

# Wealth taxes can get lots of revenues, remove poverty and reduce inequality

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**Abstract:** *Very few nations collect substantial revenues from wealth taxes. Argument being offered is that wealth taxes are difficult to collect and get less revenue. However even a perfunctory examination of wealth distribution points the obvious that wealth taxes can get lots of revenues, remove poverty and reduce inequality.*

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According to OXFAM, the richest 1% of world holds almost 50% of wealth. According to Federal Reserve the richest 1% in USA holds almost 33% of wealth. Similarly in India, according to economist Thomas Piketty, the richest 1% hold 33% of wealth. The richest 1% in China hold nearly 33% of wealth. In Europe richest 1% hold nearly 20% of wealth. And it is obvious that this wealth will continue to increase every year as economy grows.

Clearly the rich hold a lot of wealth and hence it should be natural that governments of nations should target wealth to collect taxes. Now taxes are meant to be progressive and purpose of taxes is to get most taxes with least effort and to reduce inequality and reduce poverty.

It should be obvious that if so much wealth is located in top 1% of population, it is easy to collect taxes, plus, collecting taxes will reduce in equality and will help fight poverty.

However wealth taxes collect very small amount of revenues in most nations of world. The argument being offered is that it is difficult to collect wealth taxes. Also that wealth taxes will not yield much revenue. Honestly this is absurd.

Consider wealth taxes collected by some of the OECD nations of world

Nation	Wealth Taxes as % of Tax Revenues
Luxembourg	7.18%
Switzerland	4.77%
Norway	1.46%
Spain	0.53%
France	0.17%
Germany	0.03%
Source : Wikipedia, wealth tax	

The very fact that Luxembourg collects almost 100 times as much wealth tax as share of taxes as Germany clearly proves that there is significant room for improvement in wealth tax. Also the fact that there is so much variation in collection of wealth tax and this clearly proves that it is matter of political will for a country to administer economic policy that collects significant amount of revenues in wealth taxes.

Hence one questions, why is it that nations of the world don't collect adequate amount in wealth taxes, especially when the amount of wealth held by top top 1% is very high.

This is obvious. Though theoretically democracy is rule of people by people for people, when it comes to real implementation, democracy is actually rule of capitalist, by capitalist and for capitalist.

Hence the rich manipulate the government to ensure that wealth taxes are not imposed. However if the electorate is informed and motivated, it is possible to turn the tables around and pressurize the government into imposing adequate wealth taxes.

How much can governments aim to collect from wealth taxes. This will depend on wealth held by top 1% of population. A reasonable and sensible formula could be that governments impose at tax level so as to collect one fourth as a percentage of gdp as wealth held by top 1% population.

So if the top 1% holds 30% of wealth then government should collect wealth taxes equal to 7.5% of GDP. However if the top 1% holds 20% of wealth then government should collect wealth taxes equal to 5% of gdp.

Now it can be calculated that for this level of taxes the wealth tax on top 1% need be between 4 to 5% of wealth. Of course wealth taxes can have other forms such as inheritance tax and gift tax.

More important than wealth tax on top 1% of population is wealth tax on top 0.01% of population and wealth tax on top 0.1% of population.

In USA for instance whereas wealth held by top 1% of population is 33% of wealth the wealth held by top 0.1% of population is 18% of wealth and wealth held by top 0.01% is 9% of wealth.

Thus it should be obvious that wealth tax rate on top 0.1% and top 0.01% should be very high so that the overall tax for the 1% is around 4 to 5%.

Very little is usually discussed on wealth of top 0.01% and top 0.1% of population. Almost half of the wealth is held by top 0.1% and almost quarter of wealth is held by top 0.01%. Hence wealth taxes should aim at significantly reducing wealth of top 0.01% and top 0.1% even as it just allows remaining 0.9% to retain their wealth as proportion to total wealth.

However the top 0.01% and top 0.1% of population is likely to hold pervasive influence on government. Hence taxing these sections will be difficult unless the electorate of bottom 99% of population puts adequate pressure on government through advocacy and lobbying. Wealth taxes are difficult not because it is difficult to administer or they can get less revenues. Wealth taxes are difficult because the wealthy have undue power which can be checked by bottom 99% of population.