

The False Promise of an ‘Ultramillionaire’ Tax

Sen. Elizabeth Warren (D-MA) is running for president in 2020, and she has gained attention for proposing an “ultramillionaire” tax: a 2 percent tax on households with a net worth over \$50 million and an additional 1 percent on households worth over \$1 billion.

Warren’s proposal has more popular support than Rep. Ocasio-Cortez’s (D-NY) proposal to raise the marginal income tax rate on top earners to 70 percent, [according to FiveThirtyEight](#). Indeed, Warren’s proposal has support among a majority of Americans across the political spectrum according to recent polling.

In practice, however, both proposals may turn out to be better at raising poll numbers for their advocates than revenue for the federal budget.

Regarding Warren’s wealth tax in particular, [economist Timothy Taylor notes](#),

when countries impose a wealth tax, they often typically create a lot of exemptions for certain kind of wealth that aren’t covered by the tax. Each of these exemptions has a reasonable-sounding basis. But every exception also creates a potential loophole.

“Back in 1990,” according to Taylor, “12 high-income countries had wealth taxes. By 2017, that had dropped to four: France, Norway, Spain, and Switzerland.” Why? Because despite including a broader base of wealthy households (i.e. starting at less than Warren’s proposed \$50 million), they raised little revenue. The taxes were effectively pointless.

The wealthy, it turns out, know how to keep their wealth. They are good at finding loopholes, and they are good at relocating their wealth or themselves if necessary. If one simply wants to raise tax revenue, the better demographic to tax is the middle class. They generally aren't good at finding loopholes, nor are they as good as the rich at relocating their wealth or themselves. Taxing the middle class at a higher rate is [what they do in the Nordic countries](#), whose [not-really-socialist-anymore](#) economies are supposedly so inspiring for radicals among the American left today. I understand why no one advocates raising middle class taxes, though. It's also an effective way to lose elections in the US.

The US has had historic deficits in recent years – [just as bad](#) during the last two years of the Trump administration and with a GOP-controlled Congress than previous years. Jordan Ballor has [recently reflected on](#) the intergenerational moral implications of public debt and deficits. Christians should not be indifferent because “budgets are moral documents.” And balancing the budget may likely require increasing revenue in addition to decreasing spending.

But Ocasio-Cortez, at least, hopes increased revenue (which, again, wouldn't actually increase much if at all with an “ultramillionaire” tax) would fund a proposed [“Green New Deal,”](#) rather than balance the budget. She has also proposed increasing deficits in coming years and debasing the dollar as well, which would mean increasingly shifting the burden for today's spending onto our creditors (through inflation) and, even more so, on our children (through increased debt and interest payments due to increased deficits). That is a morally dubious means of financing new spending that ought to be avoided, despite any current or past precedent. Sacrificing our future to the present is not an effective way to be an activist for the youth. Eventually, the bills will come due, and paying them will be painful.

For Christians, ideas like these “ultramillionaire” taxes

should not be as popular as they are with the general public (though I doubt there is any difference). Christians should care about budgets and the environment as a matter of good stewardship, of course, but we should also care about the virtue of prudence. Prudent policies can't ignore economic realities that call into question their effectiveness. Whether their advocates realize it or not, "ultramillionaire" taxes are false promises for whatever they propose to finance, whether that new spending would truly serve the common good or not.

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