

A wealth tax would be good for democracy

The American dream is not just about accumulating private wealth.

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In the run-up to the 2020 election, a number of candidates are calling for higher taxes on the wealthy. Among them is Elizabeth Warren, who has proposed adding a tax on wealth—something the US has never had. It's a recognition that current disparities in wealth are even more severe than disparities in income, and that accumulated wealth bestows its own powerful set of economic advantages. She would impose a 2 percent tax on assets over \$50 million, and a 6 percent tax on assets over \$1 billion.

Warren's proposal has sparked debate among economists about its workability and public attacks from billionaires offended by the very idea. JPMorgan Chase executive Jamie Dimon has said the tax "vilifies successful people." Billionaire investor Leon Cooperman has accused Warren of trying to squash the American dream.

Warren argues that her wealth tax is based not on envy or vilification of the rich but on the realities of interdependence. “You built a great fortune, good for you,” Warren typically says in response. “I guarantee you built it, at least in part, using workers all of us helped pay to educate, getting your goods to market using roads and bridges all of us helped pay to build.” Warren is reminding the wealthy that they too are citizens who have benefited from other people’s labor and the taxes they paid.

It’s tempting for all of us, not only billionaires, to assume that we are fully entitled to whatever we possess and to forget the network of public goods that is the basis of whatever financial prosperity we enjoy. People with vast wealth are perhaps especially prone to imagining they are not dependent on public investments in things like education, environmental protection, transportation, and social welfare. That is one of the illusions wealth fosters.

A tax that reduces a \$100 million fortune to \$99 million can hardly be considered onerous. When that tax money helps provide, say, health insurance and job training for people who wouldn’t otherwise have access to it, then it is enhancing the American dream, not squashing it. That’s assuming that the American dream is about democracy and equality of opportunity, not just about the accumulation and defense of private wealth.

Wealth fosters the illusion that one is not dependent on public goods.

What’s currently undermining the dream of democratic opportunity is not confiscatory taxes aimed at the rich, but a five-decade trend in public policy that has helped widen disparities in wealth and income and hollowed out the middle class. The result has been disastrous for democracy. As many scholars have pointed out, gross economic inequality leads to gross political inequality. In the words of University of Texas historian William E. Forbath, severe economic inequality “destroys the material independence” citizens need in order to participate in public life and blocks access to “basic goods that are the foundation of dignity.”

Whatever the fate of the wealth tax or other proposals to address inequities, Warren is right to remind billionaires and everyone else that we all have a practical stake in the prosperity of our neighbors—and that democracy depends on it.

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