The Case for a U.S. Wealth Tax

An IPS Inequality Briefing Paper

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The Case for a U.S. Wealth Tax

Major Findings

- Between 1980 and 2018, the taxes paid by America's billionaires, when measured as a percentage of their wealth, decreased 79 percent.
- The portion of America's increasing wealth flowing to U.S. billionaires rose throughout the past four decades. Between 2006 and 2018, nearly 7 percent of the real increase in America's wealth went to the country's 400 wealthiest households.
- Over the past four decades, the relative constraints imposed on the ability of billionaires and ordinary Americans to accumulate wealth have been tilted dramatically in favor of billionaires.
- The most reliable way to prevent further concentration of America's wealth in billionaires would be the enactment of a wealth tax.

Introduction

For over a generation now, ever since 1980, wealth has been concentrating furiously at America's economic summit. We haven't experienced a wealth-accumulation playing field this tilted to the top since the original Gilded Age well over a century ago.

During these four decades, the annual tax burden on America's billionaires, as a percentage of their wealth, has decreased by a stunning 79 percent.

For the sake of our common future — our democracy, economy, and environment — we need to change our current wealth-concentrating trajectory. For that change to happen, our national tax policies must change.

In the United States today, we levy taxes on a wide variety of fronts. We tax everything from income and certain types of property to consumption and the intergenerational passage of wealth. But these taxes have done precious little to stem the tide of wealth's concentration. We need a new tax. A wealth tax, an annual levy on the assets of our nation's wealthiest, would help us significantly check and constrain our Billionaire Class.

This report explores the relationship between taxation and wealth accumulation. We examine that relationship as the great majority of Americans experience it. We compare their experience to the wealth-accumulating lives our wealthiest — our billionaires — live.

These billionaires constitute an incredibly tiny share of the American people, a cohort far smaller than the top 1 percent or even the top 0.01 percent. Our current Billionaire Class now encompasses some 600 individuals, the 400 listed in the latest annual *Forbes* magazine tally of America's richest and the 200 additional American deep pockets who currently rate billionaire status. This elite assemblage makes up a mere .000375 percent of our nation's population.

Defining Tax Fairness

No one in America today disputes that billionaires ought to pay their "fair share" at tax time, not even our billionaires themselves. But what counts as a "fair share"?

Most of our billionaires seem to believe they are paying *more* than their fair tax share. They point to the millions of dollars in taxes they do indeed pay. But critics see those billionaire tax dollars as little more than an inconvenience for our nation's richest. We have, in other words, a classic definitional problem. In the absence of an accepted definition for "fair share," the arguments we hear on either side all too often amount to little more than emotional appeals.

So how *should* we define fair share?

We ought to start by recognizing that the only significant check on wealth accumulation — other than taxes — has always been living expenses. For those at the bottom and middle of our income distribution, living expenses consume the overwhelming bulk of income and make any substantial wealth accumulation all but impossible. For the extremely rich, on the other hand, living expenses — even the expenses of living luxuriously large — hardly dent the ongoing income flow. In these situations, wealth accumulates almost on autopilot.

Taxes on the rich, if appropriately constructed, can turn that autopilot off. They can act as a brake on wealth's concentration. They can counterbalance the impact of living expenses on households of modest means. And they can help us define "fair share." To wit: Those at the top of our economic order are paying their fair tax share when our tax system levels the wealth accumulation playing field.

We certainly have not had anything close to this level playing field over recent decades. Our tilted playing field has cascaded an ever-greater share of wealth into the pockets of the already wealthy. According to economists Emmanuel Saez and Gabriel Zucman, the top 0.1 percent of American households has tripled[i] its share of national wealth since 1980. The share of the top .01 percent has quadrupled,[ii] with the Billionaire Class leading the way.

One data point vividly illustrates just how starkly wealth has concentrated over the past four decades: In 1982, the year the annual *Forbes* 400 list debuted, the combined wealth of the 400 wealthiest Americans totaled slightly less than 1 percent of the nation's total wealth. Before the recent coronavirus-driven stock market crash, the wealth of a *mere 14* billionaires accounted for 1 percent of the nation's total wealth.

How Wealth Accumulates

Correcting our current wealth concentration requires an understanding of just how personal wealth accumulates. We all have two paths to greater wealth. We can become wealthier as our previously accumulated — or inherited — wealth generates more wealth. We can also become wealthier through the exercise of our human capital. We use our knowledge, skills, and labor power to perform work that earns income.

Our human capital and the capital that our accumulated assets create have one critically significant difference: Existing wealth can be grown indefinitely, but the capacity of our individual human capital to grow at some point declines as we age.

Overall, how much wealth we accumulate reflects four factors, two positive and two negative. Human capital and previously accumulated or inherited wealth drive wealth accumulation forward. Living expenses and taxes constrain this accumulation.

For most of us, two of these factors — human capital on the positive side and living expenses on the negative — have always been dominant. For some of us, the returns on human capital can be extraordinary. Professional athletes, for example, can generate income in the multiple millions per year. Minimum-wage workers find themselves far less fortunate.

Human capital plays a dominant role even for households relatively high up on the economic ladder. Consider a three-person household with $180,000 per year in income and $800,000 in household wealth. This particular household would currently rate as better off than 90 percent of American households. Assume that our household is generating a 4 percent annual rate of return on its wealth, or $32,000, a return split evenly between taxable investment income and non-taxable appreciation in home equity. This household would pay tax on $164,000 from its human capital and $16,000 from its previously accumulated wealth. For this family — and for the vast majority of American families — human capital functions as a far more significant driver of wealth accumulation than already existing wealth.

This vast majority depends on *human* capital to build wealth. Most Americans have no prospects for accumulating wealth unless they have money left over from their paychecks after meeting the cost of their basic living expenses and taxes.

Most of us make trade-offs between living expenses and wealth accumulation as tax burdens increase or decrease. A change in the tax burden translates into either a change in how much we spend on living expenses or a change in how much wealth we accumulate. Most of us can also maximize how much wealth we accumulate by eliminating all our discretionary spending, the outlays we make above and beyond what we need to spend on basic living expenses.

All but our nation's wealthiest households are, as a result, constantly negotiating competing objectives. Should we allow current needs and wants to take precedence over wealth accumulation — or not? The answers individual households give impact far more than these households themselves. Discretionary spending, after all, drives the American economy.

Households at the bottom of our economic order have virtually no capacity for discretionary spending. Their living expenses present a massive constraint on wealth accumulation. If the tax burden on those at the bottom eases, the income freed up tends to go towards additional living expenses, not wealth accumulation.

Living expenses remain a significant constraint on wealth accumulation for even households near the top of the economic ladder. All those who rate as affluent but not super rich at some point retire. At that point, the income from their human capital terminates, and these affluents often find that the income their accumulated wealth generates falls short of their living expenses in retirement. That shortfall forces them to consume existing wealth. Even retired households with accumulated wealth in the low seven figures can face this situation.

None of this, of course, should lead us to dismiss the importance of taxes as a constraint on wealth accumulation. For the affluent but not rich, the *total* local, state, and federal tax burden now runs about 30 percent of income. And what about those at or near the bottom of our economic order? Income taxes may be relatively minimal for those with low to modest incomes, but sales taxes, payroll taxes, and property taxes combine to consume about 25 percent of income for those in the bottom 60 percent of American households, according to a recent work by economists Saez and Zucman. For most of these households, the combined living expense-tax burden leaves virtually no room for wealth accumulation.

The Billionaire Class faces an entirely different wealth-accumulation reality. For billionaires, the investment of *existing* wealth drives accumulation forward. Taxes push back at that accumulation. The income billionaires can earn by employing their human capital most always stands as insignificant compared to the investment returns they can realize. And the burden living expenses impose on billionaire wealth has no more than a trivial impact.

Billionaires, as a result, need never negotiate messy trade-offs between paying their taxes and funding their living expenses. They can only spend a tiny fraction of the annual accretion in their wealth, even if they go for that eleventh mansion. And the growth of that already accumulated wealth — the bulk of their annual added wealth — goes almost totally untaxed. For billionaires, income from their human capital plays no pivotal role. Jeff Bezos, for example, collects no towering compensation as the CEO of Amazon. His massive $100-billion private fortune stems mostly from his stake in Amazon. The more Amazon shares appreciate in value each year, the greater the Bezos personal fortune. But this growth in the Bezos fortune does not show up on the annual Bezos income tax return — and faces no tax.

Consequently, for the Billionaire Class, taxation *on income* in no way makes for a reliable constraint on wealth accumulation. The only truly meaningful check on billionaire wealth accumulation would be a tax on billionaire wealth itself. For the Billionaire Class, the rate of tax on their income does not particularly matter. What matters more: the rate of tax on their wealth.

In sum, we need to measure the constraint taxes impose on billionaire wealth accumulation differently from how we measure that constraint on less financially favored households. For the great majority of American households, the most appropriate metric will be the percentage of income that remains after living expenses that the household finds consumed by taxes. For the Billionaire Class, the appropriate metric will always be taxes as a percentage of wealth.

Tax Policy and Wealth Accumulation Since 1980

Recent studies by Emmanuel Saez and Gabriel Zucman shine a light on how the taxation of Americans has evolved over the past four decades. Saez and Zucman have considered all taxes in their calculations: income taxes, consumption taxes, property taxes, employment taxes, payroll taxes, estate taxes, and corporate taxes. They have totaled all these taxes and then determined the rate of total tax paid by Americans as a percentage of income. Their calculations cover the past 68 years at each level of the income ladder, from the bottom-most groups all the way to the nation’s 400 highest-income taxpayers.

The data Saez and Zucman provide allow us to compare how taxes have constrained wealth accumulation across the economic spectrum. Their numbers, taken together with what we know about how wealth accumulates, explain why wealth in America has so obscenely concentrated since 1980 — and why this disastrous concentration cannot be reversed without a dramatic change in American tax policy.

We begin with the great majority of Americans, those whose human capital almost totally drives any wealth accumulation they may see. Saez and Zucman present the rate of total tax as a percent of income. That makes eminent sense as a decent starting point for measuring how much taxes constrain wealth accumulation for most all Americans — since annual income determines the capacity of most all Americans to accumulate wealth.

For those of us in the bottom 90 percent, the Saez and Zucman figures show, the constraint taxation imposes on our wealth accumulation has not changed all that much over the years.

Consider how the median household, by income, has fared since 1980. Total taxes on those of us at the 50th percentile, according to Saez and Zucman, have decreased slightly as a percentage of income, from 29 percent to 25 percent, between 1980 and 2018. During that same period, median family income, a figure that includes both wages and investment income, increased from $53,128 to $63,179, in 2018 dollars. This indicates that for the median family the constraint that taxes impose on wealth accumulation has slightly reduced.

But we need to keep in mind that the income left to that median household *after* paying taxes, even for 2018, dips under $50,000 per year. That's considerably less than the amount required to lead a middle-class life in America. For example, according to the Economic Policy Institute's Family Budget Calculator, a family of two adults and one child in Phoenix, Arizona, would require about $64,000 outside of taxes to attain a modest yet adequate standard of living.

Households in this modest-income situation would likely *not* use their tax savings to invest and accumulate wealth. Given their limited incomes, they would be much more likely to spend their tax savings on new or expanded living expenses that take precedence over saving. The result: These households, after paying their expenses, would have available for wealth accumulation dollars not substantially greater than the dollars they had available for saving in 1980.

A household at the 90th percentile might have fared better. Its total tax burden since 1980 has decreased from 31 percent of income to 28 percent. That modest decline resembles the modest tax burden decline median households have experienced. But household income has increased a good bit more at the 90th percentile, from $130,117 in 1980 to $183,459 in constant dollars. This rise in real income *could* have enhanced the ability of the 90th percentile household to accumulate wealth after meeting the cost of living expenses. Suppose living expenses consumed 50 percent of that 90th percentile family's pre-tax income in 1980, but only 40 percent in 2018. That would mean the household's tax burden, as a percentage of its income after living expenses, decreased from 62 to 46.6 percent, about a 25 percent reduction.

Under this optimistic set of assumptions, the 90th percentile household has seen a 25 percent reduction in the constraint taxation imposes on its wealth accumulation. Taking the additional constraint imposed by living expenses into account, the percentage reduction in the total constraint on wealth accumulation for the 90th percentile family would be smaller, about 18 percent.

The wealth accumulation pattern for the Billionaire Class over the past four decades has been starkly different. This analysis has used the Saez-Zucman data to estimate the change since 1980 in the constraint taxation has imposed on billionaire wealth accumulation. Our Appendix describes the many steps we took to calculate our estimates.

The bottom line: Total taxes paid by households in the Billionaire Class, as a percentage of their *wealth*, have decreased by 79 percent between 1980 and today. No other single figure better explains why the share of the nation's wealth concentrated in the Billionaire Class has more than tripled, from slightly less than 1 percent in 1982 to about 3.25 percent today.

We see a direct, undeniable correlation between these two trends. For the wealthiest Americans, the only constraint on wealth accumulation remains taxation. This constraint has largely lifted over the past four decades. For the rest of us, even the affluent among us, living expenses and taxes *both* continue to present substantial constraints on wealth accumulation.

The astounding increase in the wealth of America's Billionaire Class has unfolded over decades. Unfortunately, we still have not yet experienced the full wealth-concentrating impact of the reduction in the taxation of Billionaire Class wealth. We have an even more alarming dynamic to take into account: the increase in the Billionaire Class share of our nation's newly created wealth.

Consider the pattern that emerges when you break the period between 1982 and 2018 into three equal periods. In 1982, as shown in the table below, the Billionaire Class held just under 1 percent of the nation's approximately $21.1 trillion in 2018-dollar wealth. In each successive 12-year period, the Billionaire Class grabbed a progressively larger share of the real increase in the nation's wealth. Between 2006 and 2018, the share of the nation's newly created wealth flowing to the Billionaire Class had metastasized to almost 7 percent. In other words, over the 12-year period ending in 2018, almost 7 percent of the real increase in the wealth of a nation of over 300 million people went to a tiny group of billionaires.

Share of National Wealth Flowing to Billionaires

Year	National Wealth[iii] (billions $2018)	Billionaire Class Share[iv]	Billionaire Class Wealth (billions $2018)	National Wealth (12-year Increase)	Billionaire Class Wealth (12-year increase)	Billionaire Class Share of Increase
1982	$21,110	0.93%	$196.32			
1994	$34,372	1.50%	$515.58	$13,262	$319.26	2.41%
2006	$68,310	2.18%	$1,489.15	$33,938	$973.57	2.87%
2018	$88,662	3.26%	$2,890.38	$20,352	$1,401.23	6.88%

This ominous trend could get even more ominous in the absence of corrective action in the years ahead. What we need to correct includes the 2017 tax act, legislation that ratcheted down appreciably the tax burden on America's billionaires. Currently available data only runs through 2018, and that statistical reality leaves the impact of the 2017 tax rate reduction only minimally reflected in our four-decade analysis. If nothing changes in the years ahead, the constraint that taxation imposes on billionaire wealth accumulation will be even more anemic than the constraint in place over the past four decades.

Conclusion

In the contest for the Democratic Party's 2020 presidential nomination, several major candidates, led by Senators Bernie Sanders and Elizabeth Warren, called for an annual federal wealth tax. They based that call in large part on the work of economists like Emmanuel Saez and Gabriel Zucman, who also have called for an annual wealth tax.

For more than a century now, wealthy Americans have essentially faced every form of tax except an annual tax on their total wealth. In the mid-20th century, the tax package imposed on wealthy Americans did a reasonably meaningful job of preventing the undue concentration of our nation's wealth. Individual income taxes, corporate income taxes, consumption taxes, real property taxes and estate taxes imposed at the federal, state, and local level all combined to impose an adequate level of taxation on Billionaire Class wealth. Between 1945 and 1980, Americans lived in a significantly more egalitarian society than they do today.

But that greater equality proved short-lived. Ultimately, the effective rate of wealth taxation on the Billionaire Class plummeted, falling 79 percent over four decades, a decline that gave rise to the extreme wealth concentration America faces today.

Only an annual wealth tax — a direct tax on billionaire wealth — can reliably limit the Billionaire Class rate of wealth accumulation to a level no greater than wealth accumulation for the population at large. Other forms of taxation have valid purposes. But to rein in the Billionaire Class we need something more. And rein in we must.

APPENDIX:

Estimating the Reduction in Billionaire Class Tax Burden as a Percentage of Billionaire Wealth

Recent studies by Saez and Zucman allow us to estimate the change in the tax burden on members of the Billionaire Class as a percentage of their wealth. But making these estimates requires that we follow an indirect and somewhat convoluted path.

Throughout the analysis, the following abbreviations will be used:

C = Current (2018)

P = Past (1980)

W = Wealth

T = Tax

R = Ratio

r = effective rate of total tax on income

EP = Entire Population

BC = Billionaire Class (top .000375% by wealth)

From available data, we can estimate the ratio of the rate of total tax, as a percentage of wealth, for the entire population in 1980 to the rate today. Let's call that the "Current to Past Wealth Tax Ratio," or $CPWTR_{EP}$.

We have a fairly clear idea of what has happened to tax receipts as a percentage of wealth during the 1980 to 2018 period. Between 1980 and 2018 federal tax receipts increased from $599 billion to $3.46 trillion.[v] That rates as between a five- and six-fold increase. Similarly, state and local tax receipts increased from $250 billion in 1980 to $1.85 trillion in 2018, an increase of between seven- and eight-fold. During that same period, the country's aggregate wealth has increased about ten-fold, from approximately $7.34 trillion to approximately $88.66 trillion.

Which means that federal, state and local taxes paid by Americans as a percentage of wealth amount to about 51.8 percent of their total in 1980. In 1980, tax receipts stood at about 11.56 percent of total wealth, in contrast to 2018 when tax receipts represented 5.99 percent of total wealth.

We know that if we multiply the $CPWTR_{EP}$ by the ratio of the CPWTR for the Billionaire Class, $CPWTR_{BC}$, to $CPWTR_{EP}$, we arrive at the current to past wealth tax ratio for the Billionaire Class. That relationship is expressed formulaically as:

$$CPWTR_{EP} * (CPWTR_{BC} / CPWTR_{EP}) = CPWTR_{BC}$$

We can substitute for $CPWTR_{EP}$ in the first place it appears (but not the second), what we know to be its value: 51.8 percent. That leaves us with the following:

$$51.8\% * (CPWTR_{BC} / CPWTR_{EP}) = CPWTR_{BC}$$

The data to calculate $CPWTR_{BC}$ directly is not available, but we can estimate that ratio indirectly by determining $CPWTR_{BC}/ CPWTR_{EP}$ from available data.

We know that $CPWTR_{BC}$ reflects the current ratio of tax burden to wealth for the Billionaire Class divided by the ratio in 1980 of tax burden to wealth for the Billionaire Class:

$$(T_{BC}^{2018}/W_{BC}^{2018}) / (T_{BC}^{1980}/W_{BC}^{1980}) \text{ or}$$

$$T_{BC}^{2018} * W_{BC}^{1980} / W_{BC}^{2018} * T_{BC}^{1980}$$

Similarly, $CPWTR_{EP} = (T_{EP}^{2018}/W_{EP}^{2018}) / (T_{EP}^{1980}/W_{EP}^{1980})$, or $T_{EP}^{2018} * W_{EP}^{1980} / W_{EP}^{2018} * T_{EP}^{1980}$

Putting all that together then, $CPWTR_{BC} / CPWTR_{EP} =$

$$\frac{T_{BC}^{2018} * W_{BC}^{1980} * W_{EP}^{2018} * T_{EP}^{1980}}{W_{BC}^{2018} * T_{BC}^{1980} * T_{EP}^{2018} * W_{EP}^{1980}}$$

The factors comprising the ratio can be reordered as the product of four ratios:

$$\frac{W_{BC}^{1980}}{W_{EP}^{1980}} * \frac{W_{EP}^{2018}}{W_{BC}^{2018}} * \frac{T_{BC}^{2018}}{T_{EP}^{2018}} * \frac{T_{EP}^{1980}}{T_{BC}^{1980}}$$

Focus on the first two factors. The first ratio simply gives us the wealth share of the Billionaire Class in 1980. The second factor is the inverse of the current wealth share of the Billionaire Class. The product of those two factors is the ratio of the wealth share of the Billionaire Class in 1980 to the current wealth share of the Billionaire Class. We don't have 1980 data for the wealth share of the Billionaire Class, but we do have it for 1982 through the current year. From that data, we know that the wealth share of the Billionaire Class has increased 3.51-fold since 1982,[vi] from slightly under 1 percent of the country's total wealth in 1982 to slightly over 3 percent of the country's total wealth in 2018. Thus, the ratio of the wealth share of the Billionaire Class in 1982 to the wealth share of the Billionaire Class today is 1/3.51. From there, we can estimate, based on the growth in the wealth share of the top .01 percent between 1980 and 1982,[vii] 17 percent, that the wealth share of the Billionaire Class also grew by 17 percent between 1980 and 1982. The estimated ratio of the current wealth share of the Billionaire Class to the wealth share of the Billionaire Class in 1980 becomes the product of 3.51 and 1.17, or 4.11.

So we know the product of the first two factors in the ratio is 1/4.11. This means the equation for the current to past wealth tax ratio for the Billionaire Class can be reduced to:

$$51.8\% * 1/4.11 * (T_{BC}^{2018}/T_{EP}^{2018}) * (T_{EP}^{1980}/T_{BC}^{1980})$$

Turning to the final two factors, the third factor represents the current "tax share" of the Billionaire Class — that is, the share of the country's tax burden borne by the Billionaire Class in 2018. The fourth factor is the inverse of the tax share of the Billionaire Class in 1980. The product of those two factors, then, is the ratio of the current tax share of the Billionaire Class to the tax share of the Billionaire Class in 1980.

The data provided to us by Saez and Zucman allow us to estimate this ratio.

The current tax share of the Billionaire Class is the ratio of the product of current tax rate (on income) of the Billionaire Class (r_{BC}^{2018}) and the current income share of the Billionaire Class (IS_{BC}^{2018}) to the product of the current tax rate of the entire population (r_{EP}^{2018}) and the current income share of the entire population, which we know to be 100 percent, or 1.0. That ratio is expressed formulaically as follows:

$$(r_{BC}^{2018} * IS_{BC}^{2018}) / (r_{EP}^{2018} * 1.0) = \text{Tax Share}_{BC}^{2018}$$

The tax share of the Billionaire Class in 1980 is the ratio of the product of the 1980 tax rate of Billionaire Class (r_{BC}^{1980}) and the 1980 income share of the Billionaire Class, IS_{BC}^{1980} to the product of the 1980 tax rate of the entire population (r_{EP}^{1980}) and the 1980 income share of the entire population, which we also know to be 100 percent, or 1.0. That ratio is expressed formulaically as follows:

$$(r_{BC}^{1980} * IS_{BC}^{1980}) / (r_{EP}^{1980} * 1.0) = \text{Tax Share}_{BC}^{1980}$$

The ratio of the current tax share of the Billionaire Class to the tax share of the Billionaire Class in 1980 thus is expressed formulaically as:

$$(r_{BC}^{2018}/r_{BC}^{1980}) * (IS_{BC}^{2018}/IS_{BC}^{1980}) * (r_{EP}^{1980}/r_{EP}^{2018})$$

The Saez and Zucman analysis provides the tax rates in the formula. According to Saez and Zucman, the total tax rate of the top 400 Americans (by reported income) currently is 23.0

percent of income,[viii] a rate we can assume extended to America's Billionaire Class. The total tax rate of the Billionaire Class in 1980, according to Saez and Zucman, was about 47.2 percent of income.[ix] The total tax rate paid by the entire population currently is 27.7 percent of income.[x] The total tax rate paid by the entire population in 1980 was 30.4 percent.[xi]

We don't have data on the income share of the Billionaire Class, but we can estimate the ratio of the current income share of the Billionaire Class to the income share of the Billionaire Class in 1980. During that same period, according to [Saez and Zucman](), the income share of the top .01 percent of Americans rose by a factor of approximately 3.07,[xii] or slightly more than a tripling.

It seems we can assume the income share of the Billionaire Class would have increased by about the same factor. According to [Saez and Zucman](), the wealth shares of both the Billionaire Class and the top .01 percent both approximately quadrupled during that period.[xiii] At that level of wealth, income is largely a function of wealth. So, if the wealth share of the Billionaire Class increased by the same factor as the wealth share of the top .01 percent over the period, their income share also would have had to increase by approximately the same factor.

The ratio of the current tax share of the Billionaire Class to the tax share of the Billionaire Class in 1980 thus reduces to:

$$(23.0\%/47.2\%) * 3.07 * (30.4\%/27.7\%) = 1.64$$

We now can estimate the Current to Past Wealth Tax Ratio of the Billionaire Class as follows:

$$CPWTR_{BC} = 51.8\% * 1/4.11 * 1.64 = 20.7\%$$

We estimate, as a result, that the rate of tax paid by members of the Billionaire Class as a percentage of their wealth is less than 21 percent of what it was in 1980. Put another way, the Billionaire Class has enjoyed a cut of 79 percent in the rate at which its wealth is taxed.

The analysis here rests on some imprecise assumptions. Examples: The change in the income share of the Billionaire Class may not match exactly the change in the income share of the top .01 percent. The income tax rate for the Billionaire Class by income is not available, so we used the rate for the top 400 taxpayers by income.

But given the enormity of the reduction in the taxation of Billionaire Class wealth, the imprecision does not meaningfully detract from the conclusion reached.

Notes

[i] https://gabriel-zucman.eu/files/Zucman2019.pdf at Figure 1 (p. 119)

[ii] https://gabriel-zucman.eu/files/Zucman2019.pdf at Figure 3 (p. 123)

[iii] https://gabriel-zucman.eu/files/PSZ2017AppendixTablesI(Macro).xlsx

[iv] https://eml.berkeley.edu/~saez/SZ2019MainFigures.xlsx (Figure 8.3)

[v] An event giving rise to taxation, the realization of income for example, and the payment of tax usually are not concurrent. Ordinarily, there is a lag between the taxable event and the payment. We therefore used fiscal year 1981 and 2019 tax revenue to correspond, roughly, to taxable events occurring in 1980 and 2018, respectively.

[vi] https://eml.berkeley.edu/~saez/SZ2019MainFigures.xlsx Figure 8.3. The wealth share of the Billionaire class was .93% in 1982 and 3.26% in 2018.

[vii] https://eml.berkeley.edu/~saez/SZ2019AppendixTables.xlsx Table A1. According to Saez and Zucman, the wealth share of the top .01% increased from 2.3% in 1980 to 2.8% in 1982.

[viii] https://eml.berkeley.edu/~saez/SZ2019AppendixTables.xlsx Table B1

[ix] https://eml.berkeley.edu/~saez/SZ2019AppendixTables.xlsx Table B1

[x] https://eml.berkeley.edu/~saez/SZ2019AppendixTables.xlsx Table A3

[xi] https://eml.berkeley.edu/~saez/SZ2019AppendixTables.xlsx Table A3

[xii] See Table A1. Note that the Top 400 in the same table is the top 400 by income. It is not the equivalent of the Billionaire Class. Also note, the table is based on the share of the top .01 percent in national income, which does not include capital gains, whereas the tax rates determined by Saez and Zucman are based on income including capital gains. But the percentage increase in the income share of the top .01 percent if capital gains are included closely tracks the percentage increase in the income share excluding capital gains. *See* Piketty and Saez, Top Income Share, 1913-2017 (Figure 3 and Data-Figure 3)

[xiii] https://gabriel-zucman.eu/files/Zucman2019.pdf Figure 3 (p.123)