalism, abolishing taxes and a central bank will just help the rich. From CPUSA's perspective, the problem isn't taxation itself. It's who pays taxes, how much they pay, and what the money is used for. Basically, the working class and small business owners get screwed in three ways. First, our tax system is extremely regressive, meaning less wealthy people bear a disproportionate part of the tax burden. We pay income taxes and property taxes (and sales taxes and gas taxes and cigarette taxes and canoe registration fees...). Just about everything we earn or own is subject to taxation. That's not the case for the capitalist class. Their main sources of income--inherited wealth and corporate profits/investment income--are treated more favorably in our tax system than the wages and salaries that provide most income for working people. On top of that, since Ronald Reagan, successive income tax cuts for the wealthy have brought the top marginal tax rate (currently, the rate paid on whatever slice of your income is above \$510,299) to less than half of what it was in the 1960s. So problem number one is that the rich don't pay their fair share of taxes. Problem number two is that we have to make up the difference, in one of two ways: either by losing public services, or by paying higher taxes to keep them. Here's an example from my political hometown, Chicago, which gets to the question of property taxes. Through a combination of financial mismanagement, outright graft, and an urban development policy designed to attract the very wealthy, the mayor and his cronies drove the Chicago Public Schools into a deep budget crisis. They attempted to solve that crisis on the backs of teachers, students, and city residents by cutting teachers' pensions, cutting funding and services for schools, and raising property taxes. The only option that wasn't on the table was the one that made the most sense: a financial transaction tax of a fraction of a cent, to make the finance firms and executives pay for the red carpet the mayor rolled out for them. Finally (and this is screwing-over number three), when it comes to spending the money, a lot of it goes into the pockets of the rich via government contracts. Military spending is the clearest example. About half of federal tax dollars go to the Pentagon, and a big chunk of that goes to privately owned contractors like Lockheed, Northrup Grumman, and General Dynamics. Our tax dollars turn into profits for their shareholders. The same is true in education, where standardized test companies and all sorts of for-profit hucksters peddling the latest tech fad suck up money that could be used to hire more teachers and counselors, renovate crumbling buildings, etc. That's three ways in which our tax code is rigged against working people, but we should really add a fourth, the biggest tax of all, which gets paid directly to the capitalist class.. The wages and salaries paid to working people only represent a small portion of the wealth that our labor creates. Every dollar that goes to the shareholders of a business for owning something, is a dollar that doesn't go to workers for producing something. "We make it; they take it," as we say in our description of capitalism. That gets to the real issue here. Capitalism is based on an inequality. The owners of capital receive privileges and protections that are denied to the vast majority of us who make a living by selling our physical and intellectual labor-power. (That includes many doctors and engineers, just as much as construction and retail workers). Because of this inequality, we can't talk about abolishing taxes without asking, for whom? Right now, abolishing income and property taxes would tip the scales even further in favor of the very wealthy. Whatever benefit most of us got from it would be more than offset by the reductions in public services. What we need in the short to medium term is anti-monopoly tax

reform--in other words, a tax system based on the needs of workers and small businesses rather than billionaire shareholders and huge corporations. This is an off-the-cuff answer, but given the lopsided economic growth over the past 40 years, it's doubtful that anyone owning one or fewer homes and making less than \$100,000 per year should be paying taxes at all. Tax incentives and subsidies should be reserved for small businesses who create good jobs in their own communities. In the short term, we are for redistribution of wealth: taxing the very wealthy to provide services for those whose labor creates that wealth.

## **Capitalism guarantees extinction – overaccumulation, climate change, water, economic crises, and more**

**Reese 20** [Ted; 9-2-20; author of Socialism or Extinction and The End of Capitalism: The Thought of Henryk Grossman, “‘Socialism or extinction’ is a scientific fact, not just a slogan”, <https://grossmanite.medium.com/socialism-or-extinction-is-a-fact-not-a-slogan-3cb97b198c50>]]

Socialism or extinction is not just a slogan, though; it is a statement of scientific fact. If XR does not stand for socialism, then it must necessarily stand for extinction, rendering its own alleged purpose redundant. In short: capitalism is a profit-dependent system, and must therefore continue to expand production in order to keep investment flowing and profits rising (in absolute terms). And since profit arises from capital's exploitation of commodity-producing labour, the intensity of the production based on fossil fuel and toxic, fuel-intensive metal mining is (increasingly) necessary. To flesh this out a bit more: capital's exploitation of commodity-producing labour is the sole source of profit — the capitalist appropriates surplus value (surplus labour time) from the worker, i.e the worker keeps less value than they create, covering their living costs (necessary labour time), and surplus value is then realised through commodity sales. This social relation is obscured by the money-wage relation. Therefore, capital's evermore demanding need to accumulate is based on the continual expansion of intensive production, i.e. the extraction of fossil fuel and metals, deforestation, intensive farming, etc., that is releasing carbon and other 'greenhouse' emissions — not to mention that they are fuel-intensive practices in the first place and toxic to the local environment — trapped in nature into the atmosphere, making the planet warmer and threatening runaway global heating that, according to numerous scientific studies, will make the planet uninhabitable for humans, probably before the end of the present century. (Capital's exploitation of labour is therefore also the root cause of alleged plummeting sperm counts (down a reported 59% from 1973 to 2011), further threatening extinction. The microplastics, nanoparticles and toxic chemicals sourced from fossil fuels and metal mines and consumed in everyday products penetrate and damage human cells.) Although extractive industries are usually now very capital-intensive — the source of capitalism's (now existential) economic crisis — the rate of exploitation of the remaining workers is very high. It is not capitalism's need for 'infinite growth on a planet of finite resources', as most leftists seem to put it, that is the central or immediate problem; rather, it is the pace of production and its expansion — determined by the size of an ever-larger total capital and its need to expand yet further by feeding off labour — relative to nature's ability to replenish itself (something capitalism's dependence on intensive extraction obviously hinders). Just as surplus value is converted into capital faster than it is produced — resulting in (on average) decennial recessions and, eventually, a historical limit to capital accumulation — so nature is converted into capital faster than it can be replenished. Compound accumulation Fossil fuels (petroleum, coal, natural gas and orimulsion) would shrink to roughly half of total primary energy supply in 2050, from about 77% in 2020 — down from 81% in 2010 — if the world meets the 'minimum' internationally agreed target of 2 degrees Celsius warming, according to S&P Global Platts Analytics. (Even 1C has already seen a reported 400,000 people (and counting) a year dying from climate-related causes; while the Arctic permafrost — containing 1.8 trillion tonnes of carbon, more than twice as much as is currently suspended in Earth's atmosphere — is, we are told,[2] melting 70 years sooner than previously expected. While fossil fuel

may fall to 50% of the mix of energy production, its absolute production may rise, since economic output under capitalism tends to double every 20 years.[3] As Jason Hickel writes in his book *Less Is More*, there was “a steady rise of material use in the first half of the 1900s, doubling from 7 billion tons per year to 14 billion tons per year. But then, in the decades after 1945, something truly bewildering happens... material use explodes: it reaches 35 billion tons by 1980, hits 50 billion tons by 2000, and then screams up to an eye-watering 92 billion tons by 2017... This increase in material use tracks more or less exactly with the rise of global GDP. The two have grown together in lockstep. Every additional unit of GDP means roughly an additional unit of material extraction. “There has been a radical acceleration of fossil fuel use since 1945, rising along with the explosion in both GDP and material use. And carbon emissions have gone up right along with it. Annual emissions more than doubled from 2 billion tons per year to 5 billion tons per year during the first half of the 1900s. During the second half of the century they rose fivefold, reaching 25 billion tons by the year 2000. And they have continued to rise since then, despite a string of international climate summits, reaching 37 billion tons in 2019. Of course, there is no intrinsic relationship between energy use and CO2 emissions. It all depends on what energy source we’re using. Coal is by far the most carbon-intensive of the fossil fuels. Oil — which has grown much more quickly than coal since 1945 — emits less CO2 per unit of energy. And natural gas is less intensive still. As the global economy has come to rely more on these less polluting fuels, one might think that emissions would begin to decline.... [But] because GDP growth is driving total energy demand up at such a rapid pace ... these new fuels aren’t replacing the older ones, they are being added on top of them. The shift to oil and gas hasn’t been an energy transition, but an energy addition. “The same thing is happening right now with renewable energy... To keep energy flowing when the sun isn’t shining and the wind isn’t blowing will require enormous batteries at the grid level. This means 40 million tons of lithium — an eye-watering 2,700% increase over current levels of extraction... It takes 500,000 gallons of water to produce a single ton of lithium. Even at present levels of extraction this is causing real problems. In the Andes, where most of the world’s lithium is located, mining companies are burning through the water tables and leaving farmers with nothing to irrigate their crops. Many have had no choice but to abandon their land altogether. Meanwhile, chemical leaks from lithium mines have poisoned rivers from Chile to Argentina, Nevada to Tibet, killing off whole freshwater ecosystems. The lithium boom has barely started, and it’s already a catastrophe... “Today the world is producing 8 billion more megawatt hours of clean energy each year than in 2000. That’s a lot — enough to power all of Russia. But over exactly the same period, economic growth has caused energy demand to increase by 48 billion megawatt hours. “There’s also something else going on. With every year that goes by, it becomes more and more difficult to extract the same amount of materials from the earth. Today, three times more material has to be extracted per unit of metal than a century ago.”[4] There is no such thing as ‘green capitalism’. The ‘Green New Deal’ proposed by social democrats — which actually involves privatising the last areas of common land — is species suicide. Socialism and non-intensive production Under capitalism, commodities are only produced if they are profitable, i.e. if labour is exploitable enough to expand capital. They are use-values/utilities and exchange-values. Under socialism, goods (having been decommmodified) are produced if we deem them to be useful, via democratic regulation and demand. They are just use-values and socially owned, so no exchange of ownership takes place, i.e. exchange value and profit are abolished. If we deem that a good is not useful since it is damaging the environment or contributing to climate change too much, we can decide not to make it. Or we can find a way of making it that does not damage or exhaust nature. Rather than fossil fuel (which disappears into thin air and so has to be extracted anew by exploited labour, making it perfect for the needs of capital) or metals (which are finite), we could use non-labour-intensive renewables — sunlight, wind and especially (for physical products) fibrous plants (especially hemp, which can replace steel, concrete, graphene, lithium and fossil fuel) and mycelium (from which we can even make computers). And because socialism can plan and co-ordinate production as a whole on a break-even basis, instead of

having to bow to the demands of capital accumulation and anarchic competition between private producers, we can grow economic output at the rate nature replenishes (or slower) — something that socialism could help instead of hinder. Achieving the abundant material wealth for all promised by communism (as it develops into its higher stage, when production becomes fully automated and, eventually, free) is part of the solution. Fibrous plants like hemp quickly draw down and sequester CO<sub>2</sub> while reviving the soil, reversing desertification; and the products made from them (including bioplastic that is 10 times stronger than steel; batteries that outperform lithium and graphene; and highly-insulating carbon-negative hempcrete) keep that carbon sequestered indefinitely. Abundant material wealth for all includes abundant vegetation, permaculture, afforestation, etc. There is also the potential for micro-organisms to supply a near-infinite source of energy. In 2018, scientists in the US confirmed a theory first proposed by Soviet geologists when they found huge populations of bacteria living in the extreme temperatures of Earth's crust, despite the lack of photosynthesis and nutrients, living solely from chemical reactions fuelled by geothermal energy. They estimated that up to 23 billion tonnes of micro-organisms live in this "deep biosphere", making it the largest ecosystem on the planet and accounting for nearly 400 times the amount of carbon found in all living humans. Here lies a potential source of abundant energy (although we will have to assess whether the benefits outweigh the impacts of drilling). Other scientists have even found that the *Geobacter* bacteria found in human waste can convert sewage into fresh water and produce electricity in the process. It is now thought that one day microbial fuel cells could power our phones, household appliances — and even spaceships. Investment in microbial fuel cells will remain seriously limited, however, until value-creation is based solely on utility instead of exploitation and profit, since capital cannot exploit the labour time of microbes! Modern science — which is looking more and more 'presocialist', i.e. systematic, holistic and dialectical-materialist (the Marxist method of assessing history as moving forward through material and social interactions)— has proven that humans depend on plants and bacteria for everyday life, smashing the myth of The Individual — the world is powered by collectivism. Indeed, trees, plants and bacteria are our relatives. The world is one interconnected whole. The socialisation of the means of production, whereby the means of production are owned by humanity instead of capital, will thus be a 'naturalising' humanisation, plantification and microbiolisation of production. Other forms of existing carbon-negative production that could be scaled up include 'sky mining' for diamonds that are chemically identical to earth diamonds, another industry that only exists on a small scale under capitalism because of the lack of labour exploitation involved. Emissions-free, energy-dense nuclear power, is also an option. The initial impact of mining uranium on the environment must be re-assessed by an independent socialist state, but to prove our earlier point, nuclear has not been abandoned because of safety fears, but because its capital-intensity has become unprofitable as ever-growing total capital becomes harder and harder to expand by the relatively diminishing pool of human labour. In terms of worker safety, nuclear is the safest form of energy production. There is also the prospect of space-based solar power and associated wireless transmission, without the intermittency of night time or winter suffered by solar panels and wind turbines on Earth. This, too, however, has proven too expensive for investors who won't invest without the prospect of a higher return. Reverting to overly local, small-scale production—which would make everything more expensive — is not an option. Sea levels are rising and we probably need to build incredibly vast dikes on every continent. Rising temperatures will also massively increase the demand for air conditioning, which will have to be powered by something abundant and emissions-free, like nuclear. But socialism never works? Clearly, we need world socialism. Countries that are arguably 'semi-socialist' or that are supposedly 'working towards' socialism, like China and Venezuela, still work to some extent on the basis of commodity-production. But even 'fully' socialist countries still have to trade with capitalist countries, and that means having to make concessions to capital, working within a world capitalist system and having to maintain military defences at the expense of the civilian economy. Nor can they fully plan their economies due to fluctuating, unpredictable foreign prices. The need to build up

foreign currency also incentivises black markets. Again, because socialist production is based on utility, socialism will also be able to invest in things like mineralising CO<sub>2</sub> (turning it permanently into basalt rock). This is not a silver bullet since it is water-intensive, but it could certainly be scaled up significantly where water scarcity is not an issue (or if water can be 'artificially' produced). That we are not doing this is a travesty — but where it would be a productive industry under socialism, it is an unproductive industry under capitalism, since it does not offer a commodity that can be sold for profit (unless it is sold to the state using public debt, thereby creating no new value and contributing to money devaluation that will eventually (imminently) cause hyperinflation). It would therefore have to be funded by taxes that eat into already thinning profit margins, and so these taxes are resisted by capitalists, who anyway run the capitalist state. They are incapable of changing the system, even as it threatens to produce an ecocidal holocaust. Capitalism is now effectively an extinction cult and can only continue to steer Earth into the sun. Socialism — which is anyway becoming an economic necessity for the first time — gives humanity the chance of steering Earth to safety, in the nick of time.

### **The ROTB is to vote for the debater that best challenges capitalist representations.**

**Hall 22** [Richard Hall, "Another World is Possible: The possibilities for a transformative, post-capitalist education", 9/1/22, The Routledge Handbook of Transformative Global Studies; First Editi, ISBN 9780367505103]

An entry point: crisis and hope Crisis seems inescapable. Moreover, crisis appears to have interconnected and interlocking symptoms: anthropogenic climate change; recurrent fatal global pandemics; ocean acidification; a collapse in the nitrogen cycle; a collapse in soil fertility; and the rise of populism rooted in white, nationalistic economic production and the politics of austerity. These symptoms, sometimes regarded as crises in themselves, have generated a huge literature that focuses upon individual and societal agency, with an onus on technocratic and scientific fixes that promise more efficient production and consumption. As a result, the dominant structures, practices and knowledges that perpetuate or accelerate turmoil are not challenged (Ingram, 2018), and the discourses around what it means to be human and to act humanely remain economistic (Brown, Burn, & Doherty, 2015; Green & Hay, 2015). Thus, the ability of individuals, families, communities and peoples to reproduce themselves beyond the market, in order to maintain their integrity, is limited by the relationship between markets, states and capital. This is important for those individuals and groups because it limits the ways in which they can imagine possible futures that push beyond crises of climate, of soil, or of access to resources like education, social care, welfare or healthcare. Realising alternative possibilities requires the individual and communal integration of a range of cognitive, emotional, psychological, sociological and political thinking, grounded in ways and norms of living that lie beyond economic value (Bohleber, 2010). Whilst studies have been developed from a range of perspectives, those from the global North tend to point towards technocratic or system-specific solutions that are designed to enable business-as-usual and rates of profit to be reinstated (Kütting & Herman, 2018). Separate analyses look beyond structures that have become infected with turmoil and inevitable dispossession, in which responses to acute dislocation and trauma have become stuck or incapable of resolution. These potential, humane futures question the legitimacy of the practices and capacities of a specific fraction of individuals and organisations in maintaining global forms of order through force or managed consent (Adams, Blokker, Doyle, Krummel, & Smith, 2015; Walker & Cooper, 2011). Thus, more radical engagements focus upon the interconnection between crisis and hope, as a revelation of the essence of what it means to be human or to act humanely. This takes hopefulness as a humane antidote to hopelessness and powerlessness (Lear, 2008), where specific constructions of hope offer new political horizons (Kleist & Jansen, 2016). These horizons focus upon new forms of knowledge as a means of exiting the toxicity of despair that crises have a tendency to catalyse, and a refusal to see salvation rooted in those with disciplinary or political expertise. A different relationship to knowledge accepts that

it is socially created and contingent upon a range of beliefs, values, histories and practices. As a result, knowledge is not simply something to be traded or that gives an individual an economic advantage. Rather a hopeful engagement with knowledge involves an active, collective dialogue between our plural practices and conceptualisations of the world, in order to produce new lives (Bloch, 1986). This dialogue stresses the need for individuals and collectives to reproduce and keep themselves safe, against a world that can feel risky and fearful for many. One tension in enabling new forms of knowledge emerges from the power of universities in the global North. These institutions have historically produced dominant knowledge that: has reinforced particular discourses; trained individuals in specific ways of understanding the world; and created high-value goods and services that can be traded. Moreover, through partnerships with corporations, consultancies, nongovernmental organisations, and institutions in the global South, they have been able to look for and exploit both new markets and forms of human capital (World Bank, 2019). This places knowledge inside a horizon grounded in the particularities of development, which can be measured through economic growth. The process of generating knowledge for transformation within these frameworks is then secondary to the realisation of knowledge as a commodity, to be accumulated, circulated and exchanged or traded for profit. For institutions, exchanging or trading knowledge takes the form of: producing outputs, like project or research reports, or new products or innovations; developing public engagement and goods, for instance by training students through degrees to be employable or entrepreneurial; and disseminating impact across society and economy, through consultancies or the transfer of high-value services. This has become paramount in developing the capacities of individuals for work, often termed their human capital, and in supporting state-based, economic competitiveness and productivity (Hall, 2015; McGettigan, 2015). One outcome has been that academic practices of teaching, scholarship and research have been tied to measurable individual and institutional competitiveness, and whether they deliver value for money for fee-paying students and the governments that subsidise them (Newfield, 2016). The determinations of value for money and productivity have led to external forms of monitoring and league tables that judge individuals and institutions. They have also led to internal forms of performance management for teaching and research, as well as for academic conduct. In parallel, academics and students have reported their traumas of overwork, ill-being, anxiety, marginalisation and breakdown, as reflections of their precarious employment and existences (O'Dwyer, Pinto, & McDonagh, 2017). These reveal the ongoing alienation of the knowledge producer from the process and the outcome of her work, and as a result from herself and her communities (Hall, 2018; Marx, 1974). As a white, male, straight, mid-career professor, who has laboured in these places for two decades, there is an extent to which I represent the symbolism and reality of success inside the dominant model of the university. Yet, I have protested, organised and written against the ongoing mediation and dehumanisation of academic and student life through markets, money and commodities. I have done this precisely because I do not feel the university in the global North offers any hope for resolving crises, or any dignity in constituting and understanding life. It offers an ongoing, alienated separation between people and their work, communities, places and histories, and themselves as many-sided beings. Instead, I feel that as those places are re-engineered and reorganised to generate new services, technologies and surpluses, they offer a restricted and performance-managed horizon for reimagining the world. As a result, they represent an ongoing epistemological crisis for individuals and communities. This is a crisis of how we know and understand the world, which limits the extent to which alternatives might be imagined. At issue is whether alternative conceptions of the world, and dialogue with knowledges, narratives, histories and practices that have hitherto been marginalised and excluded from intellectual and political view, might enable other worlds to become possible.





## **Negative Evidence**

# Economy/Circumvention

## Higher Tax Rates drive migration of the wealthy.

**Kleven 13** [Kleven, Henrik Jacobsen, Camille Landais, and Emmanuel Saez. 2013. "Taxation and International Migration of Superstars: Evidence from the European Football Market." American Economic Review, 103 (5): 1892–1924.]

Tax-induced international mobility of talent is a crucial public policy issue when tax rates differ substantially across countries and migration barriers are low. High tax rates on highly paid workers may induce such workers to migrate to countries where the tax burden is lower, hence limiting the ability of governments to redistribute income using progressive taxation. The mobility responses to taxation often loom larger in the policy debate on tax progressivity than traditional labor supply responses. There is very little empirical work on the effect of taxation on spatial mobility, but this paper takes a first step by focusing on professional football players in Europe, finding significant evidence of migration driven by tax differentials.

## Wealth tax guarantees capital flight – Massachusetts proves.

**Medsger 23** [Medsger, Matthew. "Wealthy Residents Fleeing Massachusetts and Have Been for Years, Study Shows." Boston Herald, 16 May 2023, [www.bostonherald.com/2023/05/16/wealthy-residents-fleeing-massachusetts-and-have-been-for-years-study-shows/](http://www.bostonherald.com/2023/05/16/wealthy-residents-fleeing-massachusetts-and-have-been-for-years-study-shows/).]

High-income residents have been fleeing the state for years, according to recent research from the Pioneer Institute, in a pattern that is worsening as taxpayers stare down the state's newly passed millionaire's tax. According to research of Internal Revenue Service data conducted by the economic policy think tank, Massachusetts is the fourth worst state in the country when it comes to out-migration, behind only California, New York and Illinois. "Net out-migration has nearly quintupled and the largest spike in departures occurred in 2020 and 2021, as remote work took hold and most other states were cutting taxes," Pioneer Executive Director Jim Stergios said with the release of the study. Pioneer's research showed that \$900 million worth of wealth left the state in 2012, a number that skyrocketed to \$4.3 billion in 2021. According to Pioneer, those making over \$200,000 per year account for 60% of lost wealth due to out-migration. In 2021, those taxpayers took about \$2.6 billion elsewhere, study authors say.

## A wealth tax pushes entrepreneurs and venture capital out of the US, undermining innovation.

**Smith 20** [Karl Smith; A Wealth Tax Will Hurt the Economy, Not Help; Boston Review; March 17, 2020; [www.bostonreview.net/forum\\_response/karl-smith-wealth-tax-will-hurt-economy-not-help/](http://www.bostonreview.net/forum_response/karl-smith-wealth-tax-will-hurt-economy-not-help/).]

For many of the very wealthy, that option would likely be far preferable to having their wealth eroded to a much greater degree over time. So much for existing fortunes. But a wealth tax would also encourage entrepreneurs to leave the United States even before their fortunes are made. According to the Forbes 400, over half of the fifteen richest people in the United States made their fortunes within their lifetime. A wealth tax would incentivize them to have done so from Toronto or Vancouver rather than New York City or Silicon Valley. It is not clear how any of the issues that Zucman and Saez want to address would be improved by having by shifting the distribution of North American billionaires to Canada. It is more likely that, over time, the U.S. advantage in economic innovation would be eroded as a growing concentration of successful entrepreneurs abroad—in Canada, Singapore, or other potential wealth tax havens—lures venture capitalists and startups out of the United States.

## The wealth tax is a nightmare for entrepreneurs.

**Wilford 20** [Andrew Wilford. Wealth Taxes and Their Impact on Entrepreneurs. 2020. <https://www.ntu.org/foundation/detail/wealth-taxes-and-their-impact-on-entrepreneurs>]

Entrepreneurship drives innovation by introducing new ideas and products to the market, which forces established players in the market to either innovate or make way for younger, more innovative challengers. This innovation in turn leads to growth, resulting in job creation and wage increases. Unfortunately, in recent years American entrepreneurship has decreased. While the number of new businesses has held relatively steady over the last 20 years, the number of jobs supported by businesses less than a year old has fallen, from 4.1 million in 1994 to 3 million in 2015. Though entrepreneurship rates have been growing in the last 10 years since the end of the Great Recession, the number of new businesses that opened in the recession's wake is the lowest of any post-recession period. The vast majority of entrepreneurs that stand to be affected by a wealth tax are not the founders of the megacorporations people often think of. There are nearly 6 million businesses in the United States. Eighty-nine percent employ fewer than 20 people, with 98 percent employing fewer than 100. Many of these businesses would be subject to a wealth tax, under the proposals from Senators Warren and Sanders. At a time when new entrepreneurship should be fostered, a wealth tax would do the opposite. Any entrepreneurial activity, whether by established businesses or prospective ones, entails substantial risk that the investment will prove unproductive. A wealth tax adds one more negative factor to the cost-benefit calculation that potential entrepreneurs have to make, by potentially either subjecting them to a new wealth tax should their business's expansion cause their assets to exceed the threshold, or by pushing them into a higher wealth tax bracket. While the rhetoric surrounding wealth taxes suggests taxing ultra-successful entrepreneurs, wealth taxes actually are poorly targeted to hit above-average investment returns. Instead of targeting windfall investment returns and lightly taxing or exempting normal returns, wealth taxes do the opposite. An investor earning 5 percent is taxed at the same rate as someone earning 20 percent, meaning the effective tax rate for the lower-return investor is significantly higher. Even the nearly 540,000 businesses between 20 and 99 employees have an average payroll below \$2 million annually. While that is nowhere near high enough to be considered a large business, owners of businesses this size could still find themselves subjected to wealth tax liability. Diluting Ownership Under any wealth tax plan, business ownership would be considered part of an individual's net worth. This could mean that an individual is wealthy on paper but lacking in cash on hand.

## Wealth Migration hurts the economy at large.

**Smith 20** [Karl Smith; A Wealth Tax Will Hurt the Economy, Not Help; Boston Review; March 17, 2020; [www.bostonreview.net/forum\\_response/karl-smith-wealth-tax-will-hurt-economy-not-help/](https://www.bostonreview.net/forum_response/karl-smith-wealth-tax-will-hurt-economy-not-help/).]

All these factors suggest that a wealth tax would drive the already existing super-rich and those looking to become super rich outside of the United States. Once the center of wealth creation relocates, stable equilibrium might re-emerge. But control over large multinational corporations operating inside of the United States would remain with the same small set of founders and CEOs that run them today. In that case, what has the average American citizen gained? The overall U.S. economy will be weaker, and Americans will have less access to innovative companies and high-paying jobs. The country as a whole will be poorer, and the tax system would have less revenue. There may be other ways to decrease economy inequality, encourage competition, and reduce the impact of money on politics, but a wealth tax isn't it.

## Wealthy residents flee the country making the tax ineffective

**Enache 24** [Cristina Enache, "The High Cost of Wealth Taxes", 06/2024, Tax Foundation Europe, [https://taxfoundation.org/wp-content/uploads/2024/06/FF841\\_English.pdf](https://taxfoundation.org/wp-content/uploads/2024/06/FF841_English.pdf)]

One of the reasons Sweden abolished its wealth tax was because capital and high-net-worth individuals fled the country. It was argued that the special treatment of business equity made the wealth tax

regressive—taxing middle-class wealth and exempting the wealthiest individuals’ assets (closely held firms)—and it was responsible for spurring tax avoidance, including capital flight to tax havens. In Norway, after a 1 percent increase in the wealth tax, the government decided to approve a higher exit tax as billionaires fled the country. Currently, due to the exodus of high-net-worth individuals to countries like Switzerland, Sweden’s largest banks are opening new offices in Zurich. In 2023, after the Spanish solidarity wealth tax was declared constitutional, Portugal decided to extend its tax regime for nonresidents since more Spanish taxpayers were considering changing their tax Residence. In the United States, Washington State has recently advanced a wealth tax proposal of a one percent tax on tradable net worth above \$250 million. While the state’s economists projected that the wealth tax would raise about \$3.2 billion a year, \$1.44 billion, almost 45 percent, would have been collected from Jeff Bezos. But his decision to move to Florida just eliminated potential wealth tax collections worth nearly half the official estimate. When a tax is so heavily concentrated on a few wealthy, highly mobile individuals, that’s what happens when just one person moves. In other countries like Switzerland, taxpayers need to approve any tax increases. In 2023, voters in Geneva rejected an extra “solidarity” levy on individuals with more than CHF 3 million (EUR 1.04 million or USD 3.4 million) in assets. Even the local government spoke out against the increase.

## **The wealth tax pushes the rich to become part of the political process – circumvents the aff and results in further elite control**

**Smith 20** [Karl Smith; A Wealth Tax Will Hurt the Economy, Not Help; Boston Review; March 17, 2020; [www.bostonreview.net/forum\\_response/karl-smith-wealth-tax-will-hurt-economy-not-help/](https://www.bostonreview.net/forum_response/karl-smith-wealth-tax-will-hurt-economy-not-help/).]

Second, reducing wealth does not necessarily reduce power. Jeff Bezos is the wealthiest person in the United States, but a great deal of his power comes from his position as CEO of Amazon, of which he owns roughly 12 percent. If a wealth tax jeopardizes executives’ ability to hold on to their positions at the top of the companies they run, there would be even stronger incentive for them to leave the country. When I challenged Saez and Zucman on this point last fall, they responded that effective CEOs would not have to worry because they could still maintain the support of their board; the wealth tax would only make it easier for ineffective executives to be removed. Yet, to the extent that effectiveness is measured in increasing Amazon’s profits, Bezos retains every incentive, if not more incentive, to use Amazon’s size to influence government policy and stifle competition. Third, a wealth tax will face enormous opposition from those who feel threatened by it. The super-wealthy are ideologically diverse. Some, including Bill Gates, are supporters of progressive causes, including some types of wealth tax. Others, such as the Koch brothers, are strong supporters of free market policy. By far, however, most donations by the super-wealthy are to non-political causes. By politicizing wealth itself, a wealth tax would encourage billionaires to enter the political process against it. Michael Bloomberg reportedly committed upwards of \$2 billion toward a political campaign that was at least in part designed to prevent Bernie Sanders from getting the Democratic nomination. There may be other ways to decrease economy inequality, encourage competition, and reduce the impact of money on politics, but a wealth tax isn’t it. Far from pushing the wealthy out of politics, then, the threat of policies such as a wealth tax appears to be drawing them in. Passing a wealth tax would do little to discourage this in the short term. Each year both the existing super-rich and the newly super-rich would face the prospect of donating to efforts to repeal the wealth tax or simply seeing their wealth eroded away. Over time, pressure to repeal the wealth tax would decline only if wealth creation were moved largely outside the United States

## **A wealth tax harms the middle and lower classes by leading to fewer jobs, lower wages, and higher compliance costs.**

**Schuyler 14** [Schuyler, Michael. 2014 The Impact of Piketty's Wealth Tax on the Poor, the Rich, and the Middle Class <https://taxfoundation.org/impact-piketty-s-wealth-tax-poor-rich-and-middle-class/>]

Some people with low current incomes, such as many retirees, would be hurt, because they have saved enough to be subject to the wealth tax, but most of the losses for the poor and middle class would occur because the wealth tax would lead to fewer jobs, lower wages, and a diminished supply of goods and services. In short, Piketty's wealth tax would reduce income and wealth inequality, but at the cost of making everyone significantly poorer. In addition to the large, negative growth effects, the broad-based wealth tax that Piketty recommends may not be practical because it would place huge compliance costs on many households and be difficult to enforce. These problems would not go away even if the wealth tax were global. Appendix The Logic of the Tax Foundation's Taxes and Growth Model Taxes have a major impact on economic growth, because people respond to incentives. If a tax change reduces the after-tax reward at the margin for working and investing, people will supply less labor and capital (equipment, structures, and intellectual property) in the production process. Fewer production inputs will lead to less output and a smaller economy.

## **The Piketty Wealth Tax would be devastating for the poor and middle class**

**Schuyler 14** [Schuyler, Michael. 2014. The Impact of Piketty's Wealth Tax on the Poor, the Rich, and the Middle Class <https://taxfoundation.org/impact-piketty-s-wealth-tax-poor-rich-and-middle-class/>]

For example, the model estimates that even if the static assumption were correct and the economy stayed the same size as before, the after-tax incomes of families in the 40 to 60 percent income quintile would fall by 2.1 percent, on average, because of the wealth tax they would owe. When the harm to the economy is also considered (Case Study 2's dynamic column), the average loss of after-tax income for families in the 40 to 60 percent income quintile would climb to 7.7 percent. To be sure, after-tax incomes would fall the most for the families with the most income. When the estimate includes the tax's economic damage (Case Study 2's dynamic column again), the losses average 13.2 percent for the top 1 percent of the income distribution, 11.8 percent for the top 5 percent, and 11.0 percent for the top 10 percent. But everyone would lose. The Piketty Wealth Tax Would Result in Lower Income for Everyone Many people, including Professor Piketty, are offended that incomes and wealth are not more equal. However, would many people in the bottom half of the scale willingly sacrifice 5 to 9 percent of their income in order to trim the income of the top 1 percent by 12 or 13 percent? People with lower incomes might consider the trade especially troubling because they have little income to spare currently, many of them are young, and they hope to move up the income and wealth ladder themselves in the future. According to a static revenue estimate, the two-bracket wealth tax would raise a huge amount of tax revenue, and the three-bracket wealth tax would collect even more. If that revenue materialized, it could fund a large increase in government programs for the poor and middle class. As noted above, however, only a small portion of the revenue would materialize [From Wealth Tax]. For instance, under the three-bracket wealth tax, annual GDP would drop almost \$1 trillion while federal revenue would rise about \$60 billion. Even if all of the \$60 billion were spent on worthwhile programs for the poor and middle class (big ifs), that would be a pittance compared to the income and wealth accumulation the poor and middle class would have lost. What Else Could Go Wrong? This section briefly discusses several other concerns regarding Piketty's wealth tax. The Burden of Additional Tax Paperwork Piketty is sanguine when discussing compliance costs. In the United States, financial institutions already send 1099 forms to the people to whom they pay interest, dividends, capital gains, and some other forms of income. Piketty says "this reporting method . makes the taxpayer's life simple," and he would have financial institutions send out annual forms listing the value of "all types of financial assets (and debts)" held with them.

## Wealth taxes reward spending, decrease saving

**Gleckman 19** [Howard Gleckman, 10-31-2019, "A Wealth Tax Will Encourage More Spending By The Rich — And Maybe More Political Donations", Tax Policy Center, <https://taxpolicycenter.org/taxvox/wealth-tax-will-encourage-more-spending-rich-and-maybe-more-political-donations>]

Why would a wealth tax encourage the rich to spend? Think of it this way: If your assets above some level is subject to a stiff federal wealth tax, you'll have a strong incentive to keep your wealth below that threshold. To put it another way, at the margin of a wealth tax, the tax encourages you to spend any additional amount you accumulate. Economists have recognized a wealth tax's perverse incentive to consume for a long time. I recently heard Harvard economist Greg Mankiw compare two hypotheticals to make the point, and the late Princeton economist David Bradford made the same argument years ago. Imagine two very rich people. Joe is a spendthrift who buys yachts, fancy cars, diamonds, and other rapidly depreciating property. Because his spending habits keep his assets below the wealth tax threshold, he effectively is rewarded for his spending habits. Jane makes the same annual income as Joe. But she is a saver and investor, prudently putting money away for the future or using her wealth to help create or expand businesses and job opportunities. Because she accumulates sufficient assets to be subject to the wealth tax, she effectively is penalized for saving and investing.

## Wealthy people circumvent – it's inevitable.

**Banzhaf 21** [Banzhaf W. The effects of taxes on wealth inequality in Artificial Chemistry models of economic activity. PLoS One. 2021 Aug 11;16(8):e0255719. doi: 10.1371/journal.pone.0255719. PMID: 34379658; PMCID: PMC8357169]

Any tax system will have to deal with a certain degree of tax cheating and systematic tax avoidance schemes. As for the cheating, one cannot avoid that, but it will probably remain in the same proportion as our current tax systems. If anything, a tax system that is perceived as more just will likely be at the lower end of the cheating proportion [47]. As for systematic tax avoidance, this can only be addressed by a certain degree of auditing. A tax system based on a wealth tax is not fundamentally different in this regard from a tax system based on income taxes. If anything, a simple flat wealth tax will probably be easier to administer and audit (in particular if there can be specialist audit teams formed for different types of wealth, that work together to determine overall amounts). As we indicated earlier, a likely candidate for examining avoidance effects is game theory

## Wealth tax fails – Wealth is subjective meaning that the tax can't measure what it does.

**Wiley 23** [Bruce Wiley, Jd, Cpa, 10-4-2023, "Why a Wealth Tax Would Be Terrible for American Taxpayers", Kiplinger, <https://www.kiplinger.com/taxes/why-a-wealth-tax-would-be-terrible-for-american-taxpayers>]

Second, no matter how it's positioned, a wealth tax is not based on objective facts. It's subjective, because wealth must be appraised, and appraisals are opinions. Marketable securities are easy to mark to market. But how about stock in private companies? How about large real estate holdings? How about a stamp collection? How about a franchise contract?

## Even if a wealth tax creates revenue, there is no way to accurately measure wealth

**Burtless 19** [Gary Burtless, "Putting a tax on wealth means we first must measure it", 06/05/19, Brookings Institute, <https://www.brookings.edu/articles/putting-a-tax-on-wealth-means-we-first-must-measure-it/>]

One problem with taxing wealth, especially the kinds of wealth owned by the very rich, is that tax officials would have a hard time determining the value of many kinds of taxed assets. For example, many wealthy families own large stakes in closely held businesses. Unlike publicly traded companies, whose stock price and market value can be observed every day, closely held businesses may be valued rarely if at all. Putting an accurate or even a roughly plausible valuation on them would be a formidable

challenge. Anyone who owns a home or piece of real estate in a place where properties rarely change hands can understand the problem. An optimist and a pessimist could assign very different values to the same property, even if both try to make unbiased assessments. The problem of placing accurate values on different kinds of wealth is linked to the broader problem of determining how wealth is distributed across the population. While there is wide agreement that family net worth is much more unequally distributed than wages or family incomes, there is less agreement on the exact distribution of wealth across rich and poor. There is even disagreement on the trend in wealth disparities. While experts agree wealth concentration has increased since the early 1980s, some analysts see a much steeper rise than what we see in the Federal Reserve Board's Survey of Consumer Finances (SCF). Everyone agrees that, using conventional measures of wealth, net worth is very unequally distributed in the United States. Using the most recent survey results from the Fed's SCF, Edward Wolff estimates that the top 5% of households owns two-thirds of all wealth. In contrast, the bottom 60% owns less than 2% of total net worth. The distribution of pretax money income across households is much less unequal than the distribution of net worth. In the same year covered by Wolff's wealth tabulations, the Census Bureau estimated that the top 5% of income recipients received 23% of pretax cash income while the bottom 60% of recipients received 26% of the total. It's easy to believe the SCF misses some of the wealth of America's super-rich. Some assets may not be mentioned to government interviewers. Others may be hidden in offshore tax havens. If Congress imposes a wealth tax, the well-to-do are likely to squirrel away an even larger percentage of their wealth in hard-to-find places.

### **Wealth taxes are ineffective- Norway proves.**

**Willey 23** [Bruce Willey, "Why a Wealth Tax Would Be Terrible for American Taxpayers", 10/04/2023, <https://www.kiplinger.com/taxes/why-a-wealth-tax-would-be-terrible-for-american-taxpayers#:~:text=A%20flawed%20way%20to%20raise,It%20be%20nowhere%20to%20hide.>]

Worst of all, wealth taxes don't seem to work for raising revenue. Norway recently tried increasing the tax rates for a wealth tax it had instituted, only to see tax collections that were projected to rise by about \$150 million annually instead plunge by an estimated \$594 million, according to the American Institute for Economic Research. Why doesn't it work? In part because wealth taxes will be most easily avoided by the wealthiest individuals. Turns out, the truly wealthy among us are the most mobile, and seeing nothing in place to stop an endless stream of future wealth tax increases, they picked up and left the country. (Even stopping short of leaving the jurisdiction, they can afford the best tax lawyers, the accountants with the sharpest pencils and the tax shelter promoters with the most ingenious ways to structure around the wealth tax.) But when the inevitable bracket and spending creep impose wealth taxes on middle-class nest eggs, you can be sure there'll be nowhere to hide.



# Farmworkers DA

## **Farmers suffer from liquidity issues – they're asset rich but cash poor.**

**Loutzenhiser and Mann 21** [Glen Loutzenhiser and Elizabeth Mann, 2021, London School of Economics and Political Science, [https://www.wealthandpolicy.com/wp/EP10\\_Liquidity.pdf](https://www.wealthandpolicy.com/wp/EP10_Liquidity.pdf)]

Thus far we have estimated the volume of individuals who may suffer from liquidity issues at different tax thresholds; here, we move on to consider the demographics of the 'asset rich, cash poor'. We are particularly interested in whether we are able to dispel, or confirm, concerns regarding farmers, business owners and elderly widows living alone in the family home. This is not to say that there are not other groups who may be particularly vulnerable to liquidity issues, it is simply that these are the archetypal and emotive examples often raised in discussions regarding wealth taxation. For this analysis we use the ratio of net income and liquid wealth to net illiquid wealth above the threshold; a ratio of below 10% is categorised as having 'low liquidity' or for the purposes of this analysis as 'asset rich, cash poor'. We distinguish farmers by reference to their NS-SEC (National Statistics Socio-Economic Classification), as small agricultural employers, or agricultural own account workers. Business owners are identified as individuals whose business assets form the plurality of their illiquid assets and are not farmers. Whereas, widows, and widowers, are identified as individuals who live alone, are over the state pension age (SPA), whose main home forms the plurality of their illiquid assets and are not farmers. Farmers As described in some detail in Clark and Fu (2020), liquidity is a particularly important issue for the agricultural sector. The authors highlight recent survey evidence indicating that roughly 20% of farms operate at a loss and, further, that cash flow and borrowing levels are a major concern across the sector. In line with the previous analyses, the absolute number of farmers in the low liquidity group decreases as the threshold increases. It is notable that at the £250,000 threshold, 27,150 farmers are estimated to be in the low liquidity group; this is approximately one sixth of all farmers in the population by this method of categorisation. The number of farmers estimated to be in the low liquidity group reduces to 4,617 at the £5 million threshold. At all thresholds included in this analysis, farmers are over-represented in the low liquidity group as compared to the proportion of potential taxpayers who are farmers. Furthermore, with each increase in threshold used in this analysis, the proportion of the low liquidity group who are farmers increases.

## **Wealth taxes disproportionately impact asset rich but cash poor people e.g. farmers.**

**Schuyler 14** [Michael Schuyler, 10-22-2014, "The Impact of Piketty's Wealth Tax on the Poor, the Rich, and the Middle Class", Tax Foundation, <https://taxfoundation.org/research/all/federal/impact-piketty-s-wealth-tax-poor-rich-and-middle-class/>]

Some people are asset rich but cash poor. The classic case is a farming family with valuable land but not much income. Another is a successful small business owner who is temporarily reinvesting every cent to grow the business. Yet another is an elderly couple of limited means who happen to own a valuable home. People like these do not feel wealthy. They could not pay a wealth tax that could be several thousand dollars annually without financial strain, perhaps going to the bank for a loan, dipping into the small amount of cash they have, or in some cases being forced to sell their farm, small business, home, or other illiquid asset for cash. The practical difficulties mentioned in this section, as well as others, shed light on why many nations that once imposed wealth taxes, among them [Austria](#), [Denmark](#), [Germany](#), [Sweden](#), and [Finland](#), have since repealed their wealth taxes, and why no nation has, on a long-term basis, imposed a comprehensive annual wealth tax. For example, although France levies a wealth tax, it is not comprehensive. Indeed, Piketty complains there are so many deductions and exemptions that "the wealthiest individuals in France largely avoid paying the wealth tax."<sup>[26]</sup>

## The wealth tax hurts land owners

**Gale et al 20** [William G Gale: Senior Fellow - Economic Studies, The Arjay and Frances Fearing Miller Chair in Federal Economic Policy, Co-Director - Urban-Brookings Tax Policy Center, Christopher Pulliam: Former Research Analyst - Center for Economic Security and Opportunity, John Sabelhaus: Visiting Fellow - Economic Studies, Urban-Brookings Tax Policy Center, Isabel V. Sawhill: Senior Fellow Emeritus - Economic Studies, Center for Economic Security and Opportunity, Taxing wealth transfers through an expanded estate tax (brookings.edu), Article published August 4 2020]

Policy makers should be looking for ways to address both issues. One place to start is by raising taxes on the most well-to-do households. During the Democratic primary, there were several proposals for a wealth tax, which would target the richest Americans and raise substantial amounts of revenue.

Although a wealth tax would face difficult questions regarding its administrability and constitutionality, proposals for such taxes have re-energized the debate about taxing the wealthy. In some ways, the discussion has shifted from debating whether the rich should pay more in taxes toward determining the best way to achieve that goal. In this policy brief, we consider the virtues of expanding the estate tax.

Coupled with the gift and generation-skipping tax, the estate tax directly targets the intergenerational transfer of wealth. Whether it is ultimately borne by decedents or inheritors, the estate tax is extremely progressive. Inheritances are a major contributor to growing wealth inequality—large inheritances tend to flow to already wealthy heirs. The top ten percent of households by wealth receive 56 percent of all intergenerational transfers, while the bottom half receives only eight percent. The estate tax is already part of the tax code. It has been administered – albeit imperfectly – for decades. As a backstop to the income tax, the estate tax raises a significant share of its revenue from taxing the capital gains that wealthy decedents have avoided paying while alive. The estate tax also encourages charitable giving, both by providing a deduction for charitable gifts and by amplifying the effect of the income tax deduction for charitable giving.

## Farmers are getting older and nobody is going to take their place

**Buys et al 23** [David R. Buys is the state health specialist for the Mississippi State University Extension Service and associate professor in the department of food science, nutrition, and health promotion at MSU. John J. Green serves as director of the Southern Rural Development Center, an organization focused on building capacity among the 30 land grant institutions located in the region. He is also a professor of agriculture and economics at Mississippi State University. Mary Nelson Robertson is an assistant professor of human development and family science at Mississippi State University. America's farmers are getting older, and young people aren't rushing to join them • Oregon Capital Chronicle. Article published December 7 2023]

Hardworking American farmers keep the world fed and clothed. But the farming labor force has a problem: It's aging rapidly. The average American farmer is 57 and a half years old, according to the most recent data from the U.S. Department of Agriculture. That's up sharply from 1978, when the figure was just a smidge over 50. As researchers who study well-being in rural areas, we wanted to understand this trend and its implications. So we dug into the data. Amber waves of graying We found that the average age of farmers was fairly consistent across the country, even though the general population's age varies quite a bit from place to place. For example, the average Maine farmer is just a few months older than the average farmer in Utah, even though the average Maine resident is more than a decade older than the average Utahn. To be fair, we did find some local differences. For example, in New York County – better known as Manhattan – the average farmer is just north of 31. Next door in Hudson County, New Jersey, the average farmer is more than 72. On the whole, though, America's farming workforce is getting older. If the country doesn't recruit new farmers or adapt to having fewer, older ones, it could put the nation's food supply at risk. Before panicking, though, it's worth asking: Why is this happening? A tough field To start, there are real barriers to entry for young people – at least those who weren't born into multigenerational farming families. It takes money to buy the land, equipment and other stuff you need to run a farm, and younger people have less wealth than older ones. Young people born into family farms may have fewer opportunities to take them over due to consolidation in agriculture. And those who do have the chance may not seize it, since they often report that rural life is more challenging than living in a city or suburb. The overall stress of the agriculture industry is also a concern. Farmers are often at the mercy of weather, supply shortages, volatile markets and other factors entirely out of their control. In addition to understanding why fewer younger people want to go

into agriculture, it's important to consider aging farmers' needs. Without younger people to leave the work to, farmers are left with intense labor — physically and mentally — to accomplish, on top of the ordinary challenges of aging. In other words, the U.S. needs to increase opportunities for younger farmers while also supporting farmers as they age.

## **Illiquid assets suffer from valuation issues, making taxing them through a wealth tax very difficult.**

**Pennel 21** [Jeffrey N. Pennel, Richard H. Clark Professor of Law at Emory University, 5-10-2021, "An Alternative to a Wealth Tax: Taxing Extraordinary Income", Tax Notes Federal, <https://www.taxnotes.com/featured-analysis/alternative-wealth-tax-taxing-extraordinary-income/2021/05/07/59nmg>.]

Most countries that experimented with wealth taxes ultimately repealed them.<sup>7</sup> Most of the European wealth taxes were repealed because they raised little revenue, entailed increased administrative costs, and induced a migration of wealthy individuals and their wealth. Wealth taxes also may cause economic distortion, such as altering investments<sup>8</sup> and forms of saving. Despite calls to address wealth inequality through the tax system, the historical evidence suggests that a wealth tax is not an effective way to do so. Some observers contend that wealth taxation in the United States would not suffer the three main weaknesses of the European wealth taxes because (1) offshore tax evasion can be fought more effectively, (2) no exemptions permit taxpayers to shift wealth into preferred categories, and (3) modern information technology can be leveraged by our tax authorities.<sup>9</sup> Even if these predictions prove to be true, other weaknesses also must be considered in the design of a wealth tax. For example, a wealth tax likely would generate a constitutional challenge in the United States. Under Article I, sections 2 and 9, of the U.S. Constitution, Congress may not impose a direct tax (on property) that is not apportioned based on population. The unapportioned federal income tax is specifically authorized by the 16th Amendment, and the wealth transfer taxes (estate, gift, and generation-skipping transfer taxes) are justified as an impost on the transfer of wealth rather than a naked tax on the wealth itself.<sup>10</sup> The wealth taxes recently proposed by Warren and Sanders are akin to state and local property taxes. Scholars debate whether these proposals would thus be regarded as unconstitutional. Without a specific constitutional amendment similar to the 16th Amendment, a wealth tax may be regarded as a direct tax that must be apportioned based on population. My proposal avoids that question. A wealth tax also would have high implementation costs, lack an effective enforcement mechanism, increase procedural costs, and (most especially) generate administrative difficulties concerning the valuation of illiquid assets. One observer opined: Enforcement of the tax would be cumbersome on both the taxpayer and the IRS. Since the tax is based on the net assets of the individual, it would require the individual to seek an independent valuation of assets in order to determine the fair market value of all of his or her assets on an annual basis. If all the individual's assets were in cash and/or publicly traded securities, then the calculation would not be too difficult. However, it would be expected many of the wealthy also own interests in privately held companies with no liquidity or interests in various real estate projects or farmland. Determining the fair market value of privately held company interests or real estate could prove difficult and would certainly be subjective, potentially leading to tax planning opportunities, such as discount valuation strategies.<sup>11</sup> Based on IRS Statistics of Income data from federal estate tax returns filed in 2019, liquid assets (marketable securities, bonds and notes, cash, and retirement funds) were just 54 percent of reported estate wealth.<sup>12</sup> Some undetermined portion of that wealth is held offshore. Thus, predictions about the effective administration and reach of proposed wealth taxes likely are correct. A wealth tax would fail in the United States, as it has in other developed countries, if these critical issues cannot effectively be addressed.<sup>13</sup> I analyze several of them below. The most problematic issue in the design of a comprehensive wealth tax system is the valuation of illiquid assets.<sup>14</sup> The potential for undervaluation creates a challenge for the IRS, which would need to develop valuation protocols for unique assets. Unlike the process undertaken for the one-time wealth transfer tax, an annual wealth tax would require annual reevaluation of difficult-to-value assets. Imagine, for example, the annual

assessment of a 10,000-bottle wine cellar, a yacht, a private airplane, a family farm, or a minority interest in a closely held business.<sup>15</sup> The IRS and the Tax Court would require more resources to resolve the multitude of potential valuation cases. Venture capital would be hard hit by a wealth tax that magnified the risks associated with successful start-up entities that appreciate in value but do not generate an income flow,<sup>16</sup> subjecting investors to wealth taxes without liquidity with which to pay. Worse would be start-ups whose value tanks after an initial valuation that generated a wealth tax. This could cause a shift for many Americans toward investment only in publicly traded assets, undermining investment in ventures that benefit the economy in general. The tax also would imperil conservative buy-and-hold investment strategies unless dividend policies changed to provide cash flows to wealthy taxpayers who need liquidity to pay the annual wealth tax.<sup>17</sup> A regime (similar to the passive foreign investment company rules) could impose a wealth tax only upon a realization event, with a deferral charge that reflected the delay in payment of an otherwise annual wealth tax. But even a deferred tax would imperil investments with significant growth and might harm innovation, risk-taking, and entrepreneurship. Thus, an annual wealth tax is challenged by valuation issues and the need to convert enough wealth into liquidity to pay the tax.<sup>18</sup> If measured by wealth alone, the need for liquidity may require liquidation of investments, or borrowing against the value of that wealth, to finance payment of the tax — all to the detriment of the investment itself. Consider owners of real estate development projects that have high value but negative cash flow and zero profits before completion. Selling an interest in that project could be nearly impossible without a significant discount to reflect lack of liquidity, and borrowing might be entirely impossible if the project itself is highly leveraged already. Moreover, adding debt could disrupt operations and the ultimate success of the venture from a working capital perspective, and indirectly affect owners as well as employees. An even more difficult example would be the valuation and payment of tax on agriculture, whether a corporate enterprise or a family farm. Given the United States’ proclivity to protect farmers and ranchers, some advocates for the wealth tax might favor an exemption to this sector of the economy. But disparate treatment of different investments (or worse, different landowners) is horizontally inequitable and could encourage wealthy taxpayers to invest in forms of favored property in ways that artificially affect the market. Finally, the tax would be a godsend for tax specialists and valuation experts, who would devise strategies to circumvent or minimize the impact of the tax.<sup>19</sup> Those strategies might not be the best economic use of valuable resources.

## **Most commonly acknowledged proposals for wealth tax in Congress are authored by Sanders and Warren.**

**Pennel 21** [Jeffrey N. Pennell, Richard H. Clark Professor of Law at Emory University, 5-10-2021, "An Alternative to a Wealth Tax: Taxing Extraordinary Income", Tax Notes Federal, <https://www.taxnotes.com/featured-analysis/alternative-wealth-tax-taxing-extraordinary-income/2021/05/07/59nmg>.]

Asking the rich to pay more tax has been a consistent concern for politicians. Rising inequality and concentrations of wealth in the United States<sup>1</sup> have caused some policymakers to question whether to reduce tax benefits that significantly lower the tax bills of high-net-worth (HNW) individuals. Suggested changes include raising the moderately low income tax rate,<sup>2</sup> decreasing the federal estate tax exclusion amount, and altering or repealing the [section 1014](#) new-basis-at-death rule. More dramatically, scholars<sup>3</sup> and political candidates propose to impose a “wealth tax” on HNW Americans who often own substantial wealth but do not realize significant taxable income (as defined by the code). The most widely recognized of these proposals were advocated by Senate Finance Committee member Elizabeth Warren, D-Mass.,<sup>4</sup> and Sen. Bernie Sanders, I-Vt.,<sup>5</sup> during the 2020 presidential election season.

**Sanders' and Warren's proposals include higher estate tax, a new transfer and gift tax, and other taxes. These taxes make it difficult for new farmers to start out AND force farmers to sell assets, depriving them of tools and machines for agriculture wrecks food supply.**

[Krista Swanson, Gary Schnitkey, and Nick Paulson, 4-6-2021, "Tax on Farm Estates and Inherited Gains", farmdoc daily, <https://farmdocdaily.illinois.edu/2021/04/tax-on-farm-estates-and-inherited-gains.html>, //thansi (\*note, if you use this ev, make sure to read/have the Pennell 21 card handy in case if a topicality/definition debate pops up)]

The U.S. Congress is debating two sets of new legislation that would impact the tax on farmer estates and inherited gains, indicative of the momentum for changes to the current code for estate, gifts, and generation skipping taxes. Both pieces of legislation could have significant impacts for middle class business owners like farmers. The first – For the 99.5% Act – would require more estates to pay estate tax by lowering the estate tax exemption level and would increase the estate tax rates resulting in larger amounts of estate tax to be paid. The second piece of legislation, the Sensible Taxation and Equity Promotion (STEP) Act, would have two impacts on farmers if passed as currently understood. First, removing the automatic step-up in basis provisions at the time of death creating the potential for more tax. Second, a new transfer tax instituted in the STEP Act would apply to transfers of property in a farm estate at death and transfers during a lifetime. **Background** A capital asset is a significant piece of property whose useful life is more than a year. For a business, a capital asset provides services over the life of the asset and is not a normal product of the business. Land, machinery, tile, grain bins, buildings, and breeding livestock are all examples of capital assets for a farm. When a business sells a capital asset for more than the price paid to purchase the remaining taxable basis on the property, the difference is taxed as a capital gain. A capital asset still owned at the time of death may have a higher market value than its basis. For example, farmland prices have been on an upward trajectory over time. The value of farmland today is usually higher than its basis, typically the value at the time of purchase or value at the transfer of a previous estate settlement. Currently, capital assets receive an automatic step-up in basis during an estate transfer. The automatic step-up in basis allows the asset's value at the time of death to replace the cost basis from the time the asset was acquired or transferred. If a beneficiary inherits a capital asset and immediately sells it, the sale price is likely equal, or very close to, the new stepped-up basis which is based on fair market value at the time. Therefore, the tax owed on a sale of a capital asset quickly after death will be minimal, if any. The automatic step-up in basis to fair market value also applies to assets contributing to the value of an estate at death ([IRS](#)). The value of lifetime taxable gifts (see following paragraph) is added to the estate value to arrive at the final taxable value of an estate ([IRS](#)). The federal estate tax exemption level is \$11.7 million for 2021, estates with a taxable value above this amount owe federal estate tax ([IRS](#)). When a person dies with an estate value below this amount, they may elect to pass any of their unused exemption to the surviving spouse. For estates with value exceeding the exemption level, the first \$1 million of the amount over is taxed at incremental rates from 18% to 39%. After \$1 million over, the tax rate is 40% ([IRS](#)). Capital assets, or any other type of property, may also be transferred by gift while a person is alive. The transfer is considered a gift when nothing or less than full value is received in return ([IRS](#)). There are some exceptions, such as charitable donations but anything that qualifies as a gift transfer is subject to gift tax if above the exclusion level. Currently the exclusion level is \$15,000 per owner to each recipient ([IRS](#)). This means that an individual with two children could gift each child (or other recipient) up to \$15,000 value in property or money each year without paying a gift tax. Or a married couple could gift each recipient up to \$30,000 value in property or money each year without paying a gift tax. When gift values exceed the exclusion level in a year, the excess value is subject to the gift tax and it counts against the lifetime gift tax exemption and federal estate tax exemption. As an example, for a gift with value of \$20,000 in 2021 to a single individual, \$5,000 would be subject to the gift tax. It would also be added to the gross value of the giver's estate at death. The current laws related to gift tax and estate tax give owners of large estates the opportunity to manage tax liability in life and after death. The annual gift tax exemption can be maximized to transfer

property during a lifetime and lower what would be the taxable estate value. Certain types of trusts can also be used as a method for transferring assets. Often farm families will also utilize gift transfers to support a future generation of farm operators. For example, a gift of machinery to help a beginning farmer attain ownership or gifting grain as a tool to teach marketing the crop. **For the 99.5% Act Summary.** Through the [For the 99.5 Percent Act](#) (99.5% Act), bill sponsors Senator Bernie Sanders and Senator Sheldon Whitehouse, seek to reduce wealth inequality by enacting a progressive estate tax on inherited wealth and impose the tax on a larger number of estates (Sanders). The legislation would lower the federal estate tax exemption level from \$11.7 million to \$3.5 million per individual, resulting in a larger number of estates owing estate tax. The 99.5% Act would also establish a new progressive estate tax rate structure that would tax 45% of the value of an estate from \$3.5-\$10 million, 50% of the value of an estate between \$10-\$50 million, 55% of the value of an estate between \$50 million-\$1 billion, and 65% of the value of an estate over \$1 billion (Sanders). These proposed estate tax rates are compared to the current estate tax rates in Table 1. Importantly, the bill does acknowledge family farmers with a provision that allows farmers to lower the value of their farmland by up to \$3 million for estate tax purposes and increase maximum exclusion for conservation easements (Sanders). Though a valuable provision for farmers, there will still be farm estates valued between \$6.5 million (\$3.5 million plus \$3 million farmland value exclusion) and \$11.7 million that do not owe estate tax under current law but would under this proposal. As an example, consider a farmer estate valued at \$10 million. Under the \$11.7 million exclusion, the estate owes no estate tax under current law. Assume that estate is eligible for the full \$3 million additional exclusion for farmland value, reducing the estate value to \$7 million. If we assume the taxable value is also \$7 million, the estate will owe \$1.575 million (45% of \$7 million minus \$3.5 million) in estate tax under the 99.5% Act proposal. The legislation would also impact other tax related rules, including those surrounding trusts used to pass wealth, the generation skipping tax, and valuation of assets for estate tax purposes. **STEP Act Summary** A group of Senate Democrats including Senators Chris Van Hollen, Cory Booker, Bernie Sanders, Sheldon Whitehouse and Elizabeth Warren introduced the STEP Act in March 2021. Their goal is to tax unrealized income derived from wealth accumulation, particularly when someone dies with assets that increased in their lifetime (Van Hollen). This legislation creates what is effectively a new transfer tax on unrealized capital gains (Van Hollen). The tax would apply to property transfers at death and throughout the person's lifetime. Although this bill does propose a change in the valuation of capital assets at death by removing the automatic step-up in basis, it does not replace the current estate tax or gift tax laws, it would be a new tax in addition to those. The Senators claim the estates subject to estate tax would not be double taxed by the transfer tax because the transfer tax paid would be deductible for estate tax purposes (Van Hollen). However, as written it still appears to be a double tax with a deduction to partially offset the impact of the double taxation. A credit against the estate tax for the full amount of the transfer tax could be used to remove the double tax. As currently written, the STEP ACT would discontinue the automatic step-up in basis on assets at death. As opposed to an automatic step-up in basis, the draft legislation of the STEP Act indicates property which is transferred upon death would be treated as sold for its fair market value to the recipient on the date of death. In other words, assuming value at death exceeds original basis, it appears the basis would be stepped-up to fair market value when the heir receives the property, but rather than being an automatic step-up in basis a transfer tax would be owed on the capital gain in value of the property from original basis in the property to the "sales price" (fair market value at death). The heir would essentially be paying tax as if "buying" the property from the deceased, with the deceased claiming a gain on the "sale." The bill allows for the first \$1 million in unrealized capital gains from the transfer of assets to be excluded from this tax (and retains a separate exclusion for personal residences). The \$1 million exclusion for gains from the transfer of assets is notably lower than the current \$11.7 million estate tax exemption. As a result, the STEP Act would add a new, separate tax for estates with capital assets valued over \$1 million but a taxable estate value under



\$11.7 million, which are currently not subject to such tax. Under this proposal the transfer tax on unrealized capital gains is due at the time of the transfer and applies not only to transfers at death, but also to lifetime transfers to individuals (besides spouse) or trusts. Also important is that the proposed transfer tax does not appear to allow for a \$15,000 annual gift exclusion per recipient that currently exists. Instead, the bill allows for an individual to utilize up to \$100,000 of the \$1 million transfer exclusion for lifetime gifts; this value is cumulative for gifts to all recipients and over all years. Once this amount is surpassed, any future gifts during a lifetime would be subject to the transfer tax. The amount of the gift would be reported by the giver in a manner as if it had been a sale at market value, therefore triggering (unrealized) capital gains on the “sale” of the gifted asset. This would impact farm families who gift assets such as machinery or grain as a way to help a future generation get involved in their farm business. The bill would apply to transfers occurring after December 31, 2020 so, if passed, it would be retroactive to the beginning of this year. There is a provision that allows for the tax to be paid in installments, with interest, over a fifteen-year period for capital gains that apply to illiquid assets, like a farm or business (Van Hollen).

**Farm Scenarios Under Current Law and Both 99.5% Act and STEP Act Proposals** The following scenarios are intended to provide examples of how potential changes could impact farmers. These are based on our interpretation and understanding of both pieces of proposed legislation as currently written. This may change as additional information becomes available that helps to clarify understanding or as draft legislation changes.

Scenario 1: Assume the fair market value of a farmer’s estate is \$10 million with a collective cost basis of \$4 million on property. The estate’s value includes more than \$3 million of farmland that would be eligible for exclusion under the 99.5% Act. The farmer never made any gifts while alive. Current: The basis in the property would automatically step-up to fair market value at death and the estate would have a new basis at fair market value of \$10 million. No estate tax would be owed because the estate’s taxable value (fair market value less applicable deductions) is below the \$11.7 exemption level. Separately, if the heir sold the estate at market value of \$10 million, there would be no capital gains tax owed because the sale value would equal the \$10 million stepped-up basis in the property. Proposed: Per the STEP Act, there would be no automatic step-up in the basis of the estate property, the basis would initially remain \$4 million while fair market value is \$10 million. The estate would owe transfer tax from the STEP Act for transfers exceeding \$1 million. The amount being transferred (assuming treated as sold for fair market value at death) would be the \$10 million fair market value in the property, less \$1 million exclusion would result in \$9 million subject to the transfer tax. Additionally, estate taxes would be owed. Following the proposal under the 99.5% Act, estate taxes would be owed on the estate’s taxable value of approximately \$7 million (\$10 million market value less \$3 million exclusion for farmland and other applicable deductions) that exceeds the \$3.5 million exemption level. This would result in approximately \$3.5 million taxed at a 45% rate.

Scenario 2: Assume the fair market value of a farmer’s estate is \$13 million with a collective cost basis of \$4 million on property. The estate’s value includes more than \$3 million of farmland. The farmer never made any gifts while alive. Current: The basis in the property would automatically step-up to fair market value at death and the estate would have a new basis at fair market value of \$13 million. Estate taxes would be owed on the estate’s taxable value (\$13 million market value less applicable deductions) that exceeds the \$11.7 million exemption level. The first \$1 million over would be taxed at an incremental rate of 18%-39%. Anything exceeding \$1 million over would be taxed at 40%. Proposed: Per the STEP Act, there would be no automatic step-up in the basis of the estate property, the basis would remain \$4 million while fair market value is \$13 million. The estate would owe a transfer tax from the STEP Act for transfers exceeding \$1 million. The amount being transferred (assuming treated as sold for fair market value at death) would be the \$13 million fair market value in the property, less \$1 million exclusion would result in \$12 million subject to the transfer tax. Additionally, estate taxes would be owed. Following the proposal under the 99.5% Act, estate taxes would be owed on the estate’s taxable value of approximately \$10 million (\$13 million market value less \$3 million exclusion for farmland and other

applicable deductions) that exceeds the \$3.5 million exemption level. This would result in approximately \$6.5 million taxed at a 45% rate. **Discussion** Proposals for new legislation that would make sweeping changes to taxes on farmer estates and inherited gains are a sign of the momentum that exists for changes to the current tax code. The legislators introducing these bills are aiming to target the nation's "largest billionaires" (Sanders), but the changes could have significant impacts for some family farms. One proposal seeks to lower estate tax exemption levels and increase estate tax rates. The other piece of legislation would remove the automatic step-up in basis provisions at the time of death and create a new transfer tax – separate from the estate tax and gift tax – that would apply to transfers of property in a farm estate at death and gift transfers made during a lifetime. Often farm families have farm assets that have been in the family for many generations. Over time the value of those assets has increased. Without an automatic step-up basis, some farm families may be forced to sell farm assets needed to operate the farm to pay the tax bill. Further, the changes proposed in these two pieces of legislation would not only eliminate the automatic step-up in basis, but also create a new, additional tax on property transfers at death and lower the federal estate tax exemption and increase the estate tax rate. These proposals raise major philosophical questions. What should the role of the Federal government be in facilitating the transfer of business from one generation to another? What about small, family-owned businesses whose assets often surpass \$3.5 million? For farmers and other small business owners those assets are also necessary for the operation of the business where the family members work and generate a labor-based income as opposed to the wealth-based income that the bills seek to target. There would be considerable impact on farms and other family businesses paying sizable capital gains tax and estate tax at each generation. Being forced to sell land or other assets needed to operate the business is likely among the implications of such changes. In this article, we aim to summarize and inform based on our best understanding and interpretation of what is included in these bills. Farmers with estate plans created based on the current tax law should be prepared to make changes if these bills or similar legislation is passed. Seek assistance from an estate planning and tax law professionals for guidance.

## **The wealth tax collapses small farms**

**Elder Law Journal 01** [Article published in 2001, Elder LJ: First published in 1993, *The Elder Law Journal* is the oldest scholarly publication in the country dedicated to addressing elder law issues. We are an academic publication published bi-annually by the students of the University of Illinois College of Law concerning elder law topics. Each issue consists of three parts: a lead, student, and recent development/essay sections. (Re-Thinking the Estate Tax: Should Farmers Bear the Burden of a Wealth Tax Note 9 Elder Law Journal 2001 (heinonline.org))]

**SMALL FAMILY FARMS AND BUSINESSES** If the intended recipients of the estate tax burden are utilizing their fortunes to avoid the brunt, who is actually shouldering the burden? The estate tax is hitting two groups particularly hard: small farmers and business owners. There is no question that small family businesses-including the family farm-are vital to America's booming economy.' It is therefore of great concern that the heads of these family businesses are aging. Currently, about twenty-five percent of farmers are sixty-five or older,'<sup>4</sup> with the average farmer pushing sixty years of age.<sup>65</sup> Data gathered by Arthur Anderson and MassMutual indicates that twenty-eight percent of family businesses anticipate the head of the business to retire within five years, while an overwhelming fifty-three percent expect retirement within ten years.'<sup>6</sup> As these numbers indicate, as the heads of the business age, many of the recipient family members will soon be finding themselves faced with estate tax liabilities. The concern over this impending status is very real. For example, in one survey, when asked why family businesses fail, ninety-eight percent of the respondents inculpated "the [need] to raise funds to pay estate taxes."<sup>67</sup> Further evidence of the anxiety estate tax liability places on small business owners is the fact that the repeal of the estate tax placed fourth on a list of sixty formal recommendations generated at a recent White House Conference on Small Business.'<sup>7</sup> An astonishing thirty-seven percent of farms polled responded that if estate taxes were due tomorrow, they would be forced to liquidate.<sup>69</sup> Not only is the tax liability itself a threat to small family farms and businesses, but the cost of planning for and around



the estate tax is a menace as well. Family businesses, in anticipation of estate tax levies, spend an average \$16,113 on lawyers, \$14,632 on accountants, and \$2,392 on other financial advisers.<sup>0</sup> This total of over \$33,000 in expenditures would not have been necessary if farmers had a complete and automatic exemption from the estate tax, rather than just the current special treatment qualifying farms may elect to enjoy.<sup>7</sup> That \$33,000 is therefore unavailable to be utilized for investment and expansion of the business.<sup>72</sup> This is yet another example of how the estate tax encourages consumption over saving.

D. Modern Congressional Developments Surrounding the Estate Tax Given that the original public policy concern behind the estate tax was prevention of massive concentrations of wealth,<sup>73</sup> Congress has recently admitted the tax has had a misplaced effect on more diminutive estates such as small farms and businesses. This admission was manifest in the 1997 Taxpayer Relief Act in which Congress increased the unified credit<sup>74</sup> and indexed it for inflation.<sup>75</sup> Increasing the unified credit recognizes that there is a burgeoning number of estates in this nation which value over the former \$600,000 threshold, and that should be shielded from such a punitive tax. As one economist noted in his testimony before the House Ways and Means Committee: By expanding the exemption of taxable wealth for estates containing small businesses or farms, the Congress officially recognized the harmful effects that death taxes now have on entrepreneurship and family-owned enterprises. By increasing the unified credit from six-hundred thousand to one million dollars over 10 years, the tax writing committees signaled their understanding that estates of this size will be increasingly common in the near future and that small estates should not be taxed.<sup>6</sup> This admission defeats the proponents' argument that "equal treatment of equals requires wealth taxation," because wealth disparity is disappearing.<sup>78</sup> The fact that there are more and more estates meeting the estate tax minimum threshold logically indicates that there is no longer such a gross and insurmountable inequality of classes in this country.'

## **Small farms key to solving existential crises – Amazon, hypoxia, monoculture, herbicide, pesticide, phosphorus, nitrates.**

**Sanderson & Cox 21** [Matthew R. Sanderson, a social scientist at Kansas State University, Stan Cox, a research scholar in ecosphere studies at The Land Institute, 5-17-2021, "Big Agriculture Is Leading to Ecological Collapse," Foreign Policy, (email/sms Acc 9-10-2021)]

Today, there is more carbon dioxide in the atmosphere than at any point "Big agriculture is best" cannot be an argument supported by empirical evidence. By now, it is vitally clear that Earth systems—the atmosphere, oceans, soils, and biosphere—are in various phases of collapse, putting nearly one-half of the world's gross domestic product at risk and undermining the planet's ability to support life. And big, industrialized agriculture—promoted by U.S. foreign and domestic policy—lies at the heart of the multiple connected crises we are confronting as a species. The litany of industrial agriculture's toll is long and diverse. Consider the effects of industrial animal agriculture, for example. As of this writing, animal agriculture accounts for 14.5 percent of total anthropogenic greenhouse gas emissions annually. It is also the source of 60 percent of all nitrous oxide and 50 percent of all methane emissions, which have 36 times and 298 times, respectively, the warming potential of carbon dioxide. As industrial animal agriculture has scaled up, agricultural emissions of methane and nitrous oxide have been going in one direction only: up. Efforts to scale industrial agriculture are undermining the planet's capacity to support life at more local scales too. Consider Brazil, home to the Amazon Rainforest, which makes up 40 percent of all remaining rainforest and 25 percent of all terrestrial biodiversity on Earth. Forest loss and species extinctions have only increased as industrial agriculture has scaled up in Brazil. Farmers are burning unprecedented amounts of forest to expand their operations in pursuit of an industrial model. In August 2019, smoke blocked the sun in São Paulo, Brazil, 2,000 miles away from the fires in the state of Amazonas. In India, the pace of agricultural industrialization is hastening as indicated by rising agricultural production and declining employment in agriculture, which now accounts for less than one-

half of India's workforce. Agriculture has been scaled with all the tools of the Green Revolution: a high-input farming system comprised of genetically modified seeds and accompanying synthetic fertilizers and pesticides. As agriculture has industrialized in India, the use of pesticides and fertilizers has risen as well. Although it has become more difficult to breathe the air in Brazil, it has become harder to find clean freshwater in India, where pesticide contamination is rising. There, the costs of the industrial agriculture model are plainly ecological and human: Unable to drink the water or pay back the loans they took out to finance their transition to industrial farming, an alarming number of Indian farmers are drinking pesticides instead. Almost a quarter-million Indian farmers have died by suicide since 2000, and 10,281 farmers and farm laborers killed themselves in 2019 alone. In Punjab, the country's breadbasket, environmental destruction coexists with a raging opioid epidemic ensnaring nearly two-thirds of households in the state. If the events in Brazil and India sound familiar to U.S. readers, it is because there are analogous stories in the United States—where industrial agriculture is rendering entire landscapes uninhabitable. The U.S. Corn Belt, which spans the region from Ohio to Nebraska, produces 75 percent of the country's corn, but around 35 percent of the region has completely lost its topsoil. Industrial agriculture has been pursued with special zeal in Iowa, where there are 25 million hogs and 3 million people. There, water from the Raccoon River enters the state capital of Des Moines—home to 550,000 people—with nitrates, phosphorus, and bacteria that have exceeded federal safe water drinking standards. At a larger scale, nutrient runoff from industrial agriculture in the U.S. Midwest has created an annual dead zone—a hypoxic area low in or devoid of oxygen—that is the size of Massachusetts. The ecological consequences of industrial agriculture manifest alongside a growing human toll. Rural communities are experiencing rising suicide rates, especially among young people, along with increases in “deaths of despair” from alcohol and drugs—an expanding human dead zone. Although tragic, these outcomes are neither inevitable nor natural. They are outcomes of U.S. policy choices. Industrialized agriculture has been a hallmark of U.S. foreign policy in the post-World War II era. Under the guise of development for all and the mantra of “feed the world,” the United States has used policy to dump surplus grain in low-income countries—undermining markets for smallholder farmers—and cultivate foreign markets as importers of high-input, industrial agriculture technologies to scale agriculture. At home, federal policy since the 1970s has explicitly promoted scaling industrial agriculture through the “get big or get out” imperative. Society did not arrive at this precipice because agriculture was too small or because industrialized agriculture respected the laws of physics. Instead, we are peering into an abyss of systemic socioecological collapse because every effort has been made to use industrialization to break through all known ecological and human limitations to scaling agriculture. Industrial agriculture simplifies ecosystems, rendering us more vulnerable to threats. Transformative policies will be required to pull us back from the edge. As a start, the United States could set an example for the Global North with a 50-year farm bill. The bill would promote ecosystem diversification and increased resilience by reducing acreage of annual grain crops from 70 percent to 10 percent or less of all cropland while scaling up perennial crops to 80 percent of farmland. The remaining 10 percent would be allocated to other crops, including a diverse array of locally produced vegetables and fruits. Soil and water-conserving perennial varieties of rice, wheat, legumes, and other food-grain crops—which are now being developed—could serve as components of diverse, perennial, multispecies communities of food crops that replicate how nature functions. The bill would promote a transition to smaller, more diverse farm operations as agricultural diversification will work most effectively not on vast, uniform acreages but as mosaics made up of many modest-sized farms. The bill would be an important step toward returning home as a species that once again lives within context—within limits, perennially. Our collective pursuit of “big is best” led us out of context to our peril. In the face of multiple cascading

socioecological crises, *Candide*, published by the French writer Voltaire in 1759, shows us a way forward. *Candide*, the book's protagonist, is mentored by Pangloss, a professor who holds a Leibnizian optimism about the world that justifies the status quo as being "all for the best" in the "best of all possible worlds." At the end of *Candide* and Pangloss's travels, which laid all forms of disaster on them, the two encounter an old farmer who is casually taking in the fresh air at his home. The farmer invites them into his house, where they eat and drink well. "You must have a vast and magnificent estate," *Candide* said to the farmer. "I have only twenty acres," replied the farmer. "I and my children cultivate them; our labor preserves us from three great evils—weariness, vice, and want." *Candide* and the professor return to a small farm, and when the professor begins to philosophize again about how "all is for the best" in the "best of all possible worlds," *Candide* responds, "All that is very well, but let us cultivate our garden." As *Candide* stresses, it is vital to move away from abstract, monocultural arguments proposing business-as-usual as the best practice for all toward more practical work in more locally attuned, diversified agricultures that respect limits—both ecological and human. It is time to scale down agriculture and enhance our resilience to coming disruptions. The transitions will not be easy. We do not yet live in the best of all worlds, but things can be otherwise than as they are. We will need new agricultures and new policies to support them abroad and at home. Let us cultivate our gardens.

### **US agriculture's already on the brink: falling crop prices, increased costs, climate change means US ag's near collapse. The wealth tax drives farmers over the edge, causing massive damage to the agriculture sector.**

**Wiesemeyer and Rook 24** [Jim Wiesemeyer and Michelle Rook, 7-26-2024, "Is Agriculture on the Brink of a Farm Economy Cliff? The Emotional Testimonies from Capitol Hill this Week", AgWeb, <https://www.agweb.com/news/policy/agriculture-brink-farm-economy-cliff-emotional-testimonies-capitol-hill-week>]

Is agriculture on the brink of an impending farm economy cliff? A panel of experts testified before the House Ag Committee this week about the severe challenges facing agriculture, all the way from the farmer to the supply chain. The hearing on Capitol Hill comes as net farm income is forecast to decrease by \$43 billion from 2023 to 2024, marking the most significant two-year decline in history. Meanwhile, production expenses are forecast to increase by \$17 billion. During the hearing the Chair of the House Ag Committee expressed his concerns about another farm financial crisis brewing. "We are living through the largest two-year decline in farm income in history," said Rep. G.T. Thompson (R-PA), House Agriculture Committee Chair during the hearing on Tuesday. "At the end of 2024, total farm sector debt will be the highest the U.S. has seen since at least 1970. 3:45 Most farmers and ranchers, including those here with us today, are likely to be worse off financially by years' end." Dana Allen-Tully provided insightful comments and testimony during the hearing that captured the anxiety and price downturn in U.S. agriculture She and her family run a diversified farm in Eyota, Minnesota, producing dairy, corn, soybeans, and alfalfa. She also serves as President of the Minnesota Corn Growers Association, representing 7,000 farm families across the state. "Unless conditions change we're facing a 'perfect storm' although I don't think it will be fully understood until next year when farmers are unable to secure loans because they can't cash flow," said Allen-Tulley. "Plummeting crop prices, high production costs, doubling interest rates, natural disasters and tightening credit are just some of key culprits, as well as depleting working capital." She discussed the importance of passing a stronger farm bill this year, and shared the economic challenges producers are facing. We're heading into a "perfect storm" of plummeting crop prices, high production costs, rising interest rates, natural disasters, and tightening credit, leading to depleted working capital, she stressed. She noted recent analyses by the Federal Reserve Bank and the Farm Bureau highlight the brewing trouble, with John Deere's layoffs as an early warning sign. An extension of the current farm bill won't prevent economic issues, she informed, and a new farm bill, while essential, may not be timely enough. She said Sen. Martin Heinrich (D-N.M.)

recently emphasized the need for a disaster supplemental to address these challenges. Alley-Tully cited USDA estimates projecting a drastic fall in farm income this year, marking the largest year-to-year drop ever recorded. From 2022 to 2024, net farm income will have fallen by 40%, explaining the declining farmer sentiment and increased mental health issues in rural America. For farmers to break even this year, she detailed, national average corn yields must be 219 bushels per acre, and soybeans 56 bushels per acre — both significantly higher than the past 10-year average. Losses per acre are projected to be over \$150, with even higher losses in Minnesota. Her bottom line: Farm and ranch families need help. The Commodity Title and Crop Insurance provisions in the House farm bill, she concluded, provide a meaningful safety net, with a \$4.10 PLC/ARC reference price and improved revenue thresholds. These measures are crucial, especially under current conditions, she said. While she supports these provisions in the next farm bill, she added it's important to resume ERP payments for 2022 and consider a disaster supplemental for near-term assistance. Other witnesses pointed out a host of economic issues are converging to lower net farm income by 25 percent from 2023 to 2024, which is depleting working capital and worsening credit conditions. "With rising input costs and lower commodity prices farmers and ranchers have worked through the liquidity and working capital they built up over the past few years at a more rapid rate than anticipated and are now beginning to leverage equity through refinancing debt," said Tony Hotchkiss, Chairman, Ag and Rural Bankers Committee, American Bankers Association. "This has made ag bankers feel like they are looking over the cliff when it comes to the farm economy." Other witnesses urged policymakers to enhance risk management tools through a new farm bill to avert a crisis. And the Chairman agreed that is his goal. "There are a few pundits that have taken the last few months to spread misinformation about this committee's bipartisan product in an attempt to sow division. 5:00 Let me be clear; this is a farm bill that provides significant improvements for all producers," Thompson said. Thompson also said resources dedicated to the total farm safety net have declined 30 percent in the last 22 years with the commodity title seeing an 81-percent reduction. He says they want to change that with the new farm bill and he's still open to trying get a bill passed in 2024 to avert a farm financial crisis. Beyond the farm bill, Allen-Tully noted issues like trade deficits and flawed regulations impact farm families. She urged new trade agreements and better rules for biofuels to support domestic producers. "We face high stakes in farming, risking everything annually for thin margins. This discourages young people from farming, posing a problem for food security. Policies must reflect modern farming realities to address global hunger."

## **Food insecurity causes a global conflagration.**

**Cribb 19** [Julian Cribb & Associates. Author, Journalist, Editor & Science Communicator, "Hotspots for Food Conflict in the Twenty-first Century," in Food or War, Chapter 5, 2019, pg. 141-173.]

The mounting threat to world peace posed by a food, climate and ecosystem increasingly compromised and unstable was emphasised by the US Director of National Intelligence, Dan Coats, in a briefing to the US Senate in early 2019. 'Global environmental and ecological degradation, as well as climate change, are likely to fuel competition for resources, economic distress, and social discontent through 2019 and beyond', he said. 'Climate hazards such as extreme weather, higher temperatures, droughts, floods, wildfires, storms, sea level rise, soil degradation, and acidifying oceans are intensifying, threatening infrastructure, health, and water and food security. Irreversible damage to ecosystems and habitats will undermine the economic benefits they provide, worsened by air, soil, water, and marine pollution.' Boldly, Coats delivered his warning at a time when the US President, Trump, was attempting to expunge all reference to climate from government documents.<sup>23</sup> Based upon these recent cases of food conflicts, and upon the lessons gleaned from the longer history of the interaction between food and war, several regions of the planet face a greatly heightened risk of conflict towards the mid twenty-first century. Food wars often start out small, as mere quarrels over grazing rights, access to wells or as one faction trying to control food supplies and markets. However, if not resolved quickly these disputes can

quickly escalate into violence, then into civil conflagrations which, if not quelled, can in turn explode into crises that reverberate around the planet in the form of soaring prices, floods of refugees and the involvement of major powers – which in turn carries the risk of transnational war. The danger is magnified by swollen populations, the effects of climate change, depletion of key resources such as water, topsoil and nutrients, the collapse of ecosystem services that support agriculture and fisheries, universal pollution, a widening gap between rich and poor, and the rise of vast megacities unable to feed themselves (Figure 5.3). Each of the world's food 'powderkeg regions' is described below, in ascending order of risk.

United States In one sense, food wars have already broken out in the United States, the most overfed country on Earth. Here the issue is chiefly the growing depletion of the nation's mighty groundwater resources, especially in states using it for food production, and the contest over what remains between competing users – farmers, ranchers and Native Americans on the one hand and the oil, gas and mining industry on the other. Concern about the future of US water supplies was aggravated by a series of savage droughts in the early twentyfirst century in the west, south and mid-west linked to global climate change and declining snowpack in the Rocky Mountains, both of which affect not only agriculture but also the rate at which the nation's groundwater reserves recharge. 'Groundwater depletion has been a concern in the Southwest and High Plains for many years, but increased demands on our groundwater resources have overstressed aquifers in many areas of the Nation, not just in arid regions', notes the US Geological Survey.<sup>24</sup> Nine US states depend on groundwater for between 50 per cent and 80 per cent of their total freshwater supplies, and five states account for nearly half of the nation's groundwater use. Major US water resources, such as the High Plains aquifers and the Pacific Northwest aquifers have sunk by 30–50 metres (100–150 feet) since exploitation began, imperilling the agricultural industries that rely on them. In the arid southwest, aquifer declines of 100–150 metres have been recorded (Figure 5.4). [Figure omitted] To take but one case, the famed Ogallala Aquifer in the High Plains region supports cropping industries worth more than US \$20 billion a year and was in such a depleted state it would take more than 6000 years to replace by natural infiltration the water drawn from it by farmers in the past 150 years. As it dwindles, some farmers have tried to kick their dependence on groundwater – other users, including the growing cities and towns of the region, proceeded to mine it as if there was no tomorrow.<sup>25</sup> A study by Kansas State University concluded that so far, 30 per cent of the local groundwater had been extracted and another 39 per cent would be depleted by the mid century on existing trends in withdrawal and recharge.<sup>26</sup> Over half the US population relies on groundwater for drinking; both rural and urban America are at risk. Cities such as New Orleans, Houston and Miami face not only rising sea levels – but also sinking land, due to the extraction of underlying groundwater. In Memphis, Tennessee, the aquifer that supplies the city's drinking water has dropped by 20 metres. Growing awareness of the risk of a nation, even one as large and technologically adept as the USA, having insufficient water to grow its food, generate its exports and supply its urban homes has fuelled tensions leading to the eruption of nationwide protests over 'fracking' for oil and gas – a process that can deplete or poison groundwater – and the building of oil pipelines, which have a habit of rupturing and also polluting water resources. The boom in fracking and piping is part of a deliberate US policy to become more self-reliant in fossil fuels.<sup>27</sup> Thus, in its anxiety to be independent of overseas energy suppliers, the USA in effect decided to barter away its future food security for current oil security – and the price of this has been a lot of angry farmers, Native Americans and concerned citizens. The depletion of US groundwater coincides with accelerating climate risk, which may raise US temperatures by as much as 4–5 C by 2100, leading to major losses in soil moisture throughout the US grain belt, and the spread of deserts in the south and west. Food production will also be affected by fiercer storms, bigger floods, more heatwaves, an increase in drought frequency and greater impacts from crop and livestock diseases. In such a context, it is no time to be wasting stored water. The case of the USA is included in the list of world 'hot spots' for future food conflict, not because there is danger of a serious shooting war erupting over water in America in the

foreseeable future, but to illustrate that even in technologically advanced countries unforeseen social tensions and crises are on the rise over basic resources like food, land and water and their depletion. This doesn't just happen in Africa or the Middle East. It's a global phenomenon. Furthermore, the USA is the world's largest food exporter and any retreat on its part will have a disproportionate effect on world food price and supply. There is still plenty of time to replan America's food systems and water usage – but, as in the case of fossil fuels and climate, rear-guard action mounted by corporate vested interests and their hired politicians may well [freeze] ~~paralyse~~ the national will to do it. That is when the US food system could find itself at serious risk, losing access to water in a time of growing climatic disruption, caused by exactly the same forces as those depleting the groundwater: the fossil fuels sector and its political stooges. The probable effect of this will, in the first instance, be a decline in US meat and dairy production accompanied by rising prices and a fall in its feedgrain exports, with domino effects on livestock industries worldwide. The flip-side to this issue is that America's old rival, Russia, is likely to gain in both farmland and water availability as the planet warms through the twentyfirst century – and likewise Canada. Both these countries stand to prosper from a US withdrawal from world food markets, and together they may negate the effects of any US food export shortfalls. Central and South America South America is one of the world's most bountiful continents in terms of food production – but, after decades of improvement, malnutrition is once more on the rise, reaching a new peak of 42.5 million people affected in 2016.<sup>28</sup> 'Latin America and the Caribbean used to be a worldwide example in the fight against hunger. We are now following the worrisome global trend', said regional FAO representative Julio Berdegú.<sup>29</sup> Paradoxically, obesity is increasing among Latin American adults, while malnutrition is rising among children. 'Although Latin America and the Caribbean produce enough food to meet the needs of their population, this does not ensure healthy and nutritious diets', the FAO explains. Worsening income inequality, poor access to food and persistent poverty are contributing to the rise in hunger and bad diets, it adds.<sup>30</sup> 'The impact of climate change in Latin America and the Caribbean will be considerable because of its economic dependence on agriculture, the low adaptive capacity of its population and the geographical location of some of its countries', an FAO report warned.<sup>31</sup> Emerging food insecurity in Central and Latin America is being driven by a toxic mixture of failing water supplies, drying farmlands, poverty, maladministration, incompetence and corruption. These issues are exacerbated by climate change, which is making the water supply issue worse for farmers and city people alike in several countries and delivering more weather disasters to agriculture. •

Mexico has for centuries faced periodic food scarcity, with a tenth of its people today suffering under-nutrition. In 2008 this rose to 18 per cent, leading to outbreaks of political violence.<sup>32</sup> In 2013, 52 million Mexicans were suffering poverty and seven million more faced extreme hunger, despite the attempts of successive governments to remedy the situation. By 2100 northern Mexico is expected to warm by 4–5 C and southern Mexico by 1.5–2.5 C. Large parts of the country, including Mexico City, face critical water scarcity. Mexico's cropped area could fall by 40–70 per cent by the 2030s and disappear completely by the end of the century, making it one of the world's countries most at risk from catastrophic climate change and a major potential source of climate refugees.<sup>33</sup> • The vanishing lakes and glaciers of the high Andes confront montane nations – Bolivia, Peru and Chile especially – with the spectre of growing water scarcity and declining food security. The volume of many glaciers, which provide meltwater to the region's rivers, which in turn irrigate farmland, has halved since 1975.<sup>34</sup> Bolivia's second largest water body, the 2000 square kilometres Lake Poopo, dried out completely.<sup>35</sup> The loss of water is attributed partly to El Niño droughts, partly to global warming and partly to over-extraction by the mining industries of the region. Chile, with 24,000 glaciers (80 per cent of all those in Latin America) is feeling the effects of their retreat and shrinkage especially, both in large cities such as the capital Santiago, and in irrigation agriculture and energy supply. Chile is rated by the World Resources Institute among the countries most likely to experience extreme water stress by 2040.<sup>36</sup> •

Climate change is producing growing water and food insecurity in the 'dry corridor' of Central

America, in countries such as El Salvador, Guatemala and Honduras. Here a combination of drought, major floods and soil erosion is undermining efforts to raise food production and stabilise nutrition. •

Food production in Venezuela began falling in the 1990s, and by the late 2010s two thirds of the population were malnourished; there was a growing flood of refugees into Colombia and other neighbouring countries. The food crisis has been variously blamed on the Venezuelan government's 'Great Leap Forward' (modelled on that of China – which also caused widespread starvation), a halving in Venezuela's oil export earnings, economic sanctions by the USA, and corruption. However, local scientists such as Nobel Laureate Professor Juan Carlos Sánchez warn that climate impacts are already striking the densely populated coastal regions with increased torrential rains, flooding and mudslides, droughts and hurricanes, while inland areas are drying out and desertifying, leading to crop failures, water scarcity and a tide of climate refugees.<sup>37</sup> These factors will tend to deepen food insecurity towards the mid century. Venezuela's climate refugees are already making life more difficult for neighbouring countries such as Colombia. • Deforestation in the Brazilian Amazon has, in recent decades, removed around 20 per cent of its total tree cover, replacing it with dry savannah and farmland. At 40 per cent clearance and with continued global warming, scientists anticipate profound changes in the local climate, towards a drying trend, which will hammer the agriculture that has replaced the forest.<sup>38</sup> Brazil has already wiped out the once vast Mata Atlantica forest along its eastern coastline, and this region is now drying, with resultant water stress for both farming and major cities like São Paulo. Brazil's outlook for 2100 is for further drying – tied to forest loss as well as global climate change – increased frequency of drought and heatwaves, major fires and acute water scarcity in some regions. Moreover, as the Amazon basin dries out, it will release vast quantities of CO<sub>2</sub> from its peat swamps and rainforest soils. These are thought to contain in excess of three billion tonnes of carbon and could cause a significant acceleration in global warming, affecting everyone on Earth.<sup>39</sup> Latin America is the world capital of private armies, with as many as 50 major guerrilla groups, paramilitaries, terrorist, indigenous and criminal insurgencies over the past half century – exemplified in familiar names like the Sandanistas (Nicaragua), FARC (Colombia) and Shining Path (Peru).<sup>40</sup> Many of these drew their initial inspiration from the international communist movement of the mid twentieth century, while others are right-wing groups set up in opposition to them or else represent land rights movements of disadvantaged groups. However, all these movements rely for oxygen on simmering public discontent with ineffectual or corrupt governments and lack of fair access to food, land and water generally. In other words, the tendency of South and Central America towards internal armed conflict is supercharged significantly by failings in the food system which generate public anger, leading to sympathy and support for anyone seen to be challenging the incumbent regimes. This is not to suggest that feeding every person well would end all insurgencies – but it would certainly take the wind of popular support out of a lot of their sails. In that sense the revolutionary tendency of South America echoes the preconditions for revolution in France and Russia in the eighteenth and twentieth centuries.

Central Asia The risk of wars breaking out over water, energy and food insecurity in Central Asia is high.<sup>41</sup> Here, the five main players – Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and Kyrgyzstan – face swelling populations, crumbling Soviet-era infrastructure, flagging resource cooperation, a degrading landscape, deteriorating food availability and a changing climate. At the heart of the issue and the region's increasingly volatile politics is water: 'Without water in the region's two great rivers – the Syr Darya and the Amu Darya – vital crops in the downstream agricultural powerhouses would die. Without power, life in the upstream countries would be unbearable in the freezing winters', wrote Rustam Qobil.<sup>42</sup> Central Asia's water crisis first exploded onto the global consciousness with the drying of the Aral Sea – the world's fourth largest lake – from the mid 1960s<sup>43</sup>, following the damming and draining of major rivers such as the Amu Darya, Syr Darya and Naryn. It was hastened by a major drought in 2008<sup>44</sup> exacerbated by climate change, which is melting the 'water tower' of glacial ice stored in the Tien Shan, Pamir and Hindu Kush mountain ranges that feed the region's rivers. The Tien

Shan alone holds 10,000 glaciers, all of them in retreat, losing an estimated 223 million cubic metres a year. At such a rate of loss the region's rivers will run dry within a generation.<sup>45</sup> Lack of water has already delivered a body blow to Central Asia's efforts to modernise its agriculture, adding further tension to regional disputes over food, land and water. 'Water has always been a major cause of wars and border conflicts in the Central Asian region', policy analyst Fuad Shahbazov warned. This potential for conflict over water has been exacerbated by disputes over the Fergana valley, the region's greatest foodbowl, which underwent a 32 per cent surge in population in barely ten years – while more and more of it turned to desert.<sup>46</sup> The Central Asian region is ranked by the World Resources Institute as one of the world's most perilously water-stressed regions to 2040 (Figure 5.6). With their economies hitting rock bottom, corrupt and autocratic governments that prefer to blame others for their problems and growing quarrels over food, land, energy and water, the 'Stans' face 'a perfect storm', Nate Shenkkan wrote in the journal *Foreign Policy*.<sup>47</sup> Increased meddling by Russia and China is augmenting the explosive mix: China regards Central Asia as a key component of its 'Belt and Road' initiative intended to expand its global influence, whereas Russia hopes to lure the region back into its own economic sphere. Their rival investments may help limit some of the problems faced by Central Asia – or they may unlock a fresh cycle of political feuding, turmoil and regime change.<sup>48</sup> A 2017 FAO report found 14.3 million people – one in every five – in Central Asia did not have enough to eat and a million faced actual starvation, children especially. It noted that after years of steady improvement, the situation was deteriorating. This combination of intractable and deteriorating factors makes Central Asia a serious internal war risk towards the mid twentyfirst century, with involvement by superpowers raising the danger of international conflict and mass refugee flight.

The Middle East The Middle East is the most water-stressed region on Earth (see Figure 5.5 above). It is 'particularly vulnerable to climate change. It is one of the world's most water-scarce and dry regions, with a high dependency on climate-sensitive agriculture and a large share of its population and economic activity in flood-prone urban coastal zones', according to the World Bank.<sup>49</sup> The Middle East – consisting of the 22 countries of the Arab League, Turkey and Iran – has very low levels of natural rainfall to begin with. Most of it has 600 millimetres or less per year and is classed as arid. 'The Middle East and North Africa [MENA] is a global hotspot of unsustainable water use, especially of groundwater. In some countries, more than half of current water withdrawals exceed what is naturally available', the Bank said in a separate report on water scarcity.<sup>50</sup> [Figure omitted] 'The climate is predicted to become even hotter and drier in most of the MENA region. Higher temperatures and reduced precipitation will increase the occurrence of droughts. It is further estimated that an additional 80–100 million people will be exposed by 2025 to water stress', the Bank added. The region's population of 300 million in the late 2010s is forecast to double to 600 million by 2050. Average temperatures are expected to rise by 3–5 C and rainfall will decrease by around 20 per cent. The result will be vastly increased water stress, accelerated desertification, growing food insecurity and a rise in sea levels displacing tens of millions from densely populated, low-lying areas like the Nile delta.<sup>51</sup> The region is deemed highly vulnerable to climate impacts, warns a report by the UN Development Programme. 'Current climate change projections show that by the year 2025, the water supply in the Arab region will be only 15 per cent of levels in 1960. With population growth around 3 per cent annually and deforestation spiking to 4 per cent annually... the region now includes 14 of the world's 20 most water-stressed countries.'<sup>52</sup> The Middle East/North Africa (MENA) region has 6 per cent of the world's population with only 1.5 per cent of the world's fresh water reserves to share among them. This means that the average citizen already has about a third less water than the minimum necessary for a reasonable existence – many have less than half, and populations are growing rapidly. Coupled with political chaos and ill governance in many countries, growing religious and ethnic tensions between different groups – often based on centuries-old disputes – a widening gap between rich and poor and foreign meddling by the USA, Russia and China, shortages of food, land and water make the Middle East an evident cauldron for conflict in the twentyfirst century.



Growing awareness of their food risk has impelled some oil-rich Arab states into an international farm buying spree, purchasing farming, fishing and food processing companies in countries as assorted as South Sudan, Ethiopia, the Philippines, Ukraine, the USA, Poland, Argentina, Australia, Brazil and Morocco. In some food-stressed countries these acquisitions have already led to riots and killings.<sup>53</sup> The risk is high that, by exporting its own food–land–water problems worldwide, especially to regions already facing scarcity, the Middle East could propagate conflicts and government collapses around the globe. This is despite the fact that high-tech solar desalination, green energy, hydroponics, aquaponics and other intensive urban food production technologies make it possible for the region to produce far more of its own food locally, if not to be entirely self-sufficient. Dimensions of the growing crisis in the Middle East include the following.

- Wars have already broken out in Syria and Yemen in which scarcity of food, land and water were prominent among the tensions that led to conflict between competing groups.
- Food, land and water issues feed into and exacerbate already volatile sentiment over religion, politics, corruption, mismanagement and foreign interference by the USA, China and Russia.
- The introduction of cheap solar-powered and diesel pumps has accelerated the unsustainable extraction of groundwater throughout the region, notably in countries like Libya, Egypt, Saudi Arabia and Morocco.<sup>54</sup>
- Turkish building of new dams to monopolise waters flowing across its borders is igniting scarcity and potential for conflict with downstream nations, including Iraq, Iran and Syria.<sup>55</sup>
- Egypt's lifeline, the Nile, is threatened by Ethiopian plans to dam the Blue Nile, with tensions that some observers consider could lead to a shooting war.<sup>56</sup>
- There are very low levels of water recycling throughout the region, while water use productivity is about half that of the world as a whole.
- There is a lack of a sense of citizen responsibility for water and food scarcity throughout the region.
- Land grabs around the world by oil-rich states are threatening to destabilise food, land and water in other countries and regions, causing conflict.
- A decline in oil prices and the displacement of oil by the global renewables revolution may leave the region with fewer economic options for solving its problems.
- There is a risk that acquisition of a nuclear weapon by Iran may set off a nuclear arms race in the region with countries such as Saudi Arabia, Syria and possibly Turkey following suit and Israel rearming to stay in the lead. This would translate potential food, land and water conflicts into the atomic realm. Together these issues, and failure to address their root causes, make the Middle East a fizzing powder keg in the twentyfirst century. The question is when and where, not whether, it explodes – and whether the resulting conflict will involve the use of weapons of mass destruction, including nuclear, thus affecting the entire world.

# IRS DA

## **IRS modernization succeeds now as long as it's not sidetracked by social programs.**

**Elder 23** [Niles Elder; Tax professional at Caplin & Drysdale, "High Hopes for IRS Funding Boost," 2023, Talking Tax Podcast, <https://news.bloombergtax.com/daily-tax-report/irs-5>]

Niles elder is a member at the firm Caplin and Drysdale past chair of a committee at the ABA tax section, and a fellow at the American College of tax counsel, he's keeping a close eye on the \$80 billion infusion of cash that the IRS will be receiving, and what that will mean for taxpayers, Elbert spoke with Bloomberg taxes, Jeff Leon about how the new aggressively funded IRS will behave in 2023, he gets to what he thinks will happen in a bit, but first announced talks about what he hopes will happen, you know, what we want, particularly, you know, I think those of us who, you know, spend our lives dealing with the services that they're able to stick to their core mission, and not get sidetracked as they have in recent years by having to administer social programs, you know, there was the PPP loans, child tax credit payments, etcetera. That's my hopes, what might actually happen, the first thing that, you know, I would expect to see at the service is hiring, the ranks of the IRS top to bottom are severely depleted, you don't have enough revenue agents, you don't have enough appeals officers, you don't have enough revenue officers, you don't have enough special agents. And you certainly don't have enough, you know, customer service personnel that's impacted every aspect of the agency. IRS knows this. They've been begging for funds for many years now. So that's the first thing, you know, part and parcel, Jeff, with hiring comes training. I don't know exactly what the numbers are. But there's been a significant depletion of seasoned IRS employees who were working with, you know, the agency for many years, they're gone. So, you know, I would certainly anticipate there's going to be a lot of that happening in 2023. In addition to that, the IRS has been beaten over the head, about, you know, the lack of customer service, almost at every level, you know, they're processing issues, there have been just pure communication issues. It's incredibly difficult, unfortunately, to get in touch, you know, with a customer service rep when you have a problem. And then along with that, you've probably heard, because it's certainly no secret that there's a tremendous backlog of unprocessed tax returns. And so the service, you know, in order to sort of get back on its feet needs to take care of those unprocessed returns. Yeah, so there's a lot of things that are going on right there. So what do you feel is the mindsets at the IRS right now, especially with the promise of new money and stuff like that? I mean, how do you feel that they're approaching things now? Well, again, this goes back to the beginning, my hope versus wants, Jeff, now, I say this, you know, fully well, knowing right now you have an Acting Commissioner, Chuck Reddick, who was the former commissioner stepped down in November, we have, you know, an Acting Commissioner. And you know, just in terms, at least in my experience, in terms of trying to run a large organization, and, you know, the politics that come into play, particularly with respect to this government agency, it will certainly help to get a confirmed Commissioner. But still, since you don't know how long you know, it might take to get confirmation to go through the organization, I would certainly suspect is doing a substantial amount of strategic planning. It is a tremendous amount of money. And you've got to figure out how to get the most bang for your buck. So you can't rush into anything. I am hoping that they are doing substantial strategic planning, and part and parcel with you

know, trenches trying to figure out how to get the most bang for your buck is how also to get the best talent possible. And one of the downsides, you know, to having obviously to administer a government agency is that you can be challenged in terms of the the resources and the funds that you have available to bring in the talent that you would want it. Jeff, it is paramount. We hear about it every day on TV on radio. There's so much contention about, you know, the way the IRS operates, if you want to tamp that down so that the service can focus on its core mission. That And the service needs to show competency. They need to be able to get particularly the politicians in Congress to back down. Now, that is a very high hurdle, to be sure. But that's what they need to do. And they can do it by showing competency.

## **The plan will require additional progressive taxes to cover its massive cost - this will crush IRS resources.**

**Kiel & Eisenger 18** [\*Paul Kiel - Covers business and consumer finance for ProPublica \*\*Jesse Eisenger - Senior editor at ProPublica; "The IRS Tried to Take on the Ultrawealthy. It Didn't Go Well. Ten years ago, the tax agency formed a special team to unravel the complex tax-lowering strategies of the nation's wealthiest people. But with big money — and Congress — arrayed against the team, it never had a chance." ProPublica, <https://www.propublica.org/article/ultrawealthy-taxes-irs-internal-revenue-service-global-high-wealth-audits>]

In 2009, the IRS had formed a crack team of specialists to unravel the tax dodges of the ultrawealthy. In an age of widening inequality, with a concentration of wealth not seen since the Gilded Age, the rich were evading taxes through ever more sophisticated maneuvers. The IRS commissioner aimed to stanch the country's losses with what he proclaimed would be "a game changing strategy." In short order, Charles Rettig, then a high-powered tax lawyer and today President Donald Trump's IRS commissioner, warned that the squad was conducting "the audits from hell." If Trump were being audited, Rettig wrote during the presidential campaign, this is the elite team that would do it. The wealth team embarked on a contentious audit of Schaeffler in 2012, eventually determining that he owed about \$1.2 billion in unpaid taxes and penalties. But after seven years of grinding bureaucratic combat, the IRS abandoned its campaign. The agency informed Schaeffler's lawyers it was willing to accept just tens of millions, according to a person familiar with the audit. How did a case that consumed so many years of effort, with a team of its finest experts working on a signature mission, produce such a piddling result for the IRS? The Schaeffler case offers a rare window into just how challenging it is to take on the ultrawealthy. For starters, they can devote seemingly limitless resources to hiring the best legal and accounting talent. Such taxpayers tend not to steamroll tax laws; they employ complex, highly refined strategies that seek to stretch the tax code to their advantage. It can take years for IRS investigators just to understand a transaction and deem it to be a violation. Once that happens, the IRS team has to contend with battalions of high-priced lawyers and accountants that often outnumber and outgun even the agency's elite SWAT team. "We are nowhere near a circumstance where the IRS could launch the types of audits we need to tackle sophisticated taxpayers in a complicated world," said Steven Rosenthal, who used to represent wealthy taxpayers and is now a senior fellow at the Tax Policy Center, a joint venture of the Urban Institute and Brookings Institution. Because the audits are private — IRS officials can go to prison if they divulge taxpayer information — details of the often epic paper battles between the rich and the tax collectors are sparse, with little in the public record. Attorneys are also loath to talk about their clients' taxes, and most wealthy people strive to keep their financial affairs under wraps. Such disputes almost always settle out of court. But ProPublica was able to reconstruct the key points in the Schaeffler case. The billionaire's lawyers and accountants first crafted a

transaction of unusual complexity, one so novel that they acknowledged, even as they planned it, that it was likely to be challenged by the IRS. Then Schaeffler deployed teams of professionals to battle the IRS on multiple fronts. They denied that he owed any money, arguing the agency fundamentally misunderstood the tax issues. Schaeffler's representatives complained to top officials at the agency; they challenged document requests in court. At various times, IRS auditors felt Schaeffler's side was purposely stalling. But in the end, Schaeffler's team emerged almost completely victorious. His experience was telling. The IRS' new approach to taking on the superwealthy has been stymied. The wealthy's lobbyists immediately pushed to defang the new team. And soon after the group was formed, Republicans in Congress began slashing the agency's budget. As a result, the team didn't receive the resources it was promised. Thousands of IRS employees left from every corner of the agency, especially ones with expertise in complex audits, the kinds of specialists the agency hoped would staff the new elite unit. The agency had planned to assign 242 examiners to the group by 2012, according to a report by the IRS' inspector general. But by 2014, it had only 96 auditors. By last year, the number had fallen to 58.

### **Strong IRS key to fight terrorism.**

**IRS '20** [Internal Revenue Service. 'Largest ever seizure of terrorist organizations' cryptocurrency accounts.' 8-13-20. <https://www.irs.gov/compliance/criminal-investigation/global-disruption-of-three-terror-finance-cyber-enabled-campaigns>]

"These important cases reflect the resolve of the D.C. United States Attorney's Office to target and dismantle these sophisticated cyber-terrorism and money laundering actors across the globe," stated Acting United States Attorney Michael R. Sherwin. "While these individuals believe they operate anonymously in the digital space, we have the skill and resolve to find, fix and prosecute these actors under the full extent of the law." "IRS-CI's ability to trace funds used by terrorist groups to their source and dismantle these radical group's communication and financial networks directly prevents them from wreaking havoc throughout the world," said Don Fort, Chief, IRS Criminal Investigation. "Today the world is a safer place."

### **Terrorism is an existential risk.**

**Hambling 23** [David Hambling. Journalist @ Forbes. "New Report Warns Terrorists Could Cause Human Extinction With 'Spoiler Attacks.'" 6-23-23. <https://www.forbes.com/sites/davidhambling/2023/06/23/new-report-warns-terrorists-could-cause-human-extinction-with-spoiler-attacks/?sh=37d5c92c3e29>]

A new paper published in the European Journal of Risk Regulation considers the danger from existential terrorism, defined as acts that threaten the existence of humanity. The authors highlight what they term 'spoiler attacks' involving AI or other new technology, which might enable a group with limited resources to cause unprecedented destruction. "I don't expect existential terrorism to be at the top of global agendas, nor do I believe it should be," Zachary Kallenborn, one of the report's, authors told me. "But global discourse is clearly changing around existential risk." Kallenborn is a Policy Fellow at the Schar School of Policy and Government, an officially proclaimed U.S. Army 'Mad Scientist', and a national security consultant. The paper is part of a special issue on long-term risks and special governance, with the unexpected effects of emerging technology being a key consideration. "Technology is definitely bringing more power to the people," says Kallenborn. "The open question is how much capability is really needed to generate existential harm." Kallenborn notes that unlike state actors, terrorist groups generally lack capacity to build effective weapons of mass destruction such as

nuclear warheads. The best-known apocalyptic group, the Aum Shinrikyo cult, carried out several research projects including work on biological warfare. But they were forced to scale back their ambitions, and the cult's final effort was a nerve gas attack on the Tokyo subway in 1995 which caused fourteen deaths and affected thousands more. This was an appalling total, but still far short of the group's apocalyptic goal. Rather than developing a superweapon themselves, a modern terrorist group could carry out a form of sabotage, a spoiler attack, to cause a cataclysm. For example, terrorists could leverage the potential risks in advanced AI research, an area which some warn carries "risk of extinction," and leading to calls for strict safeguards on research. Rather than building their own super-intelligent AI, terrorists might carry out a spoiler attack to break through the safeguards preventing an AI from being developed beyond a certain stage or released. This might be carried out remotely via hacking, on the spot by recruiting or subverting researchers, or by an armed intrusion into a research facility. Spoiler attacks might also target biological research or nanotechnology projects, both areas where high levels of safeguarding are required. The authors note that new tools such as CRISPR, rapid DNA sequencing and DNA/RNA synthesis mean that there are now far more groups working on potentially hazardous biological projects. The unproven lab leak theory that COVID-19 escaped from a Chinese research facility could be a blueprint for a spoiler attack. A spoiler attack breaching safeguards will not necessarily bring about the end of the world, or even cause casualties. A super-AI might be entirely benevolent, and a virus might be relatively harmless, or easily brought under control. Escaping nanotechnology might not bring about the sort of world-ending gray goo nightmare that technologists fear and commentators, including now-King Charles have warned about. But a spoiler attack is a low-cost approach with a small but significant chance of triggering a global catastrophe. It is a risk that governments need to be aware of. "To combat existential terrorism, governments should focus on incorporating terrorism-related risks into broader existential risk mitigation efforts," says Kallenborn. "For example, when thinking about artificial super intelligence risks, governments should think about how terrorists might throw a wrench in their plans or simply ignore safeguards." This is not so very different to the requirement that nuclear power stations need to be robust enough to withstand terrorist attack, except that the threat is broader and the stakes even higher. "Governments should dedicate resources to more effectively characterizing and assessing the threat and response options," says Kallenborn. "That's not a big investment." It might be argued that the risk of existential terror attacks has receded as millennial cults have now declined. The 90s saw a slew of such groups obsessed with the end of the world. In some cases these groups were involved with loss of life on a large scale, including Aum Shinrikyo, Heaven's Gate and the Branch Davidians. These days such groups much less visible, but that may be because they are now harder to recognize. Gary Ackerman, an associate professor and associate dean at the College of Emergency Preparedness, Homeland Security and Cybersecurity at the University at Albany and the report's other co-author, told me that the many of the conspiracy-minded, internet-based movements of today are modern incarnations of the same philosophies. "There are several ideologies that foresee doom, whether these are environmentally-based or technology-based," says Ackerman. "A lot of the more modern movements are also more syncretic in that they tend to blend, often in a contradictory manner, a variety of strains of thought...Many of these groups are simply lumped in with all the other far-right extremist groups, when

they actually have a much more apocalyptic outlook that encompasses many of the worldviews of previous cults.” As the paper notes, world-ending terrorists might be motivated by something other than religion, such as extreme environmentalism. The Voluntary Human Extinction Movement seeks to phase out humans, and it is a small step from there to genocide to save the planet. The authors also mention Strong Negative Utilitarianism, the philosophical view that human suffering can best be ended by ending humans. Existential terror may sound like the stuff of Hollywood thrillers rather than real life, something for people to worry about in the far future. But it would be a mistake to ignore it. “There are lots of uncertainties exactly when the threat might grow to something that is significant,” says Ackerman. “But if we don’t start at least thinking about it and monitoring the threat fairly regularly, it might be too late to do anything about it whenever the inflection point is reached.” Until recently, a global pandemic was also considered a theoretical risk, one which experts said was possible but only happened in the movies. Now we know how such threats can easily become reality, perhaps existential terrorism will get the attention it needs.

# Capitalism K

**A wealth tax is a palliative attempt to hide the inequality of capitalism which funds the capitalist state and oppresses revolution.**

**Internationalist 21** [Internationalist Group, June 2021. [The International Group is a section of the Trotskyist League for the Fourth International, which fights for "international socialist revolution, the conquest of power by the working class, led by its Leninist party."]] "Tax the Rich" No Answer to Capitalist Inequality," <https://www.internationalist.org/tax-the-rich-dead-end-2106.html>]

The idea that capitalism can be made "fair," a staple of bourgeois ideology, was unmasked by Karl Marx a century and a half ago. For pseudo-socialists and labor reformists, the appeal to "tax the rich" is yet another means to subordinate the working class to the Democratic Party, calling on people to pressure their "elected representatives." It is similar in this way to the calls last summer to "defund the police," which as we said then sought to divert mass protests in the streets against racist cop murder into lobbying city councils over budget allocations. In this case, the NYC-DSA "blanketed key lawmakers' districts with door hangers" urging people to tell their legislator to "tax the rich."<sup>4</sup> Revolutionary Marxists, in contrast, are not in the business of advising the capitalist state on how to "fairly" finance its apparatus of war and repression, but call to expropriate the capitalist exploiters. For capitalist politicians, "tax the rich" rhetoric is a way to hoodwink working people into thinking that something is being done about the obscene capitalist inequality that has escalated for decades as workers' wages stagnate, and then skyrocketed during the pandemic as the Internet moguls reaped superprofits. Biden, who had more backing from billionaires than Trump, ran his presidential campaign in part off disgruntlement with Trump's tax cuts. Yet his budget proposal preserves much of Trump's cuts. Under the Biden budget, only capitalists in the very top bracket will face a pre-Trump marginal rate, an increase of a mere 2.6 per cent, while the corporate income rate will go up just 7 per cent, still lower than before Trump took office. Still, AOC opined that Biden "definitely exceeded expectations that progressives had." As for the Biden administration's plan to almost double the capital gains tax,<sup>5</sup> from 20% to 39.6%: "Wealthy Americans will avoid paying 90% of the estimated \$1 trillion increase in investment taxes that President Joe Biden is proposing this week, according to new study from the University of Pennsylvania's Wharton Business School. The Wharton researchers concluded that tax avoidance, much of it legal, would cut nearly \$900 billion of what the proposed increase on capital gains taxes could raise for the government."<sup>6</sup> Democrat-WFP-DSA "tax the rich" campaign declares victory in New York state budget, April 2021. (Photo: Invest in Our New York) Calls to "tax the rich" are just tinkering, and won't affect the fundamentals of a system that produces fabulous wealth for the owners of capital and grinding poverty for millions, while the working class lives paycheck to paycheck. In New York, a few tax hikes on the wealthy were actually passed in April. "Invest in Our New York" cheered, "We won!" But while their raft of tax bills was supposed to raise from \$48 billion to \$70 billion in new revenue, what they "won" was only \$4.5 billion in increased top-tier and corporation income taxes. The additional tax bite for a couple making \$2.5 million a year would be about \$21,000, "roughly equal to the cost of a used Chevy Malibu," as columnist Ginia Bellafante noted in the New York Times (11 April). These calls also blur over the obvious fact that the government already has at its disposal more than enough funds to meet dire human needs. Such demands are of a piece with reformist calls for "money for jobs/books/education, etc., not for war/bombs/occupation." They are phrased in terms of budgetary priorities, when the issue is class interests. As liberals push the lie that the capitalist state just doesn't have enough money, proposals to fill supposed budgetary shortfalls are painstakingly debated and scrutinized, even as enormous subsidies are handed over to the rich without batting an eye. Under the \$2 trillion CARES Act, \$500 billion in free money was earmarked specifically for large corporations, with no strings attached.<sup>7</sup> Democratic president Joe Biden wants to "tax the rich" in order to prepare for war on China. (Photo: Reuters) The real question to pose is, who does the state power serve? And the

answer is: tax hike or no, whether conservatives or “progressives” are in office, this state defends capitalism against the working people. The Democratic politicians who last year imposed racist curfews and dispatched militarized police forces to assault anti-racist protestors are hardline defenders of U.S. imperialism. Biden’s budget says that its aim is to “position the United States to out-compete China,” to “counter the threat from China” and “the growing ambitions of China,” etc. – in other words, to rev up U.S. imperialism’s anti-China war drive. As for military outlays (\$753 billion, up from \$740 billion under Trump), the Times (29 May) summed it up: “The Pentagon pivots to a possible war with China.” This is an anti-China war budget. Revolutionary Marxists’ critique of liberal tax gimmickry obviously does not mean opposing raising taxes on the capitalist class, or measures in the interest of working people, such as to increase funding for schools or to provide emergency aid to excluded workers, that are linked to increased taxes on the wealthy. But the “tax the rich” campaigns mean voting for budgets of the capitalist state, the enforcer of oppression. Together with talk of “our tax dollars,” they spread illusions that the capitalist state is somehow accountable to “the people.” The American ruling class never was and never will be beholden to working people. Our aim is not to exact a pittance from the wealthy, but to expropriate the capitalist class so that the exploited and oppressed can take their destiny into their own hands. In a word, revolution. How Much the Ruling Class Really Pays “Tax the rich?” Under Republican president Dwight Eisenhower, top federal income tax rate was 91% in 1951. Under “Green New Deal” of red-white-and-blue Democratic “progressive” Alexandria Ocasio-Cortez, top rate would only be 70%. (Photo: White House; CNN) Calls to “tax the rich” can in fact mean just about anything. Promises of higher taxes on the wealthy and increased social services are easy crowd pleasers on the campaign trail for Democrats. And they don’t have to worry about following through: whatever gets passed in the House, they can blame Republicans and “moderate” Democrats in the Senate for it not getting enacted. While many would-be leftists were skeptical about Biden, even after they called to put him in office, there is a lot of misplaced hope in “progressive” Democrats, from Alexandria Ocasio-Cortez to Elizabeth Warren. AOC’s proposal to increase the top marginal tax rate sounds hefty, but even Bloomberg News (7 January 2019) pointed out, “Ocasio-Cortez’s 70% Tax Idea Isn’t Very Radical,” and that “it won’t do much to... raise revenue or lower inequality.” A glimpse at history shows this. The U.S. maintained top marginal income tax rates of 70% or more for decades, from the Democratic Franklin Delano Roosevelt (FDR) administration in the 1930s and ’40s up until Ronald Reagan took office in 1981, peaking at 94% in 1944-45. Under Republican Dwight D. Eisenhower in the early 1950s, the top rate was 91%. Far from serving to reduce inequality, the purpose of this tax policy was, first of all, to fund the imperialist World War II, from which the United States emerged as the dominant world power. Tax rates remained high through the Cold War as U.S. imperialism sought to spur counterrevolution in the bureaucratically degenerated or deformed workers states of the Soviet bloc and China, including waging hot wars in Vietnam and Korea, and building up an enormous (and enormously expensive) nuclear arsenal. Although taxes then were higher than they are today, the ruling class never actually paid a rate anywhere near 70-90 per cent. Accounting for all taxes on individual incomes, payroll, estates, corporate profits, properties and sales on the federal, state and local levels, the effective tax rate on the “top 1%” peaked during the 1940s and ’50s at between 40% and 45% of pre-tax income. By 2018, with the top income tax bracket at 39%, the effective tax rate on the richest 400 families was down to 23%, lower than the rate on the bottom half of U.S. families. For the bourgeoisie, tax avoidance has become a science, what with the much lower capital gains rate (now 20%); use of “stock options” (taxed as capital gains) for executive pay; tax-deductible “business expenses”; tax dodges like “carried interest,” and myriad other “loopholes.” Add to that additional deductions for donations, including those that go to think tanks and bourgeois propaganda “foundations,” for owning private jets (as a business expense), yachts (chartered as a separate business), even pools (for proven “medical purposes,” of course). For the last several years Tesla CEO Elon Musk’s salary has been equivalent to the California minimum wage – and he boasts that he’s never even cashed the checks. “In 2018, Tesla founder Elon Musk, the second-



richest person in the world, also paid no federal income taxes,” reported ProPublica (8 June). Yet in 2018 his company gave him \$2.3 billion in stock options, “one of the ten largest pay packages of all time” (New York Times, 13 June). And then there is Donald Trump, who got away with paying only \$750 in federal income tax in 2016 and 2017. Meanwhile, the tax rate on the income of corporations is also deliberately much lower than that on individual income, and myriad deductions lower it even further. Take Amazon, which last year paid a federal corporate tax for the first time since 2016, shelling out a mere 1.2 per cent of pre-tax earnings while the statutory rate was 21 per cent. In 2018, after making \$79 billion in profits Amazon paid nothing, and received \$4.3 billion in rebates from the state. So, yes, wealthy individuals and giant corporations get away with paying very little in taxes, while working people are left holding the bag. But what the “tax the rich” Democrats are calling for would hardly change that. Elizabeth Warren, now on the Senate Finance Committee, is pushing her “wealth tax.” This would consist of a paltry two cents on the dollar for fortunes greater than \$50 million. AOC’s 70% top marginal income tax rate would only be on incomes over \$10 million. The cut-offs on these tax plans would let plenty of very rich people off the hook. As we have pointed out about the Occupy Wall Street slogans of “the top 1%” against “the 99%,” often invoked by Bernie Sanders, these give vent to the frustrations of those facing economic hardship under decaying capitalism without challenging the property relations that breed this inequality. What, for example, about the members of the ruling class in the second percentile? And what about the racist cops doing their dirty work, whose incomes put them in the “99%” but who are enemies of the working class? Fiddling with tax rates is not by any means radical. Increasing taxes on the rich is neither incompatible with the capitalist system in general, nor with the free-market “neoliberalism” that the reformist left lambasts. Some defenders of capitalism support raising taxes on certain sectors of the ruling class in order to promote productive investment rather than financial speculation. So while DSAers hailed Elizabeth Warren as a “foe of Wall Street”<sup>8</sup> – even as this former Republican described herself as “capitalist to the bone” – during the Democratic presidential primaries, The Economist (22 June 2019), hailed Warren as the “saviour of capitalism.” This mouthpiece of London financiers quoted Fox News host Tucker Carlson’s remarks that Warren’s policies to revive industry are “like Donald Trump as his best.”<sup>9</sup> Expropriate the Capitalist Class with Workers Revolution “Tax the rich” proponents argue that raising rates on the wealthy would generate revenue to fund social benefits and services for the working class. Again, the issue is not of insufficient funds. Enormous subsidies are handed over to capitalists, and vast expenditures are needed to fund U.S. imperialism’s war machine and domestic repression. The state, which is what taxes go to finance, isn’t some tool that can be taken hold of by anyone, it is the apparatus by which the ruling class defends and upholds its rule, keeping the machinery of exploitation running by squeezing profits out of the labor of the working class. The tax code expresses the budgetary needs of the state; any allocation of revenue towards social programs is part of and subordinate to that goal. In appendix to their book, The Triumph of Injustice: How the Rich Dodge Their Taxes and How to Make them Pay, Emmanuel Saez and Gabriel Zucman show that working class does not benefit from cash transfers through taxes. (Photo: W.W. Norton Co.) To the degree that they serve to defuse protest, such social measures may contribute to prolonging the life of the capitalist system. Neither they nor the tax system fundamentally change the position of the working class in respect to the ruling class. In an online appendix to their book The Triumph of Injustice: How the Rich Dodge Their Taxes and How to Make Them Pay, Emmanuel Saez and Gabriel Zucman (who are advocates of Elizabeth Warren’s wealth tax) show that from 1962 to 2018 working-class incomes were consistently lower after factoring in both taxes and cash transfers from the government, concluding: “the working-class does not benefit on net from cash distribution.”<sup>10</sup> Using different metrics, Marxist economist Anwar Shaikh calculates the ratio of social benefits to taxes paid by U.S. workers from 1952 to 1993, finding that the working class as a whole received less than it paid for, in effect subsidizing the ruling class via taxes as well as through its labor.<sup>11</sup> The 1950s, ’60s and early ’70s were marked by grotesque episodes of racist repression, while poverty was rampant in the South,

Appalachia and the Northern ghettos, yet the working class received a significantly higher share of national income than it does today. The core reason is not taxes, but the strength of the labor movement. Private sector unionization peaked at 35 per cent in the 1950s compared to 6.3 per cent in 2020.<sup>12</sup> From the 1970s onward, seeking to offset capitalism's falling rate of profit, the ruling class went on the offensive, outsourcing much of U.S. industry and busting unions. That offensive, and the lack of large-scale and militant working-class resistance due to the pro-capitalist labor bureaucracy that chains the unions to the Democratic Party, are key to the growing inequality we have witnessed over the past several decades. "Tax-the-rich" reformist leftists divert social struggles into pressuring the Democrats. Right: Instagram tile for rally on Democrat Joe Biden's Inauguration Day, 20 January 2021, calls to "fight the far right." (Photo: Socialist Alternative / Instagram) Calls to "tax the rich" perpetuate this pattern, by spreading illusions and helping divert the struggles of workers and the oppressed into pressuring the Democrats. Under both Bill Clinton (1993-2000) and Barack Obama (2009-2016), Democratic administrations continued the same anti-worker economic policies as Republicans Bush I and II. Meanwhile, they blocked workers' struggles with anti-labor laws such as the Taft-Hartley Act, administered by the National Labor Relations Board (NLRB), set up by FDR under the 1935 Wagner Act to bring unions under the thumb of the capitalist state. Today, the response of the AFL-CIO tops to the defeat of the union organizing drive at Amazon in Bessemer, Alabama, has been to lobby for the Democrats' PRO (Protecting the Right to Organize) Act bill – i.e., appealing to the capitalist state. Reformist union reform groups in New York City held a "tax the rich teach-in" to build support for "progressive" Democrats' Invest in Our New York campaign, March 2021. (Photo: Local 100 Fightback Coalition / Facebook) It's not just the labor fakers sitting atop the unions who peddle this fool's gold. In March, various union reform groups in New York City – including the Movement of Rank and File Educators (M.O.R.E.) in the United Federation of Teachers (UFT), Local 100 Fightback (TWU) and DC 37 Progressives – joined with the NYC-DSA in a "Tax the Rich Teach-In" to promote the bills in Albany put forward by the "progressive" Democrats' Invest in Our New York campaign. At the same time, M.O.R.E. issued yet another statement against "being forced back into school" while lamenting that "the ultra-wealthy continue to fight as hard as they can against paying their fair share in taxes." In the UFT Delegate Assembly, it put forward a "Resolution on Tax the Rich, Invest in Our NY." Rather than looking to the capitalist Democratic Party, Class Struggle Education Workers called on unions to use their power to reopen schools safely. Rally for safe schools by Brooklyn, NY UFT chapters, October 2020. (Photo: CSEW) While the self-proclaimed "social justice unionists" of M.O.R.E. were phone-banking to get teachers "not to go in to work" and to support the Democrats' "tax-the-rich" bills, Class Struggle Education Workers (CSEW) called instead to "Use Union Power to Reopen Schools Safely," calling "For Union-Led Teacher-Student-Parent-Worker Control of the Schools" and denouncing the "bipartisan capitalist war on public education."<sup>13</sup> (The CSEW is a union tendency which works fraternally with the Internationalist Group.) On Amazon, the IG calls to unionize the internet retail giant with hard class struggle, while warning against illusions in the Democrats and the PRO Act, which will continue the subordination of the unions to the NLRB. At bottom, this is a question of class. Calls to "tax the rich" take responsibility for financing the machinery of the capitalist state, the instrument by which the bourgeois rulers regiment working people and the oppressed. We demand that undocumented immigrant workers get the desperately needed unemployment benefits they have been denied throughout the duration of the COVID pandemic, and billions of dollars go to safely reopening public schools. But we don't act as advisors to the capitalists and their politicians saying where this money should come from. That's their problem. And the only way to win these and other crucial demands is through hard class battles, not by leaving doorhangers or voicemails for your local congressperson and state senator.

## Taxation is a necessary enabler of capitalist society.

**Marx** [Marx, 1875, [Creator of communism.] "Karl Marx, On Taxation (1848-1849)," Critique of the Gotha Programme, <https://www.panarchy.org/marx/taxation.html>]

Taxes equal state That, in fact, by the word "state" is meant the government machine, or the state insofar as it forms a special organism separated from society through division of labor, is shown by the words "the German Workers' party demands as the economic basis of the state: a single progressive income tax", etc. Taxes are the economic basis of the government machinery and of nothing else. In the state of the future, existing in Switzerland, this demand has been pretty well fulfilled. Income tax presupposes various sources of income of the various social classes, and hence capitalist society. It is, therefore, nothing remarkable that the Liverpool financial reformers — bourgeois headed by Gladstone's brother — are putting forward the same demand as the program. (Karl Marx, *Critique of the Gotha Programme*, 1875)

## Taxation requires the endless expansion of capital to provide a tax base – it's a system that depends on capitalism to exist.

**O'Connor 17** [O'Connor, James. James O'Connor was the co-founder of Capitalism Nature Socialism and the Center for Political Ecology. *Fiscal Crisis of the State*. Routledge, 2017.]

In the era of monopoly capitalism the character of the fiscal system (as that of the entire society) undergoes a profound change. The powers of the special interests in the legislative branch dwindle and the authority of the class-conscious political directorate in the executive branch grows, widening the scope of independent state action. The normal tendency of monopoly capitalism is toward the creation of surplus capital and surplus labor. To the degree that capacity remains idle and the surplus population remains unemployed, state expenditures tend to raise not only the level of aggregate demand but also real output, incomes, and the tax base. In this sense, state expenditures tend to the partly self-financing and virtually costless in terms of the industrial capacity and laborpower utilized. However, the price of the corporate liberal consensus between monopoly capital and organized labor is a policy of high employment. High or full employment clearly mitigates against the process of self-financing of state expenditures and deepens the fiscal crisis because an expansion of state expenditures tends to be inflationary. Third, because of the tremendous productive capacity of monopoly capitalism, it would appear that larger and larger portions of wage income can be taxed without affecting economic incentives or risking political tax resistance. However, much of this surplus is not available to taxation because part of it takes the form of selling expenses included in commodity prices (e.g., packaging, model and style changes, advertising, etc.) and because the state encourages private consumption by underwriting social consumption and social expense outlays. We can safely conclude that at one budgetary level full employment of economic resources will be reached. And at another, higher level, the state will have appropriated the entire surplus available in taxable form. At this point, further increases in state spending will require the enlargement of the tax base. This will necessitate a reallocation of state expenditures even more in favor of private accumulation and the social-industrial complex in order to accelerate capital accumulation and the growth of real income. In sum, private accumulation and the expansion of income have increased the tax base, opening the way for the state to finance the programs and activities essential to further profitable accumulation in the monopoly sector. However, state expenditures have become increasingly integral to the process of monopoly capitalist accumulation. In the long run the state must encourage private accumulation more and more in order to generate the economic growth required to raise tax revenues that are needed to strengthen an economic system whose first and overriding purpose is profit making and accumulation. As the "growth dividend" becomes increasingly elusive, state and private economic activity must be ever more closely meshed. The passive servant of private property in an older era, today the federal government must come actively to its defense.

## Racial inequality is inherent to capitalism – the aff's attempts to solve inequality through cap perpetuate the very system that created it.

**Perez 2022** [Francisco Pérez (Francisco Pérez is the Director of the Center for Popular Economics), 4-27-2022, "How Do We Build Black Wealth? Understanding the Limits of Black Capitalism", Non Profit News | Nonprofit Quarterly, <https://nonprofitquarterly.org/how-do-we-build-black-wealth-understanding-the-limits-of-black-capitalism/>]

In the wake of the mass movement against anti-Black racism that arose in 2020 following the police murders of Breonna Taylor, George Floyd, and countless others, both foundations and corporations have pledged to make amends by investing in Black businesses. According to McKinsey & Company, collectively the nation's leading 1,000 corporations pledged \$200 billion. Even if much of that money is simply a relabeling of pre-existing dollars, at least some of it represents new investment. Hopefully, these investments will have some positive impact, but history encourages us to be cautious. A significant portion of recent investors in Black businesses take Black capitalism as their operating theory—that is, they assume that the path to racial equality is paved with Black business success. If racism has left Black Americans with less capital than white Americans, then the solution is to help Black Americans eventually own businesses as large and profitable as those of white Americans. Capitalism, in this conception, is “race neutral”—business is business. According to this point of view, to achieve racial justice, the existing economic system does not need to fundamentally change. The problem is simply one of shifting ownership and control of the economic system so that such ownership and control is not enjoyed by predominantly white people but is instead equitably distributed across races. The appeal of Black faces in high places is undeniable. And certainly no one would argue that representation is unimportant. Nonetheless, such a simple formulation misses a lot, including the fact that such investment practices have been tried before—and failed many times before. The notion of Black capitalism has a long pedigree. It appeared in some of the writings of Booker T. Washington from the 1890s and became US federal policy during President Richard Nixon's administration. Why did these approaches fail? There are many reasons, but the work of the late Black political scientist, Cedric Robinson, offers a particularly cogent explanation. In his book, *Black Marxism*, published in the early 1980s, Robinson contended that we should think of the global economic system not merely as “capitalism” but as “racial capitalism,” arguing that racism is not a “bug” of the global capitalist economy. Rather, racism is a core part of capitalism's DNA. The Enduring Appeal of Black Capitalism The US has a long and bloody history of racial terrorism targeting Black-owned businesses. This history includes the racist pogrom that destroyed Tulsa's “Black Wall Street” in 1921, which was widely commemorated last year during its centennial. The implication of these memorials was that, without the ever-present specter of racist violence that characterized Jim Crow, Black Americans would have similar levels of income and wealth to white Americans today. Promoting Black capitalism has been the preferred approach of both major political parties since Nixon unveiled a program of tax incentives for Black businesses in an effort to head off more militant alternatives. For a nation that venerates entrepreneurship and deifies business leaders, this vision holds great attraction. As Mehrsa Baradaran, author of *The Color of Money: Black Banks and the Racial Wealth Gap*, outlines in the New York Times, “Black capitalism was so politically appealing, every administration since Mr. Nixon's has adopted it in some form. Black capitalism morphed into Ronald Reagan's ‘enterprise zone’ policy, Bill Clinton's ‘new market tax credits,’ and Barack Obama's ‘promise zones.’” Donald Trump's 2017 Tax Cuts and Jobs Act also included similar “opportunity zones.” Black Capitalism's Shortfalls Despite repeated promises by US presidential administrations since 1970 to kickstart Black capitalism, it has failed to take-off, and racial income and wealth gaps have remained frustratingly persistent. Research by the Washington Center for Equitable Growth, a progressive think tank, shows that racial income inequality has changed little since the civil rights movement. The median income of Black households has hovered at around 55 percent of that of white households since 1968, while the average income of Black households has been about 60 percent of white households. William “Sandy” Darity and Darrick Hamilton—two leading economists

studying racial inequality, along with a host of other colleagues—assert in a 2018 paper that the racial wealth gap is the best measure of the burden that historic and ongoing racism has imposed on Black Americans. The Urban Institute reports that in 1983, the median white family had eight times the wealth of the median Black family. In 2019, the gap was the same! Black Americans make up 13 percent of the population but own an estimated 2.6 percent of US wealth. Households that fall within the top one percent of wealthiest Americans are 96.1 percent white and only 1.4 percent Black. As a research team led by Darity wrote, Federal Reserve data from 2016 indicate that to be in the top one percent of wealthiest white Americans, you need \$12 million in net worth, while a measly \$1.574 million gets you into the Black one-percent club. Why have decades of official support for Black capitalism failed to close the racial wealth gap? Capitalism and Inequality One possible explanation is the “Piketty principle,” named after the French economist, Thomas Piketty, who documented rising concentrations of wealth in his magnum opus, *Capital in the 21st Century*. Piketty famously argues that the rate of return on capital has been higher than the rate of overall economic growth in most rich countries for most of their history. If capital returns—profits, dividends, interest, and rents—rise faster than overall incomes, then high and rising wealth inequality is inevitable. Piketty demonstrates that reductions in wealth inequality are exceptional, the result of political intervention. Wealth inequality in Western Europe fell when the world wars destroyed the fortunes of many rich Europeans. Social democratic reform in the wake of World War II—especially progressive taxation and high levels of unionization—also contained wealth inequality. The rise of neoliberalism since the 1980s, however, has once again caused income from property to grow much faster than overall income, leading to today’s extreme levels of wealth and income inequality. If large fortunes grow faster than smaller ones and white Americans start with more wealth than Black Americans, it follows that the racial wealth gap will be stagnant at best and, at worst, will increase over time. “Free markets” left to their own devices will never close the racial wealth gap. As Darity et al, explain, “Blacks cannot close the racial wealth gap by changing their individual behavior—i.e., by assuming more ‘personal responsibility’ or acquiring the portfolio management insights associated with ‘financial literacy’—if the structural sources of racial inequality remain unchanged.” There are simply “no actions that black Americans can take unilaterally that will have much of an effect on reducing the racial wealth gap.” Black capitalism with its emphasis on individual action is unlikely to succeed. As Baradaran concludes in her New York Times op-ed: “If the rollout of the Black capitalism program had demonstrated anything, it was that economic power could not be achieved without government help.” Can Racial Capitalism Be Reformed? Even if it were possible for Black wealth to grow faster than white wealth despite the headwinds identified by Piketty, it would still take unbearably long. Last year, Ellora Derenoncourt, an economist at Princeton University, and three colleagues at German universities released preliminary research that examined the evolution of the racial wealth gap since the end of the US Civil War. The paper’s authors estimate that even if Black and white wealth grew at the same rate—that is, with equal capital gains, rates of return, and savings rates, all unlikely outcomes of a system where having money helps generate more money—it would take over 200 years to close the racial wealth gap (2). Using more realistic assumptions that project forward the economic patterns of the past 50 years, the authors add that the answer to when the racial wealth gap will close, “strikingly, is never” (15). In response to these dire predictions, Hamilton has proposed that the federal government provide each child that does not already have a trust fund with such a fund upon birth. Children born to families with the least wealth would get the biggest endowments, up to \$60,000. When they turn 18, account holders could access the funds for investment—to pay for college, buy a home, or start a business. While this would certainly make a significant dent in the racial wealth gap, it does not directly address the Piketty principle: so long as white fortunes are growing faster than Black ones, the racial wealth gap will persist. Darity and his coauthor, A. Kirsten Mullen, have made a more ambitious proposal advocating for reparations for Black Americans for slavery, Jim Crow, and current racial discrimination. This proposal calls for the US federal government to make direct payments, totaling \$10

to \$12 trillion, to each Black descendant of Africans enslaved in the US (controversially, the program would exclude Black immigrants). Putting aside whether such a proposal will ever gain majority support in Congress, would it actually close the racial wealth gap for good? While it would immediately close the wealth gap, such a proposal would not guarantee that the racial wealth inequality would not re-emerge. Again, so long as the returns to white wealth remain higher, then white wealth will eventually outpace Black wealth. The problem, as Piketty demonstrates, is that capitalism is an inequality-producing machine. One of the threads uniting the Black radical tradition is the assertion that it is impossible to achieve racial equality in a capitalist society. For at least a century, Black Marxists like WEB DuBois, CLR James, and Claudia Jones have argued that capitalism cannot survive without racism, which allows capitalists to “divide-and-conquer” the working-classes. Emphasizing racial divisions hinders workers from organizing stronger unions, lowering the wages of both white and Black workers. Without racist ideas to justify glaring social inequalities, a capitalist social order would be a lot more unstable and susceptible to radical challenges. As historian and prison abolitionist Ruth Wilson Gilmore states bluntly, “capitalism is never not racial.” What Do Racial and Economic Justice Require? Even if promoting Black capitalism could close the racial wealth gap, is our vision of a just society in the US simply one where the top one percent is roughly 13 percent Black, 18 percent Latinx, six percent Asian, and 1.5 percent Native American—ie, one where the elite looks more like the mass of workers it exploits? Is massive wealth inequality justified so long as it is not racialized? Are poverty wages less miserable because your boss is Black? Is substandard housing less dangerous because your landlord is Black? Are monopoly prices any more affordable because the company is Black owned? There is something deeply ahistorical underlying current efforts that ignore and indeed reproduce previous efforts to combat racial inequality by employing the strategies of Black capitalism as the primary path. Even if Black capitalism can ultimately “deliver” racial equality, the data suggests it would take centuries to do so. Moreover, our horizon for social justice should be far more profound than simply diversifying the elite. As long as capitalism remains an “inequality producing machine,” it will prevent racial equality. Fred Hampton, the charismatic young leader of the Chicago chapter of the Black Panther Party who was murdered by Chicago police and the FBI in 1969, explained this succinctly: “We’re not going to fight capitalism with Black capitalism, but we’re going to fight it with socialism.” Black communities have long pursued an alternative approach to racial equality founded on collective ownership and democratic management of businesses and housing. As economist Jessica Gordon Nembhard details in her book, *Collective Courage: A History of African American Thought and Practice*, Black cooperatives are rooted in the mutual aid efforts of the formerly enslaved during Reconstruction. While Booker T. Washington was preaching Black capitalism, WEB DuBois published a book in 1907 titled *Economic Cooperation Among Negro Americans*, advocating for more Black cooperatives. Several prominent leaders of the civil rights movement, like Ella Baker and Bayard Rustin, were members of the Young Negro Cooperative League in the 1930s. Now grouped under the banner of the “solidarity economy,” these initiatives promised a more egalitarian society by directly challenging capital’s concentrated ownership. A movement that seeks economic justice without addressing race and other forms of inequality would surely fall grossly short of the mark. But that very same observation, I contend, also applies in reverse: employing Black capitalism as the primary path for achieving racial justice is certain to disappoint. Liberation will only come if we are expansive enough in our vision to address inequality in all its forms.

## **Wealth redistribution schemes fail – inequality is inevitable as capitalism is a global controller extending beyond the state.**

**Intosh 2014** [Intosh, Sander, and Mac Intosh. “Why Wealth Redistribution Cannot Solve Capitalism’s Crisis.” *Internationalist Perspective*, 2014, [internationalistperspective.org/wp-content/uploads/2021/04/IP-60-Print-version.pdf](http://internationalistperspective.org/wp-content/uploads/2021/04/IP-60-Print-version.pdf).]

“Redistribute the wealth!” is the rallying cry of the capitalist left all over the world. Tax the rich, increase the wages, increase the state’s social spending and investment to create jobs and rein in climate change

... all that and more, while leaving the basic framework of capitalism – commodity production, wage labor, profit, global competition – intact. At first sight, this program seems logical. After all, economic growth is stymied by a lack of effective demand, and this demand is diminished by the rising income inequality. So why not take part of the mind-boggling fortunes of the super rich and use it to raise the income of the poor? Look at the Walton family, which owns more than half the stock of the Walmart supermarket chain. Six members of this family own more than the bottom 30% of all American families together, while workers at Walmart earn so little that they need to apply for food stamps to survive, and collection boxes are installed at Walmart stores so that needy Walmart “associates” can buy a turkey for Thanksgiving. If only, so it is said, people like the Waltons would understand “the genius of Henry Ford”, who supposedly raised the wages of his workers so that they could buy the products of their own labor: a win-win situation in which the workers improved their living standard and Ford increased its market. Likewise, so the capitalist left claims, a redistribution of wealth would make everybody a winner today. Unemployment would fall, living standards would rise; the expansion of the market would end the crisis of overproduction and thus raise the capitalists’ profits, while social tensions would decline. It remains a curious fact that no government on earth is adopting such a marvelous program, so clearly advantageous to capitalism as well as to the working population. Indeed, when political parties of the capitalist left come to power, no transfer of wealth from rich to poor occurs. Francois Hollande, the ‘socialist’ president of France, is not raising taxes on the rich, he is lowering them. US President Obama, who talks a lot about the need to address income inequality, launched a stimulus program of which less than 5% went to the poor; the bulk of it went to the banks and other big capital entities. Under the rule of the Workers’ Party (PT), Brazil became the country with the widest gap between rich and poor in the entire world. The second widest gap is in “communist” China, which has scores of new billionaires, many of them high ranking Communist Party leaders, trillions of dollars in the coffers of its central bank and hundreds of millions of people living in dire poverty. If redistribution of wealth from the rich to the general population were a solution to the economic crisis, you would think that at least some capitalists would be smart enough to act in their own best interests and try it. Instead, all governments, whether from the left or the right, preside over a process of pauperization of the many and enrichment of the few. They differ in their rhetoric and tactics, but what they do is essentially the same. The excuse of the left leaning governments is that the working class would be attacked even harder if the right were in power. Of course when they are in opposition, the left parties devise ambitious wealth distribution plans. The less their chance of coming to power, the more radical these plans tend to be. But the rising inequality is an effect of the crisis, not its cause. Therefore, redistribution of wealth cannot be a solution to the crisis of capitalism. It is an empty slogan, but one whose appeal is obvious. The more people have to struggle to make ends meet, the more obscene the concentrated wealth of the rich appears. Naturally this provokes anger, and demands for “economic justice.” Of course, we support the fight against pauperization, against social cuts, for raising the minimum wage and so on. But we denounce the illusion that capitalism can accommodate “economic justice,” that pauperization and the rise of income inequality can be stopped, and that the crisis can be resolved within the framework of capitalist society. The program of the capitalist left is based on mystifications. Let’s take a closer look at some of them. The Henry Ford-myth In 1914 Henry Ford doubled the wages of many of his workers to 5 dollars a day. Wikipedia writes: “Ford’s policy proved that paying people more would enable Ford workers to afford the cars they were producing and be good for the economy”. This myth is still popular, especially in North America. We heard it mentioned several times at Zucotti park in New York during the Occupy Wall Street protests. But Ford did not double the wages to turn his workers into his customers. If that had been his purpose, he might as well have given his cars away for free. Since he was paying the wages, he would be indirectly buying his own cars with his own money. Not very profitable. Not that a worker could afford a car in 1914 anyway, even while making 5 dollars a day. That only became possible many years later when the high productivity resulting from the mass production methods which Ford

pioneered had brought down the cost price far enough. Then, the Ford factories moved to the suburbs, and for its workers the possibility to buy a car became an obligation. Ford was no friend of the working class. His tactics including playing off white and black workers against each other, and the use of company police to ruthlessly control the work force. He had another reason to double the wages. He was a genius, but his genius consisted in finding new ways of intensifying the labor process. He was the first to introduce moving assembly lines. Productivity was rising fast in his factories but it was hampered by the heavy turnover, as so many workers soon had enough of the hellish pace that became the norm in the Fordist mode of production. In many departments, 300 workers a year had to be hired and trained to fill 100 slots. That constituted an enormous drag on productivity, to which the wage-rise was the solution. Ford also doubled the wages because he could. He enjoyed a near monopoly in an exploding market. His sales doubled every year. If we look for comparison at companies today, there are some, like Microsoft, Google and Apple, who enjoy to some extent a similar advantage (they too can afford to pay higher than average wages to attract talent), but the overall context is different. There are certainly still companies that could afford to raise wages but don't because there is not enough pressure on them to force their hand. But there are many more which can only stay in business by lowering their labor costs, either by eliminating jobs or cutting wages and benefits. The Myth of the New Deal and the Popular Front The myth of the New Deal or what generations of progressives have designated as the "Roosevelt Revolution," has an even firmer hold on the imagination of the left, as does the nostalgia for the Popular Front, and its model in France (1936), for both are now – especially now – held up as exemplars of progressive social and political policy, and as assaults on the temples of wealth, forerunners and models for today's demands for income redistribution and government spending to overcome the economic crisis. Both the New Deal and the Popular Front are portrayed by the capitalist left today as having brought about economic recovery and social justice through a redistribution of wealth that put an end to the "Great Depression" that began in 1929. But did the New Deal redistribute income and wealth? Did its programs provide a solution to – or even significantly ameliorate – the devastating impact of the economic crisis? At the heart of the myth of the New Deal lay the social and economic programs which Roosevelt championed: first the abortive National Recovery Administration (struck down by the Supreme Court), which actually set aside the anti-trust laws introduced by earlier progressive administrations, and legalized a network of compulsory cartelization of industry with the aim of jumpstarting the capitalist economy. The failure of that gambit aside, there were the social programs that have come to define the New Deal in the hearts of much of the left today: The Tennessee Valley Authority, the Works Progress Administration, the Wagner Act, Social Security, more progressive taxation. The greatest impact of the New Deal, and its plethora of programs, was to quell the growing radicalism of the working class, which progressives and the new President clearly saw as a threat to the capitalist system. Yet the promise to put America back to work through deficit spending, itself made possible by virtue of the fact that the crisis itself had led to a threatening deflationary spiral, as well as to America's role in the global economy as a creditor nation (in stark contrast to today), was itself an abysmal failure. Public works programs like the TVA or the WPA, absorbed just a small part of the "army" of the unemployed, and "relief" payments to the unemployed barely mitigated their desperation, but the immediate impact of those programs was to blunt the spreading radicalism of the working class, for whom mere existence had become increasingly desperate. Perhaps the most important effect of the Wagner Act, which opened the legal way to mass industrial unionism, was to provide a means to control working class resistance, and channel its outbreaks into a network of institutions where it could be contained. Indeed, the New Deal did not eliminate the unemployment that was the bitter harvest of the great depression. Unemployment in the US in 1933 when Roosevelt took office at the height of the great Depression was 25.2%. A second economic downturn in 1938, threatened to cast the nation back into the same crisis conditions that had prevailed five years before, and despite a massive rearmament program, and war preparations initiated by the New Deal, in 1940



unemployment stood at 13.9%, and was only wiped out by America's entrance into the world war itself. On December 8, 1941 when the US entered World War Two, there were still six million unemployed in the US, despite several years of a massive rearmament program which Roosevelt had undertaken in the knowledge that the US had to go to war. The vaunted economic "recovery" for which the capitalist left celebrates the New Deal, then, was due to war production and inter-imperialist war itself, a war that the US was prepared to fight not just because of its capacity to produce the armaments and raw materials necessary to wage it, but because the New Deal had created the institutions through which the danger of class struggle itself had been neutralized. The real fruit of the New Deal, then, was world war, from which the US emerged as the dominant world power, economically, politically, and militarily, with its basic socio-economic institutions not just intact, but enormously strengthened. The electoral victory of the Popular Front, following a massive strike wave in France in 1936 in response to the same economic crisis that had brought Roosevelt to power in the US four years earlier, put Leon Blum and the left in power, with the support of the Stalinist 'Communist' party. The target of the Popular Front, beyond ending the strike wave, which it promptly did, was an assault on the power of the "200 families" that controlled the Bank of France, and thereby gained control of the money supply and the nationalization of the armaments industry. Yet, the comrades of the communist left saw the victory of the popular Front as "The Defeat in France," as their lead article in International Council Correspondence was titled. The nationalization of the armaments industry, and the creation of the money supply to set it into high gear, was a necessity in the face of the prospect of imperialist war, the bases for which the Popular Front set out to create (that rival factions of French capital preferred a Nazi dominated Europe to one shaped by the Anglo-Saxon powers changes nothing in terms of understanding the capitalist nature of the Blum government). As the left communists then pointed out: "The popular-front government can do no damage to the French bourgeoisie. Its only damage will be to the workers. The popular-front government is the government of French capital"<sup>1</sup>. Both the New Deal and the Popular Front came to power in the midst of a devastating economic crisis, and in each case not only did their triumph put an end to the prospect of an ever-spreading class struggle, but it enabled the ruling class to introduce the economic and political programs that responded to the fundamental needs of capital. Indeed, in this regard, many of the economic and social programs of both the New Deal and the Popular Front bear a startling resemblance to similar programs initiated by Hitler and the Nazi regime, confronting the same global economic crisis as did the US or France: deficit spending, compulsory cartelization, state control or even nationalization of banking and industry, the creation of unions to "manage" the working class, and massive investments in war production, which diminished unemployment and the social threat it represented, and which was an imperative for capital as its "solution" to the crisis – imperialist world war – became clear. Today, in the midst of another devastating economic crisis of capitalism, the myths of the New Deal and the Popular Front, having entered into the collective consciousness or imaginary of a new generation of the left, constitute a formidable ideological bulwark of capital in a new century. With respect to the capitalist left's longing for a new New Deal, it might be wise to listen to one of the radical historians of the new left in the '60's, William Appleman Williams, who put it in these stark terms: "The New Deal saved the system. It didn't change it"<sup>2</sup>. The myth of national independence The myth that a redistribution of wealth can solve the crisis implies another one: the myth of national independence; the myth that governments have the leeway to chart an independent course and transfer wealth from rich to poor at will. But the more developed the economy has become the more each country has become a part of a global production chain. Capitalism is now one giant machine with, to quote William Greider, "no one at the wheel"<sup>3</sup>. No one can take the wheel to drive the machine away from the abyss because the machine itself dictates the course. It has its own laws, its own logic which brought us to today's crisis and makes it inevitable that the deepening of this crisis will lead to a redistribution of wealth, not from, but to the rich, regardless of the government in power. There have been attempts by various state-capitalist regimes in the 20th Century to follow an independent course.

By now, such efforts have been almost completely abandoned, mainly because the resulting lack of integration into the global system led to a growing lag of productivity that meant poverty for the masses and meager profits for the Stalinist ruling class. Today, only the extreme fringe of the capitalist left still defends an autarkic course. But the more moderate left continues to pander to the myth that a proper left government would take money from the rich and use it to spend its way out of the crisis while still maintaining the country's competitive position in the global economy. A few of them, "global Keynesians," recognize that this would be impossible for any individual country but they pin their hopes on agreement between the main players: like Thomas Piketty who had to conclude from his data<sup>4</sup> that the gap between rich and poor was not influenced at all by whether the left or the right was in power, and who therefore proposed a global wealth tax as the only possible cure. As if fiscal competition could be suspended. In reality, we see the opposite trend. No country can ignore its obligation to be attractive to capital; today less than ever. As water finds a myriad of ways to the lowest possible point, capital always finds its way to the highest possible rate of profit, wherever on the globe. And it starves those areas that fall short. Now that capitalism is mired in a systemic crisis and a deflationary spiral threatens to pull down the value of capital everywhere, capital flows not only to where it can valorize most, but also to where the risk of devalorization is lowest. So to remain attractive for capital, and thus prevent a flight of capital, a country must offer the owners of capital a better or at least equal expectation of profit than what it could obtain elsewhere. The crisis accelerates a competition between countries in reducing 'the costs of doing business', by lowering taxes on wealth and profits, by lowering wages and benefits, by making it easier to lay off workers, by lax environmental regulation, by devaluing currencies. They must cut pensions and other social spending to keep the confidence of the owners of capital in their future ability to meet their financial obligations, because if they lose this confidence capital will withdraw and steep interest rates will strangle their economy. This gives an inherent advantage to the countries whose advanced technological development and military power inspire such confidence. That is in the first place true for the US, whose national currency is as well the principal international form of money. That makes confidence in it practically an obligation. So the pressure is not equal everywhere; some countries have more leeway than others. But even for the richest and most powerful ones the priority is to be attractive for capital. They can do so with other means than the weaker ones. The US, with its hand on the dollar-spigot, has created money as never before, just like the capitalist left says is needed. And all that money did create a redistribution of wealth. Only, it was – and is – a redistribution of wealth to the wealthy, since the bulk of that money served to buy mortgages, equity, treasury notes and other assets, to prop up their prices, to keep them attractive for capital. The weaker countries have even less options. Yet it's there that the capitalist left has the most chance to put its recipes to work. It's conceivable, for instance, that the capitalist left (Syriza and the CP) could win the elections in Greece, presumably on the promise to reduce unemployment, increase social spending and increase economic growth. But economic growth depends on competitiveness, which depends on productivity. How would the left keep the Greek economy competitive, without resorting to lay-offs and austerity measures just like the right? Technological innovation might provide an alternative, but that would require capital that Greece doesn't have and even if it would find it, such change would make many more jobs superfluous and increase unemployment. Make-shift job programs would be nothing more than a fig leaf for that trend. What probably would happen if the left won in Greece is that the new government would try to negotiate better conditions from its creditors without obtaining any meaningful results, as the latter would have no incentive to make concessions. This might lead Greece to drop the euro and return to its national currency, the drachma. The weakness of that currency would indeed make the Greek economy more competitive (by making itself cheaper). But the weight of its debt (still mainly in euros) would rise, as would the price of everything Greece imports. This would increase inflation, and if the government really were to increase its spending to increase the consumer power of the under-privileged, it would rise even more. This would eat away whatever gains the working population was granted and to rein in

hyper-inflation, the government would have to revert to steep cutbacks. The pauperization would continue. We suspect the leaders of Syriza and the CP realize this and will avoid the responsibility. They are more comfortable and more useful for capital in opposition. Capitalism makes everything, including politics, a market. Within the political market, social conditions determine supply and demand. Increased social tension increases the demand for political forces, from the left and or the right, who can encapsulate those tensions within the framework of capital. Parties like Syriza are the supply that meets this demand.

## **The alternative is dual power organizing.**

**Escalante '18** [Alyson, philosophy at U of Oregon. 08/24/2018. "Against Electoralism, For Dual Power!" <https://theforgenews.org/2018/08/24/against-electoralism-for-dual-power/>]

I am sure that at this point, the opportunists reading this have already begun to type out their typical objection: the world is different than it was in 1917, and the conditions of the United States in no way echo the conditions which enabled the Bolsheviks to achieve revolutionary success. To this tried and true objection, there is one simple answer: you are entirely correct, and that is why we need to abandon electoralism and working within the bourgeois state. What were the conditions which allowed the Bolsheviks to successfully revolt? The conditions were that of Dual Power. Alongside the capitalist state, there existed a whole set of institutions and councils which met the needs of the workers. The soviets, a parallel socialist government made up of individual councils, successfully took over many governmental responsibilities in some parts of Petrograd. In the radical Viborg district, the Bolshevik controlled soviets provided government services like mail, alongside programs that could meet the needs of workers. When a far right coup was attempted against the provisional government, it was troops loyal to the Bolshevik factions within the soviet who repelled the coup plotters, proving concretely to the workers of Petrograd that the socialists could not only provide for their needs, but also for their defense. In short: the Bolsheviks recognized that instead of integrating into the bourgeois state, they could operate outside of it to build dual power. They could establish programs of elected representatives who would serve the workers. They would not bolster the capitalist state in the name of socialism, they would offer an alternative to it. And so, when the time came for revolt, the masses were already loyal to the Bolsheviks. The only party who had never compromised, who had denounced the unpopular imperialist wars, who had rejected the provisional government entirely, was the party who successfully gained the support of the workers. And so, many of us on the more radical fringes of the socialist movement wonder why it is the the DSA and other socialist opportunists seem to think that we can win by bolstering the capitalist state? We wonder, given this powerful historical precedent, why they devote their energy to getting more Ocasios elected; what good does one more left democrat who will abandon the workers do for us? The answer we receive in return is always the same: we want to win small changes that will make life for the workers easier; we want to protect food stamps and healthcare. And do this, we reply: what makes you think reformism is the only way to do this. When the bourgeois state in California was happy to let black children go to school unfed, the Black Panthers didn't rally around democratic candidates, they became militant and fed the children themselves. In the 40s and 50s, socialists in New York saw people going without healthcare and instead of rallying behind democratic candidates, they built the IWO to provide healthcare directly. Both these groups took up our pressing revolutionary task: building dual power. Imagine if all those hours the DSA poured into electing Ocasio were instead used to feed the people of New York, to provide them with medical care, to ensure their needs were met. Imagine the masses seeing socialism not as a pipe dream we might achieve through electing more imperialists, but as a concrete movement which is currently meeting their needs? The fact is, we are not nearly ready for revolution. Socialists in the United States have failed to meet the needs of the people, and as long as their only concrete interaction with the masses is handing them a voter registration form, they will continue to fail the people. Our task now is not to elect representatives to

advocate for the people; it is much more gruelingly laborious than that. Our task is to serve the people. Our task is to build dual power. The movement to do this is underway. Members of the DSA refoundation caucus have begun to move the left of the DSA in this direct, socialist groups like Philly Socialists have begun to build dual power through GED programs and tenants unions, many branches of the Party For Socialism and Liberation have begun to feed[s] the people and provide[s] for their concrete needs, and Red Guardcollectives in Los Angeles have built serve the people programs and taken on a stance of militant resistance to gentrification. The movement is growing, its time is coming, and dual power is achievable within our life time. The opportunists are, in a sense, correct. We are not where we were in 1917, but we can begin to move in that direction and dual power can take us there. In order to achieve dual power we have to recognize that Lenin was right: there will be no socialist gains by working within state institutions designed to crush socialism. Furthermore, we must recognize that the strategies of the electoral opportunists trade off with dual power. Electing candidates drains resources, time, and energy away from actually serving the people. And so, we should commit to undertake the difficult and dangerous task of building dual power. We must reject opportunism, we must name the democratic party as our enemy, we must rally around power directly in the hands of the socialist movement. We do not have a parallel system of soviets in the United States. We can change that. Someday the cry “all power to the soviets” will be heard again. Lets make it happen.

## **The Role of the Judge is to be a propagandist. Studies show that debate is inevitably a breeding ground for revolutionary tactics – negating aligns with communist base-building.**

**Greene and Hicks 06** [Ronald Greene, former Chair of the Critical and Cultural Studies Division of the National Communication Association, and Darrin Hicks, communication studies at the University of Denver. 2006. “Lost convictions: Debating both sides and the ethical self-fashioning of liberal citizens,” <https://www.tandfonline.com/doi/abs/10.1080/09502380500040928>]

Concurrently, the Army Information and Education Group, which would become the core of the Hovland-Yale Communication and Persuasion Group, led by Carl Hovland, was conducting experiments testing the relationship between inducement and internalized attitude change. In 1953, Hovland, Janis, and Kelley published their highly influential book Communication and Persuasion, which established a positive relation between verbalization and the intensification of belief and predicted that being forced to overtly defend a position discrepant from one’s own private beliefs would result in the internalization of the overtly defended position. This prediction was further supported by the forced-compliance and cognitive dissonance studies of Festinger (1957) and his colleagues at Stanford. For decades, the ability to understand the merits of opposing arguments had been championed as one of the prime pedagogical benefits of intercollegiate debate training. However, in the fall of 1954, Hovland’s and Festinger’s studies coupled with the anti- Communist rhetoric of Schlesinger, which would, much to Schlesinger’s dismay, come to underwrite McCarthy’s witch hunts, would be articulated in such a way that debate’s ability to train students to take the other’s perspective might be framed as a threat to national security. The fearthat defending the diplomatic recognition of ‘Red China’ would turn American youth into Communist sympathizers saturated the debating both sides controversy with an anxiety over the virility of ‘democratic faith’. Those choosing to defend the virtues of intercollegiate debate and the practice of debating both sides were careful not to question the basic tenets of the anti-Communism that constituted the ideological core of Cold War liberalism. Democracy, if it were to survive the seductive appeal of totalitarianism, had to become a fighting faith, a faith born out of and tested in social and political conflict. Debate, in particular the format of debating both sides of controversial issues embodied the sort of political conflict that could engender sound conviction, rational decisions, and a committed youth impervious to Communist propaganda. Moreover, debate provided the antidote to communist propaganda. Baird concluded, ‘[c]ollege debate teams are the last groups in this nation where Communist propaganda has any chance of making headway’ (1955, p. 7). No student wishing to

win the debate, Burns argued, 'would take the affirmative on the grounds that we must love the Chinese or that they are merely agrarian radicals' (p. 7). Burns, so confident in the anti-Communist sentiment of the majority of students, contended that no student would dare argue in favour of Communism but 'pitch his [sic] case on the argument that recognition might help pull China out of the Moscow orbit, that it might help build a firmer anti-Communist alliance, that it might make peaceful coexistence possible. He [sic] would, in short, be directing our attention to the very questions that all American's might well be debating' (p. 7). For Schlesinger, however, the ground of the anti-Communist consensus Baird believed to be evident in 'the majority of students' was unstable.

# Settler Colonialism K

## **A wealth tax creates “fiscal warfare” and undermines Indigenous sovereignty which perpetuates settler colonialism.**

**Willmott 22** [(Kyle Willmott - Assistant Professor of Sociology at Simon Fraser University ), “Taxes, taxpayers, and settler colonialism: Toward a critical fiscal sociology of tax as white property”, Wiley Online Library, 2-13-2022, accessed — 10-14-2024, <https://onlinelibrary.wiley.com/doi/epdf/10.1111/lasr.12587>]

Tax researchers across disciplines have been asking ‘who are the taxpayers?’ (Björklund Larsen, 2017; Carrillo, 2020; Martin, 2013; Walsh, 2018; Williamson, 2017, 2018) for several years now, and while race and racism has been present in the analysis of tax (Brown, 2007; Brown, 2021; Carrillo, 2020; Dean & Waris, 2021; Walsh, 2018; Baldwin Clark 2019), Indigeneity and settler colonial-ism have been somewhat absent (see Willmott, 2020; Henderson, 2015). The interaction of race and economic ideas (Hirschman & Garbes, 2019) must include how tax acts to animate legal and economic concepts that come to constitute race<sup>6</sup> and settler colonialism. The theoretical intervention made here specifically lies in the realm of recent social studies of tax found across fiscal sociology, anthropology of tax, tax history, and sociolegal studies of tax. Taxation as a legal process comes to bear on the subjectivities of those obligated to pay it—or those who imagine themselves as paying it. How do sentiments about Indigenous people ‘on welfare’ transform from racist critique, to a critique authored by a merely concerned taxpayer? The move toward the ‘fiscal’ is not a move away from racism, or toward ‘progress’ (Seamster & Ray, 2018), but instead demonstrates how putatively fiscal concerns are enmeshed in a conceptual network that involves property, colonialism, money, and racialization, in a form that could be best described as fiscalized racism. In other words, racism comes to be constituted through fiscal discourses. Tax, in this sense, serves to both mystify racism by cloaking itself in the fiscal, articulated through populist political vernaculars and familiar stories told about Indigenous peoples. Fiscalized racism serves as an example of what Moreton-Robinson (2015) calls ‘legitimized racism’ against Native people, and forms part of the repertoire of what Pasternak (2016) calls ‘fiscal warfare’—the specific ways that settler states use accounting, budgeting, and fiscal processes to subvert and undermine the sovereignty and nationhood of Indigenous Nations (Neu & Graham, 2006; Gettler 2020). State strategies to undermine Indigenous sovereignty has long been a concern in Indigenous studies (Simpson 2014; Coulthard 2014; Gaudry & Andersen 2016), and law and sociolegal studies (Banner, 2005; Dorries, 2017; Mawani, 2005; Pasternak, 2014; Pavlich, 1998; Sanderson, 2014; Thielen-Wilson, 2018; Valverde, 2012). This study combines the analysis of formal legal and policy strategies, but focuses on the informal mechanisms by which Indigenous sovereignty is attacked, and how Indigeneity itself comes to be governed by tax tropes and ‘taxpayer governmentality’. Taxpayer politics in relation to Indigenous peoples is complex for two reasons. First, because Indigenous nations are nations, there are long histories of Indigenous legal and political resistance to assimilative tax and property regimes of settler states that have interacted with different laws and policy regimes (Bartlett, 1992; Bryan, 2020a; EagleWoman, 2007; Tait, 2017). Second, settlers often do not understand that Indigenous nations are nations with governance and legal systems/knowledges, not simply Indigenous ‘individuals’ who live ‘in’ Canada (Starblanket, 2019). This presents problems when comparing differential tax policies around First Nations that settlers might interpret as unfair and unequal, rather than understanding how Indigenous nations may be resistant to paying tax to the settler state occupying respective Indigenous territories (Pedri-Spade, 2016; EagleWoman, 2007).

## **The implementation of a wealth tax acts as a move to innocence from the settler which perpetuates settler control**

**Willmott 22** [(Kyle Willmott - Assistant Professor of Sociology at Simon Fraser University ), “Taxes, taxpayers, and settler colonialism: Toward a critical fiscal sociology of tax as white property”, Wiley Online Library, 2-13-2022, accessed — 10-14-2024, <https://onlinelibrary.wiley.com/doi/epdf/10.1111/lasr.12587>]

SPEAKING FROM 'NOWHERE': TAXPAYERS AND WHITENESS In a sense, the taxpayer is one more tactic in what Eve Tuck and Wayne Yang (2012) describe as “settler moves to innocence”, which they define as “strategies or positionings that attempt to relieve the settler of feelings of guilt or responsibility without giving up land or power or privilege, without having to change much at all” (p. 10). The moves to innocence that Tuck and Yang discuss mostly describe how settlers erase their participation in settlement and ongoing colonialism. While most of these strategies are used in service of innocence, perceived benevolence, non-complicity, or left politics, the taxpayer might not appear to fit. What I contend is that the taxpayer subjectivity removes settlement as an element of consideration, from consciousness, and replaces it with at once, an imagined political and legal status. It ostensibly attempts to remove questions of politics, sovereignty, and identity from the objects that it investigates—to think about Indigenous issues as a settler is one thing, but to think about politics and Indigenous issues as a taxpayer is to stylistically—but not substantively—remove identity, nationhood, and sovereignty as issues, and to reconstitute them as fiscal concerns. While putatively, the taxpayer envelops and renders political questions as objective technical fiscal issues, the strategic move to innocence removes questions of settlement, of treaties, of legal status, and constitutes the taxpayer not as a subject of settlement, colonization and power, but a subject of fiscal objectivity. In this sense, the taxpayer, while analytically a subject of settlement and white entitlement, outwardly positions itself and the will to knowledge that animates it as form of ‘common sense’ color-blindness (Bonilla-Silva, 2002; Robertson, 2015; Walsh 2018). While Reardon and TallBear (2012) discuss the relationship between whiteness, property, and science, the logic applies well to tax, as a moral good—as well as a form of ownership of its imagined ‘wards’ or constituents. They write of science, that “These understandings and performances reflect a very old order of things in which whiteness figures as a rational civilizing project that creates symbolic and material value of use to all humanity. As a formation that brings good things to all, whiteness itself becomes a thing of value that should be developed and defended” (p. 234). To think as a settler and a taxpayer then is to perform the ‘double move’ described by Cindy Patton (1995). The taxpayer appears free from the ‘contamination’ of ‘bias’ and ‘identity’—making decisions ostensibly based on reason, evidence, and the ‘common good’—but at the same time the taxpayer refigures the territory on which politics is contested. The taxpayer is a subjecthood that contains a strategic move away from the idea that the subject’s ideas are animated by racism or settler colonialism. In order to perform this move of refiguring political space, settler-taxpayers critique Indigenous governments, peoples, and enroll their critiques as objective and universal taxpayer concerns. The ‘settler-taxpayer’ then is about strategically harnessing knowledge in order to refigure the space of critique of Indigenous peoples and governments All at once, to speak as a settler-taxpayer is to attempt to speak from nowhere (Haraway, 1988) while being deeply interested in seeing one’s concerns not as racist settler concerns, but as disinterestedness. Approaching politics from the position of the universal, from a position of disinterested-ness inscribes the double reversal: the taxpayer is only concerned with the rational disbursement of state monies—they mark politics as an exercise in objectivity, themselves as the ideal and rational participant. Carrillo (2020) points out the fallacy of the singular, universal taxpayer, arguing that “such assertions tend to lead to appeals keyed to interests ostensibly shared by all taxpayers, which are truthfully shared only by some taxpayers” (p. 144). The move to the universal is itself a move to innocence, it is a move from having an identity—to mark oneself as the universal allows settlers who figure themselves as taxpayers to believe they are adjudicating Indigenous life objectively, from ‘nowhere’—free from ideology. To render Indigenous life through the lens of the taxpayer is a strategic attempt to remove the adjudicant, and instead, taxpayer vernacular become the utterances of the unmarked. If the taxpayer refigured the space of politics, Others who enter that space marked—become another interest. An ultimate move to innocence, the taxpayer positions their concerns as objective, neutral and disinterested, and removes the possibility that their putatively fiscal concerns are driven by racism (Denis, 2015; Robertson, 2015), false benevolence (Tuck & Wayne Yang 2012), or

possessive colonial entitlement to control Indigenous lives (Goldstein, 2008; Moreton- Robinson, 2015). While the fundamental contradiction at the heart of the taxpayer as political subjectivity is that almost all people will eventually pay tax in some form, Reardon and TallBear (2012) show how important whiteness is to understanding strategies like the taxpayer: "If whiteness and the property and privileges that it encloses are to be effectively defended, its owners must also claim the right to define the others who are not white and who therefore should not access its privileges" (p. 235). In the settler tax imaginary, tax is to provide political protection against those it regards as lesser or illegitimate participants in the polity. In short, taxpayer subjectivity does not result in empirical claims—it is a form of security against those it imagines as impossibly inhabiting that subject position

### **Settler colonialism is the permeating structure of the nation-state reliant on the elimination of indigenous life and land through the occupation of settlers turning Natives into ghosts and chattel slaves into excess labor.**

**Tuck and Yang 12** (Eve Tuck, Unangax, State University of New York at New Paltz K. Wayne Yang University of California, San Diego, Decolonization is not a metaphor, Decolonization: Indigeneity, Education & Society Vol. 1, No. 1, 2012, pp. 1-40.)

Our intention in this descriptive exercise is not be exhaustive, or even inarguable; instead, we wish to emphasize that (a) decolonization will take a different shape in each of these contexts - though they can overlap<sup>4</sup> - and that (b) neither external nor internal colonialism adequately describe the form of colonialism which operates in the United States or other nation-states in which the colonizer comes to stay. Settler colonialism operates through internal/external colonial modes simultaneously because there is no spatial separation between metropole and colony. For example, in the United States, many Indigenous peoples have been forcibly removed from their homelands onto reservations, indentured, and abducted into state custody, signaling the form of colonization as simultaneously internal (via boarding schools and other biopolitical modes of control) and external (via uranium mining on Indigenous land in the US Southwest and oil extraction on Indigenous land in Alaska) with a frontier (the US military still nicknames all enemy territory "Indian Country"). The horizons of the settler colonial nation-state are total and require a mode of total appropriation of Indigenous life and land, rather than the selective expropriation of profit-producing fragments. Settler colonialism is different from other forms of colonialism in that settlers come with the intention of making a new home on the land, a homemaking that insists on settler sovereignty over all things in their new domain. Thus, relying solely on postcolonial literatures or theories of coloniality that ignore settler colonialism will not help to envision the shape that decolonization must take in settler colonial contexts. Within settler colonialism, the most important concern is land/water/air/subterranean earth (land, for shorthand, in this article.) Land is what is most valuable, contested, required. This is both because the settlers make Indigenous land their new home and source of capital, and also because the disruption of Indigenous relationships to land represents a profound epistemic, ontological, cosmological violence. This violence is not temporally contained in the arrival of the settler but is reasserted each day of occupation. This is why Patrick Wolfe (1999) emphasizes that settler colonialism is a structure and not an event. In the process of settler colonialism, land is remade into property and human relationships to land are restricted to the relationship of the owner to his property. Epistemological, ontological, and cosmological relationships to land are interred, indeed made pre-modern and backward. Made savage. In order for the settlers to make a place their home, they must destroy and disappear the Indigenous peoples that live there. Indigenous peoples are those who have creation stories, not colonization stories, about how we/they came to be in a particular place - indeed how we/they came to be a place. Our/their relationships to land comprise our/their epistemologies, ontologies, and cosmologies. For the settlers, Indigenous peoples are in the way and, in the destruction of Indigenous peoples, Indigenous communities, and over time and through law and policy, Indigenous peoples' claims to land under settler regimes, land is recast



as property and as a resource. Indigenous peoples must be erased, must be made into ghosts (Tuck and Ree, forthcoming). At the same time, settler colonialism involves the subjugation and forced labor of chattel slaves<sup>5</sup>, whose bodies and lives become the property, and who are kept landless. Slavery in settler colonial contexts is distinct from other forms of indenture whereby excess labor is extracted from persons. First, chattels are commodities of labor and therefore it is the slave's person that is the excess. Second, unlike workers who may aspire to own land, the slave's very presence on the land is already an excess that must be dis-located. Thus, the slave is a desirable commodity but the person underneath is imprisonable, punishable, and murderable. The violence of keeping/killing the chattel slave makes them deathlike monsters in the settler imagination; they are reconfigured/disfigured as the threat, the razor's edge of safety and terror. The settler, if known by his actions and how he justifies them, sees himself as holding dominion over the earth and its flora and fauna, as the anthropocentric normal, and as more developed, more human, more deserving than other groups or species. The settler is making a new "home" and that home is rooted in a homesteading worldview where the wild land and wild people were made for his benefit. He can only make his identity as a settler by making the land produce, and produce excessively, because "civilization" is defined as production in excess of the "natural" world (i.e. in excess of the sustainable production already present in the Indigenous world). In order for excess production, he needs excess labor, which he cannot provide himself. The chattel slave serves as that excess labor, labor that can never be paid because payment would have to be in the form of property (land). The settler's wealth is land, or a fungible version of it, and so payment for labor is impossible.<sup>6</sup> The settler positions himself as both superior and normal; the settler is natural, whereas the Indigenous inhabitant and the chattel slave are unnatural, even supernatural. Settlers are not immigrants. Immigrants are beholden to the Indigenous laws and epistemologies of the lands they migrate to. Settlers become the law, supplanting Indigenous laws and epistemologies. Therefore, settler nations are not immigrant nations (See also A.J. Barker, 2009). Not unique, the United States, as a settler colonial nation-state, also operates as an empire - utilizing external forms and internal forms of colonization simultaneous to the settler colonial project. This means, and this is perplexing to some, that dispossessed people are brought onto seized Indigenous land through other colonial projects. Other colonial projects include enslavement, as discussed, but also military recruitment, low-wage and high-wage labor recruitment (such as agricultural workers and overseas-trained engineers), and displacement/migration (such as the coerced immigration from nations torn by U.S. wars or devastated by U.S. economic policy). In this set of settler colonial relations, colonial subjects who are displaced by external colonialism, as well as racialized and minoritized by internal colonialism, still occupy and settle stolen Indigenous land. Settlers are diverse, not just of white European descent, and include people of color, even from other colonial contexts. This tightly wound set of conditions and racialized, globalized relations exponentially complicates what is meant by decolonization, and by solidarity, against settler colonial forces. Decolonization in exploitative colonial situations could involve the seizing of imperial wealth by the postcolonial subject. In settler colonial situations, seizing imperial wealth is inextricably tied to settlement and re-invasion. Likewise, the promise of integration and civil rights is predicated on securing a share of a settler-appropriated wealth (as well as expropriated 'third-world' wealth). Decolonization in a settler context is fraught because empire, settlement, and internal colony have no spatial separation. Each of these features of settler colonialism in the US context - empire, settlement, and internal colony - make it a site of contradictory decolonial desires<sup>7</sup>. Decolonization as metaphor allows people to equivocate these contradictory decolonial desires because it turns decolonization into an empty signifier to be filled by any track towards liberation. In reality, the tracks walk all over land/people in settler contexts. Though the details are not fixed or agreed upon, in our view, decolonization in the settler colonial context must involve the repatriation of land simultaneous to the recognition of how land and relations to land have always already been differently understood and enacted; that is, all of the land, and not just symbolically. This is precisely why decolonization is

necessarily unsettling, especially across lines of solidarity. “Decolonization never takes place unnoticed” (Fanon, 1963, p. 36). Settler colonialism and its decolonization implicates and unsettles everyone.

## **Thus, decolonization is the only alternative.**

**Tuck and Yang 12** (Eve Tuck, Unangax, State University of New York at New Paltz K. Wayne Yang University of California, San Diego, Decolonization is not a metaphor, Decolonization: Indigeneity, Education & Society Vol. 1, No. 1, 2012, pp. 1-40,) // BrFI

An ethic of incommensurability, which guides moves that unsettle innocence, stands in contrast to aims of reconciliation, which motivate settler moves to innocence. Reconciliation is about rescuing settler normalcy, about rescuing a settler future. Reconciliation is concerned with questions of what will decolonization look like? What will happen after abolition? What will be the consequences of decolonization for the settler? Incommensurability acknowledges that these questions need not, and perhaps cannot, be answered in order for decolonization to exist as a framework. We want to say, first, that decolonization is not obliged to answer those questions - decolonization is not accountable to settlers, or settler futurity. Decolonization is accountable to Indigenous sovereignty and futurity. Still, we acknowledge the questions of those wary participants in Occupy Oakland and other settlers who want to know what decolonization will require of them. The answers are not fully in view and can't be as long as decolonization remains punctuated by metaphor. The answers will not emerge from friendly understanding, and indeed require a dangerous understanding of uncommonality that un-coalesces coalition politics - moves that may feel very unfriendly. But we will find out the answers as we get there, “in the exact measure that we can discern the movements which give [decolonization] historical form and content” (Fanon, 1963, p. 36). To fully enact an ethic of incommensurability means relinquishing settler futurity, abandoning the hope that settlers may one day be commensurable to Native peoples. It means removing the asterisks, periods, commas, apostrophes, the whereas's, buts, and conditional clauses that punctuate decolonization and underwrite settler innocence. The Native futures, the lives to be lived once the settler nation is gone - these are the unwritten possibilities made possible by an ethic of incommensurability. when you take away the punctuation he says of lines lifted from the documents about military-occupied land its acreage and location you take away its finality opening the possibility of other futures - Craig Santos Perez, Chamoru scholar and poet (as quoted by Voeltz, 2012) Decolonization offers a different perspective to human and civil rights based approaches to justice, an unsettling one, rather than a complementary one. Decolonization is not an “and”. It is an elsewhere.

## **Self-determination isn't determined by economic investments, this undermines decolonization**

**Green 15** (Robyn Green - PhD candidate in the School of Canadian Studies, Carleton University. Doctoral research explores the co-constitution of material and affective aspects of Indigenous-settler reconciliation), “The economics of reconciliation: tracing investment in Indigenous-settler relations”, Taylor & Francis, 12-11-2015, accessed — 10-13-2024, <https://www.tandfonline.com/doi/full/10.1080/14623528.2015.1096582>

The relationship between Indigenous peoples and the settler state remains fraught due to ongoing violence and mistrust. Numerous attempts have been made to ‘reconcile’ this beleaguered relationship over the past three decades. Indigenous peoples have advocated for the decolonization of the settler state and a suitable land base using the language of public investment. In response, settler governments reframe these requests as opportunities for economic investment that is guaranteed to produce self-esteem and social inclusion for Indigenous peoples. This article documents and problematizes an ideological shift whereby holistic decolonial approaches to reconciliation give way to an investment rationale that is used to bypass demands for Indigenous peoples’ jurisdiction and self-determination. The ramifications of this shift are examined in three ‘eras of reconciliation’ (Section 37 Constitutional Talks, Royal Commission on Aboriginal Peoples, reparations for Indian residential school [IRS] Survivors) that also coincide with three types of investment: a) national; b) social; and c) therapeutic. Introduction The Crown-First Nations Gathering held on 24 January 2012 was organized to create a dialogue between

First Nations and the settler state. The participants made a commitment to develop equitable Indigenous-settler relationships to renew those marred by the subjugation and dispossession legislated by the Indian Act, 1876. The Assembly of First Nations publicly stated that the event would 'directly build' upon official reconciliatory initiatives such as the Truth and Reconciliation Commission of Canada.<sup>1</sup> At the event, Prime Minister Stephen Harper emphasized the concrete action taken to reconcile Indigenous-settler relationships such as 'accelerating specific and comprehensive claims', 'secur[ing] water-system accountability' and 'rout[ing] more than a billion dollars of Economic Action Plan funding to investments for Aboriginal and northern communities'.<sup>2</sup> He goes on to state that, 'these things we have done, Ladies and Gentlemen, as a down payment on what we wish to achieve. For our goal is self-sufficient citizens and self-governing communities. Our goal is to promote improved governance. Our goal is much increased aboriginal participation in the economy and in the country's prosperity'.<sup>3</sup> In outlining these policy and programme actions, Prime Minister Harper demonstrates a commitment to improving the lives of Indigenous peoples; yet, embedded in this statement is a form of capitalist logic that resembles the practice of investment whereby the nation-state seeks a financial return on these designated monies. This article is animated by the following question: how does investment rationale shape Indigenous-settler reconciliation processes in Canada? This article employs a problematization approach that is used to 'question what appears to be well-ordered, rational, responsible, self-evident, universal or natural in order to show the selective format of these practices and the power effects inscribed in them'.<sup>4</sup> By using this approach, I interrogate the presumed neutrality of investment discourse and the accounting techniques that are used to normalize this economic practice. To support my claims, I analyse public documents, speeches and policies that 'represent key sites of hegemonic struggle over the principles and values' of Indigenous-settler reconciliation. The history presented here is partial and selective because I only examine instances where Indigenous leaders and settler state representatives enter into official dialogue. While the reconciliation process may inspire knowledge transfer and cultural sharing, I am reminded of Jennifer Henderson's caveat that, '[l]ike monetary exchanges, discursive exchanges in the field of redress function to standardize—to convert incommensurabilities into a shared form'.<sup>6</sup> This article argues that the settler state deploys investment logic to determine specific reconciliatory exchanges that ensure the containment of Indigenous claims to restitution and the creation of mutual economic beneficiaries. These demands may retrench the social debt owed to Indigenous peoples by the settler state and undercut the spirit of restitution and justice. Stated more clearly, investment rationale is used to bypass Indigenous peoples' assertions of self-determination and to ensure the economic success of the settler state. Therefore, this article argues that the settler state must be rendered 'incomprehensible' so 'Eurocentric epistemologies and judicial doctrines no longer hold unquestioned authority'.<sup>7</sup> In this article, I examine how Indigenous peoples routinely advocate for holistic social investments and a suitable land base to economically develop by using the language of investment and the extension of jurisdiction. In response, settler governments reframe these requests for social investment as opportunities for economic investment. In the following sections, I document how grievance and redress become financialized to contain claims to Indigenous self-determination and to establish a profit or return for the settler state. In doing so, this article contributes to fields of Indigenous-state relations and transitional justice by examining how market relations are introduced to seemingly politically progressive and affective practices such as Indigenous-settler reconciliation. Firstly, I outline the concomitant projects of genocide, neoliberalism and settler colonialism in Canada. Secondly, I explore how investment rationale reframes holistic decolonial approaches to reconciliation advocated by Indigenous peoples. Lastly, I examine how three 'eras of reconciliation' that I identify as Section 37 Constitutional Talks, Royal Commission on Aboriginal Peoples and reparations for Indian residential school (IRS) Survivors coincide with three types of investment: a) national; b) social; and c) therapeutic. Genocide, neoliberalism and the settler state in Canada The question of genocide in Canada is complicated because the relationship between

Indigenous peoples and settler Canadians, rather contrarily, is defined by the political and economic subjugation of an entire people existing alongside a spectacle of cultural diversity and reconciliation.<sup>8</sup> The limits of cultural appreciation are reached when grassroots movements and Indigenous organizations publicly challenge capitalist accumulation.<sup>9</sup> Any resistance demonstrated by Indigenous peoples is linked to settler assumptions that Indigenous peoples are economically 'privileged' through Indian Act legislation, despite numerous scholarly accounts that demonstrate that this legislation actually has created economic dependency that is profitable only to the nation-state.<sup>10</sup> For these reasons, the assimilation of Indigenous peoples into Canada's capitalist system is assumed by settler Canadians to be an acceptable goal because it supposedly ensures equitable access to prosperity. Taking these contradictions into account, the Canadian settler state should not be understood as a monolithic institution but as 'an ideological project' that 'confers legitimacy upon the complex constellation of government institutions and processes that have many different (and often contradictory) agendas and interests'.<sup>11</sup> I employ Joyce Green's concept 'Project Canada' that refers 'to the state constructed from the colonies by colonial and then settler elites, evolving but firmly grounded on the original and continuing appropriation of indigenous land and resources, and built on racist and sexist practices'.<sup>12</sup> A central goal of this project is to eliminate Indian Act legislation and thereby reduce Indigenous difference to an ethnicity that can be subsumed into the Canadian cultural mosaic. The complicity of reconciliation in maintaining Project Canada is a recurring question in scholarly examinations of this process.<sup>13</sup> Indigeneity, however, can be particularly useful in imagining a reconciled Canada because it prescribes 'a principled framework for [Indigenous peoples and settler Canadians] "living together differently"'<sup>14</sup> that includes 'an innovative, if unorthodox, pattern of belonging that endorses the notion of nation-states as sites of multiple yet interlocking jurisdictions, each autonomous and self-determining yet sharing in governance of the whole'.<sup>15</sup> Jurisdiction over territory and services is tantamount to an extension of decision-making powers that would also require significant land and capital transfer to bolster autonomous communities. An emphasis on self-government (and self-management), as noted in the statement made by Stephen Harper in the introduction, has frequently replaced the language of selfdetermination in government speeches and documents over the last thirty years. This discursive shift gestures to a convergence of the settler colonial and neoliberal projects.<sup>16</sup> Self-determining Indigenous communities are viewed by the settler state as disruptive to practices of accumulation by dispossession that have reached ascendancy in an era of neoliberalism. This practice 'involves the dispossession of people from their wealth' whether this is in the form of natural resources or land or access to government finances.<sup>17</sup> Neoliberalism functions genocidically through a process of regime replacement where 'the federal government pursued economic policies amounting to genocide by limiting the ability of Indigenous peoples to pursue their traditional livelihoods, sustain their own economic systems, and participate in the management or use of their resources within their territories'.<sup>18</sup> Regime replacement serves as an organizing principle of the settler society's political economy and as a tactic it is deployed to integrate Indigenous territories into national and global economies. For instance, neoliberal economic policies have initiated resource extraction projects that have over time resulted in the destruction of Indigenous territory, culture and identity.<sup>19</sup> Despite documented genocidal outcomes related to the neoliberalization of the settler state, this rationale has become further entrenched in Indigenous-state relationships. This article is primarily concerned with the role neoliberalism plays in the economization of the social whereby the accumulation of capital is situated as the ultimate goal of not only businesses or states but also individuals and communities. As a consequence of neoliberal logic, 'regimes of public investment and finance increasingly come to mimic these marketized conditions'<sup>20</sup> because they are assumed to engender efficiency and profit (although historically the beneficiaries of this system are relatively few). Under neoliberalism, social welfare is increasingly subjected to cutbacks as service provision is privatized by encouraging 'people to see themselves as individualized and active subjects responsible for

enhancing their own well-being'.<sup>21</sup> As a result, those who advocate for redress or social change increasingly articulate their claims through an economic frame that increases the potential for imposition of capitalist 'solutions' on those peoples already deeply exploited by that system.<sup>22</sup> Moreover, the state interprets grievance through the lens of well-being. For instance, a 2003 document released by the federal government entitled Resolving Aboriginal claims: a practical guide to Canadian experiences states that, 'together with Aboriginal peoples, the Government of Canada is transforming the approach to indigenous issues from an earlier focus on "rights" and "grievances"; into an integrated approach to quality of life, encompassing economic development, human capital, community infrastructure and governance'.<sup>23A</sup> focus on mutual wellbeing for Indigenous peoples and settler Canadians delegitimizes grievance and legitimizes the emancipatory capacities of capital. Building on this rationale, the following sections document how under neoliberalism, investment rationale is formed to undermine the possibility for the decolonization of Indigenous– settler relationships.

## A redistribution of “wealth” renders wrong assumptions about Native Beliefs

**Tuck and Yang 12** (Eve Tuck and K. Wayne Yang - State University of New York at New Paltz and University of California, San Diego ), “Decolonization is not a metaphor”, 2012, accessed — 10-13-2024, <https://clas.osu.edu/sites/clas.osu.edu/files/Tuck%20and%20Yang%202012%20Decolonization%20is%20not%20a%20metaphor.pdf>  
 Moves to innocence VI: Re—occupation and urban homesteading

The Occupy movement for many economically marginalized people has been a welcome expression of resistance to the massive disparities in the distribution of wealth; for many Indigenous people, Occupy is another settler re-occupation on stolen land. The rhetoric of the movement relies upon problematic assumptions about social justice and is a prime example of the incommensurability between “re/occupy” and “decolonize” as political agendas. The pursuit of worker rights (and rights to work) and minoritized people’s rights in a settler colonial context can appear to be anti-capitalist, but this pursuit is nonetheless largely pro-colonial. That is, the ideal of “redistribution of wealth” camouflages how much of that wealth is land, Native land. In Occupy, the “99%” is invoked as a deserving supermajority, in contrast to the unearned wealth of the “1%”. It renders Indigenous peoples (a 0.9% ‘super-minority’) completely invisible and absorbed, just an asterisk group to be subsumed into the legion of occupiers.

\*\*\*FIGURE OMITTED\*\*\*

For example, “If U.S. land were divided like U.S. wealth” (figure 1.1) is a popular graphic that was electronically circulated on the Internet in late 2011 in connection with the Occupy movement. The image reveals inherent assumptions about land, including: land is property; land is/belongs to the United States; land should be distributed democratically. The beliefs that land can be owned by people, and that occupation is a right, reflect a profoundly settling, anthropocentric, colonial view of the world. In figure 1.1, the irony of mapping of wealth onto land seems to escape most of those who re-posted the images on their social networking sites and blogs: Land is already wealth; it is already divided; and its distribution is the greatest indicator of racial inequality<sup>17</sup>. Indeed the current wealth crisis facing the 99% spiraled with the crash in home/land ownership. Land (not money) is actually the basis for U.S. wealth. If we took away land, there would be little wealth left to redistribute.

## Only land return can disrupt colonialism, reparations undermine self-determination

**Bradford 02** (William Bradford - National Defense College of the UAE Professor, Chiricahua Apache/Associate), ““With a Very Great Blame on Our Hearts”: Reparations, Reconciliation, and an American Indian Plea for Peace and Justice”, University of Oklahoma College of Law Digital Commons, January 2002, accessed — 10-13-2024, <https://digitalcommons.law.ou.edu/air/vol27/iss1/1/>  
 <(e) Inability to Transform Racial Attitudes, Alter Legal Structures, or Restore Land

Although a claim for Indian reparations would present a potentially transformative national moment wherein to challenge and upset the assumptions and normative judgments of Indian inferiority and United States' infallibility, a lump-sum payment, although it might materially enrich Indian tribes, would be unlikely to advance the progressive perfection of the American social and legal order. Although Indian tribes seeking to obtain a [\*133] measured separatism might be less concerned than other social

groups about the prospect that reparations would permit the United States to relax enforcement of civil rights laws on their behalf or to withdraw from the more general struggle for fourth-tier democracy,  
n618 payment of reparations might obviate recognition of any continuing responsibilities under the trust doctrine, including programs to aid tribes in the transition to self-determination. n619 Moreover, Indian reparations would thrust Indians and non-Indians into contending camps and lock them in political and legal combat in which anything goes in the fight over the wealth and power of the state.  
n620 In so doing, Indian reparations would miss a key opportunity to employ moral argument n621 to creatively restructure attitudes and institutions and reconcile interdependent peoples, processes that are almost certainly necessary conditions precedent to the award of Indian reparations and, even more significantly, to the reinvestiture of legitimacy in the nation. n622 Furthermore, money cannot be directed to the satisfaction of the harms of which Indians complain: most seek to exercise the rights to self-determine and to express their unique cultures and religions upon sacred ancestral lands. n623 Only land restoration and legal restructuring to permit development of separate political identities can potentiate these fundamental human rights and relieve the economic deprivation and emotional pain borne inter-generationally by Indian tribes and individuals. In sum, because reparations are a far-too-costly and - [\*134] improbable remedy toward which to commit their resources, n624 because reparations portends more racial strife than reconciliation and fixates on cash rather than justice or healing, n625 many Indian tribes and indigenous rights groups n626 oppose it as a remedy.>