A Global Wealth Tax – Policy Brief

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Figure 1: Support for a Global Wealth Tax (in percent).

1 Introduction

Fabre et al. (2023) survey attitudes toward global policies in 20 among the largest countries and find near consensus for a global tax on millionaires that would finance low-income countries. The world's richest 1% (those with a wealth above €900,000) own 38% of global wealth (Chancel et al. 2022), and the wealth in excess of €1 million represents 24% of global wealth. It is logical that the other 99% massively support taxing the wealthiest. What is more interesting, 90% of Americans and 92% of Europeans want to pool at least 10% of the revenues of a global wealth tax to finance low-income countries. When asked the preferred amount that should finance low-income countries, the average answer is one third.

In this policy brief, we propose a global wealth tax and specify how its revenues should be allocated between countries (Section 2), we estimate the distributive effects of such a tax (Section 3), and show that it would be strongly supported all over the world (Section 4).

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2 Design

Coordinated national wealth taxes. While action at a global level reduces tax avoidance, taxing wealth at the national level already significantly makes a dent on inequality and generates important revenues. The implementation of national wealth taxes should therefore not be delayed by the wait of a global wealth tax. We call like-minded political parties of all countries to include a wealth tax proposal in their platform, and implement it when they arrive in power. We propose below a design of wealth tax that can be replicated in any country so that national wealth taxes would be compatible and part of a global wealth tax system.

A progressive tax schedule. A 2% tax on wealth in excess of $5 million would raise $816 billion each year, that is 0.85% of the Gross World Product (GWP), half of it coming from the U.S. and less than $1 billion from all low-income countries (28 countries home to 700 million people) combined. This tax schedule is just a basic example of what a small wealth tax can raise: let us call it the "basic" tax schedule. Chancel et al. (2022) offers a world wealth tax simulator that allows estimating the revenues of a custom global wealth tax by world region.[1] For example, a progressive wealth tax with the following schedule could raise 6% of the GWP: 0.5% between $500k and $1 million, 1% between $1 and $2 million, 3% between $2 and $5 million, 5% between $5 and $20 million, 10% between $20 and $100 million, and 20% above $100 million. Around 6% of the GWP is therefore the long-term revenues that can be reasonably expected from a strongly progressive global wealth tax, though more can be collected with an even more progressive tax (see e.g. Chancel et al. 2022 who propose a top marginal rate of 90%). Ideally, the tax schedule should be defined by aggregating democratically people's preferences (Fabre 2022).

A minimum tax to finance low-income countries. We propose that all countries introduce the *basic tax schedule* as a minimum wealth tax, and then top it up with the progressive wealth tax of their choice, such as the one just described. Half of the basic tax (that is, a 1% tax on wealth in excess of $5 million) should be pooled and transferred to low-income countries. More could be pooled, at the discretion of each country. The World Bank would be the manage the pooled revenues before allocating them to low-income countries' governments.

Allocating the revenues in function of the GDP per capita. The revenues need to be allocated in priority to the poorest countries. A good indicator of poverty is the poverty gap: it expresses the minimum amount that would be required to lift everyone above the poverty line. However, allocating revenues in function of the poverty gap would

[1] Similar simulators exist for the U.S. (Saez & Zucman 2019) and the UK while **?** and **?** offer similar estimates for the EU and many countries, respectively. Despite differences in some assumptions and the data used, all these simulators and calculations yield comparable estimates.

disincentivize countries' governments to effectivly address poverty. To avoid poor incentives, it is preferrable to allocate the revenues in function of a well-measured indicator correlated to the poverty gap. We propose an allocation key based on GDP per capita, according to the prediction of the poverty gap using the GDP per capita, from a linear regression (see more details below).

3 Distributive effects

Taxing the global top 1%. To fully specify its distributive effects, we would need to know what the wealth tax would finance. As it can be used to finance a range of programs which benefit different people, the only precise estimates we can give relate to the losers of the policy: the wealthiest people who would be taxed. The basic tax would only affect people with a wealth above $5 million, which represent less than 0.1% of the world adult population (0.7% of the population in the U.S. and Canada, and 0.2% in Europe). A tax on all millionaires (in dollar) would affect 1% of adults worldwide (7% in the U.S. and Canada, 3% in Europe). While we do not detail the distributive effects between individuals, we describe the distributive effects between countries.

0.4% of the Global World Product redistributed to lower income countries. Assuming that countries do not pool for low-income countries more revenues than half of the basic tax, the redistribution between countries is financed by a 1% tax on wealth in excess of $5 million. Such a tax would raise 0.42% of the Gross World Product, that is $447 billion per year.[2] The tax would raise $198 billion from the U.S. and Canada (that is 1.07% of their GDP), $103 billion (0.34%) from East Asia, $83 billion from Europe (0.48%), $19 billion (0.12%) from South and South East Asia, $16 billion (0.20%) from the Middle East and North Africa, $6 billion (0.14%) from Russia and Central Asia, $2 billion (0.26%) from Latin America, and $1 billion (0.08%) from Sub-Saharan Africa.

Two billion people lifted out of stark poverty. To allocate the revenues between countries, we regress the poverty gap on GDP per capita, using the logarithm of both variables, weighting each country by its population, and excluding countries with zero poverty gap. We use the GDP per capita in purchasing power parity (PPP) as it better reflects real incomes and seems less volatile than nominal GDP per capita. We use the poverty gap at $3.65 a day (in 2017 PPP).[3] The global average poverty gap is 8% of the poverty line, which corresponds to about $850 billion per year in PPP. We use the poverty line at $3.65 (rather than $2.15 or $6.85) because it corresponds to a financing need of same magnitude as the revenues from the tax. In other words, the redistribution operated by the tax should

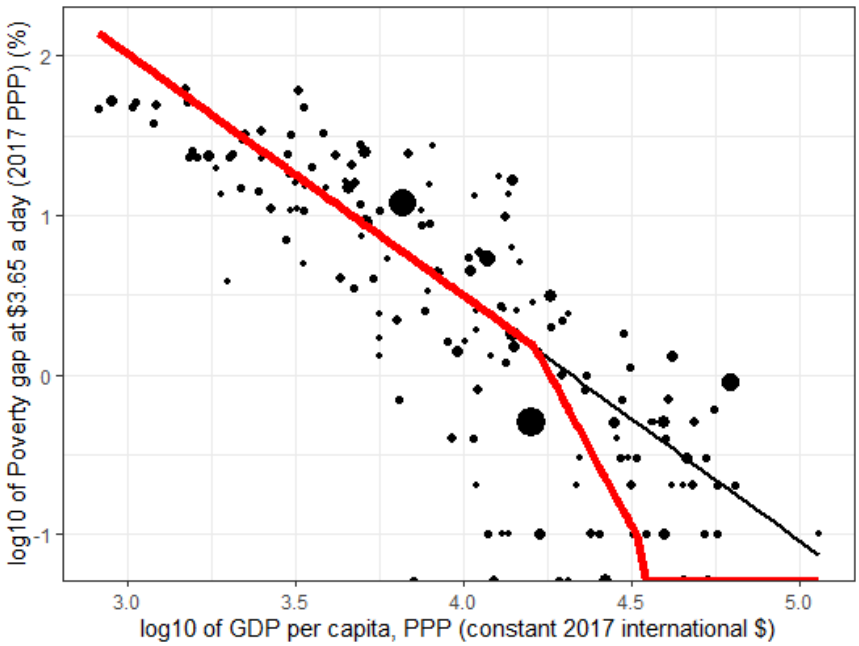
[2] The calculations were realized using the world wealth tax simulator.

[3] The World Bank defines the poverty gap as "the mean shortfall in income from the poverty line [here $3.65 a day] (counting the nonpoor as having zero shortfall), expressed as a percentage of the poverty line". For both variables, we use the last available data from the World Bank.

roughly allow to close the poverty gap at $3.65 a day, i.e. to lift above that threshold the 24% of people who live below it.

Large transfers to Sub-Saharan Africa. We define the share of total revenues allocated to a country as the product of its population and its *statutory poverty gap*. We could simply define the statutory poverty gap as the poverty gap predicted by the regression just described, but this would imply allocating revenues to high-income countries, as some of them have a positive poverty gap. Considering that high-income countries do not need extra resources to close their poverty gap, we set the statutory poverty gap at zero above an upper threshold defined as twice the global average GDP per capita (in PPP). To avoid threshold effects, we phase out the statutory poverty gap between a lower threshold set at the global average GDP per capita (of $16,344 per year) and the upper threshold (see Figure 2). Table **??** gives statistics on the revenues allocated to large countries (above 30 million inhabitants).[4] The Democratic Republic of the Congo is the country that would receive the largest share of total revenues (19%), followed by India (13%), Ethiopia (9%), and Mozambique (4%). Indeed, due to its very high poverty gap, the DRC would receive $63 per month per capita (or $2.07 a day), 15 times the global average, which would amount to 84% of its GDP.

Figure 2: Poverty gap regressed on GDP per capita. The red line represents the *statutory poverty gap* used to compute the allocation key between countries of the revenues of a global wealth tax.



[4]We do not show countries which are allocated zero revenues, or countries (like Poland) which are allocated less than 0.003% of their GDP.

Table 1: Allocation of the global wealth tax revenues.

	Revenues over GDP (in percent)	Revenues per capita (in $ per month)	Revenues per capita over average revenues p.c.
DRC	84.17	63	14.89
Mozambique	38.57	39	9.31
Ethiopia	15.82	23	5.44
Uganda	8.42	16	3.72
Tanzania	6.39	13	3.15
Uzbekistan	3.39	9	2.15
Kenya	1.79	6	1.46
Myanmar	1.64	6	1.39
Bangladesh	1.40	5	1.26
Ghana	1.35	5	1.23
Sudan	1.27	5	1.19
Nigeria	1.08	5	1.08
Pakistan	1.07	5	1.07
Morocco	0.62	3	0.77
India	0.56	3	0.73
Angola	0.51	3	0.68
Philippines	0.31	2	0.51
Iraq	0.24	2	0.44
Vietnam	0.22	2	0.41
Egypt	0.18	2	0.36
Algeria	0.15	1	0.33
Peru	0.15	1	0.33
Indonesia	0.13	1	0.30
Ukraine	0.11	1	0.28
Colombia	0.09	1	0.25
South Africa	0.08	1	0.23
Brazil	0.08	1	0.23
Iran	0.08	1	0.23
China	0.06	1	0.19
Thailand	0.05	1	0.16
Mexico	0.03	0	0.12
Argentina	0.02	0	0.09
Malaysia	0.01	0	0.04
Russia	0.01	0	0.03
Turkey	0.00	0	0.02

4 Support

Near consensus for a global wealth tax. Fabre et al. (2023) asks to representative samples of about 2,000 respondents in 20 countries the support for "a tax on all millionaires in dollars around the world to finance low-income countries that comply with international standards regarding climate action [which] would finance infrastructure and public services such as access to drinking water, healthcare, and education", in a 5-Likert scale from *strongly oppose* to *strongly support*. There is absolute majority support in each country, from 53% in the U.S. to 86% in China. Figure 1 shows that the relative support (excluding *Indifferent* answers) ranges from 72% in Denmark to 98% in China.

Fabre et al. (2023) also run complementary surveys on 2,000 Americans and on 3,000 Europeans (representative of France, Germany, Spain and the UK). Asking almost the same question (the only difference being that the revenues are allocated to low-income countries unconditional on their climate action), they find comparable levels of support. The global wealth tax obtains absolute majority support in each of the five Western countries, with a relative support ranging from 70% in the U.S. to 90% in Spain (Figure 3).

People want one third of tax revenues for low-income countries. Fabre et al. (2023) also ask respondents what percentage of the global tax revenues should be pooled to finance low-income countries, if a global tax on wealth (in excess of $5 million) were in place. In each country, at least 88% of respondents answer a positive amount, with an overall average of 30% (Germany) to 36% (U.S., France) (Figure 4).

Figure 3: Support for a global wealth tax.
"Do you support or oppose a tax on millionaires of all countries to finance low-income countries?
Such tax would finance infrastructure and public services such as access to drinking water, healthcare, and education."

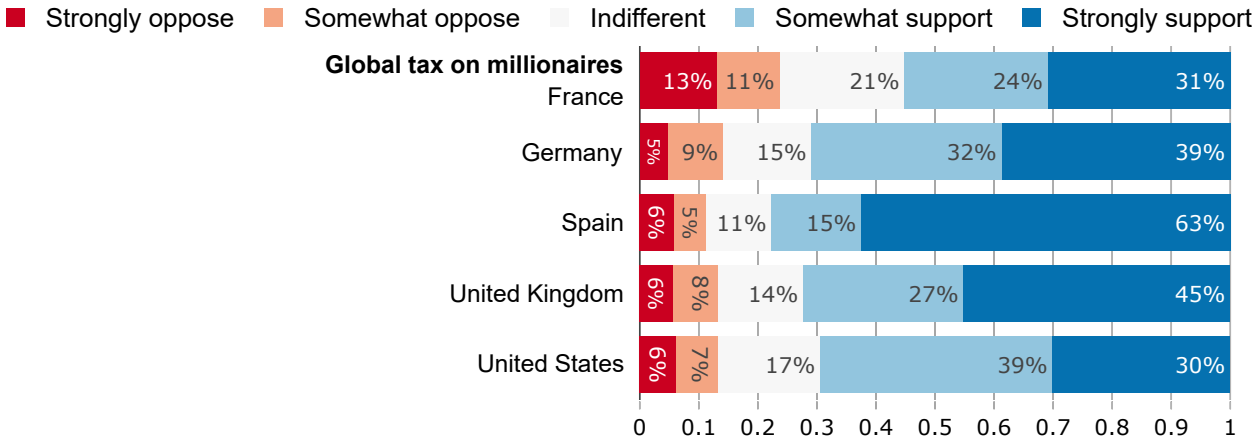
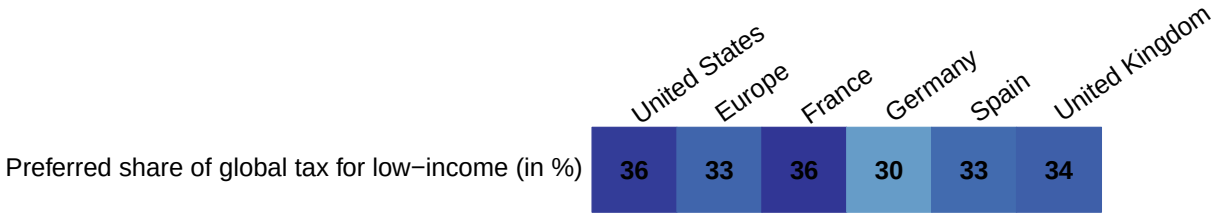


Figure 4: Percent of global wealth tax that should finance low-income countries (*mean*).



A platform is preferred when it includes a global wealth tax. Fabre et al. (2023) make people choose between two random platforms. In Eu, respondents are prompted to imagine that a left- or center-left coalition will win the next election and are asked what platform they would prefer that coalition to have campaigned on. In the U.S., the question is framed as a hypothetical duel in a Democratic primary, and asked only to non-Republicans. A policy (or an absence of policy) is randomly drawn for each platform in each of five categories: *economic issues*, *societal issues*, *climate policy*, *tax system*, *foreign policy* (Figure 5). A platform that includes a global tax on millionaires rather that no foreign policy is 9 to 13 percentage points (p.p.) more likely to be preferred in all countries but Spain (not significant, at +5 p.p.). These effects are large, and not far from the effects of the policies most influential on the platforms, which range between 15 and 18 p.p. in most countries (and 27 p.p. in Spain), and all relate to improved public services (in particular healthcare, housing and education).

A global wealth tax is one of the main priorities. Each respondent is then asked to allocate 100 points among six policies picked at random (among the policies used in the previous question), with the instruction that "the more you give points to a policy, the more you support it". For each policy presented, the average support is thus 16.67 points. The global tax on millionaires ranks at worst in fifth position in every country, and receives an average number of points from 18.3 (Spain) to 22.9 (Germany). In Germany, the the global tax on millionaires is the most prioritized policy. In other countries, the most prioritized policies relate to improved public services (in particular healthcare, housing and education) and are thus complementary to a wealth tax, that can finance them.

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Figure 5: Political preferences in the UK.
Effects of the presence of a policy (rather than none from this domain) in a random platform on the likelihood that it is preferred to another random platform. (For the other countries, see Fabre et al. 2023)

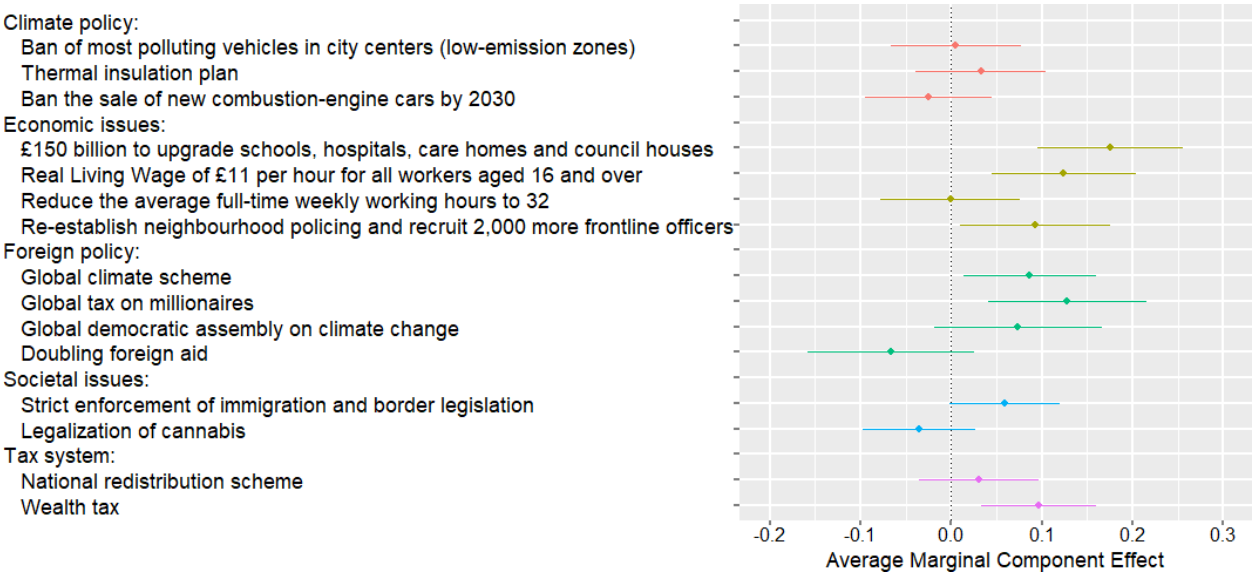

Figure 6: Mean prioritization of policies.
Mean number of points allocated policies to express intensity of support (among six policies chosen at random). Blue color means that the policy has been awarded more points than the average policy.