

NGOs have to promote credible economic policies if they...

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I admit to having missed a report in the [Guardian last week](#) that said:

Every adult in the world could get a Covid-19 vaccine if the wealth billionaires collected during the pandemic was taxed 99% once, according to an analysis published on Thursday by several groups that advocate for economic equity.

This one-time tax on the world's 2,690 billionaires could also cover \$20,000 in cash paid to all unemployed workers, according to the analysis by Oxfam, the Fight Inequality Alliance, the Institute for Policy Studies and the Patriotic Millionaires.

A link to one of the organisations involved [can be found here](#).

I admit to finding reports such as these deeply annoying because they reveal a fundamental ignorance of economic facts which is not becoming for any of the organisations involved.

The simple fact is that despite the implication of the report, the wealth of the world's 2,690 billionaires is not in cash. I am sure some is. But we know that the vast majority will be invested. In the case of many billionaires it will be in single companies that they own. In other cases it will be in diversified portfolios, and a great deal will be in property. But little will be in cash.

So, the first question that the authors of this report had to ask was how these people are to pay 99% of their wealth in tax if payment is demanded in cash, as the article implies, and this cash is simply not available? As it stands the reality is that they could not pay without selling their assets to others. But since many of the 'others' to whom they might sell will also be looking to realise cash that is not going to be possible. That means that there is going to be no one with the ability to buy their assets. So, the market in their assets will crash and if such a tax was imposed the value of the billionaires might disappear, at least temporarily, and with it the tax yield. I rather suspect that is not the outcome that the proponents sought. It pretty much negates the purpose of their plan, because it just delivers a downside with no upside. You might call

that a fundamental flaw in the plan.

The reality is that if this tax was to be paid then governments would have to create the cash to pay the tax before settlement could be made, which rather proves the point of modern monetary theory that government spending has to always precede tax payment. That fact is that the only way that the tax could then be paid was if the government first bought the assets of the wealthy so that they could then return 99% of the proceeds in tax. But in that case two points have to be noted.

The first is that if the money to pay the tax could just be created (and that, of course, is possible) then why not just create the money to deliver the desired outcome of \$20,000 cheques instead?

The second is to note that this suggestion that the cheques be paid without taxing first is no more inflationary than the outcome proposed by the advocates of this scheme. The reason for saying so is that the proposed 99% tax is, whether money is created to settle it or assets are accepted as payment in kind (which would work), just a sequestration that changes ownership of assets. I stress, that change of ownership may be desirable in itself, in what case say so and leave the justification at that. But what it does not do is create new money in the economy.

That's because if money was created by the government to buy the assets of the billionaires that then let them pay their tax bills (and this is the only way that could happen) then the money used to pay the tax would be cancelled and cease to exist on payment of the tax liabilities because that is what always happens when tax is paid.

In that case the \$20,000 payment to everyone would still require that new money be made by governments in order to make that settlement: the wealth of the wealthiest would not be used to make that payment. The wealth of the wealthiest - whether it be shares or land and property - would now belong to governments but it would still be in the form of shares and land and property - so no more cash would be available to governments after the sequestration of the property of the wealthiest to pay out a social dividend to all than was available before the sequestration took place.

And since creating cash to buy property does not have a multiplier effect in itself since it merely transfers the ownership of savings, [which are the home of economically dead money](#), this 99% tax has not actually added anything to the cash pile of the government. Nor has it created anything new for people to buy - unless that is the governments of the world are to put the former property of the very wealthy on the market for people to acquire - which would simply reproduce the inequality problem since the moderately wealthy would then exploit that opportunity. And meanwhile, the \$20,000 cheques would - as helicopter money - simply drive up inflation, leaving no one better off, and a lot of poorer people potentially very much worse off, because the poorest tend to suffer most from inflation. To put it another way, there are much better ways of using \$20,000 a head than simply sending out cheques for that amount.

I can't beat about the bush on this one. This is poor economics and these NGOs should do much better than that. It's embarrassing that they pump out such misleading nonsense. And I say that as someone who very much wants to beat poverty. I just know it can't be done this way.

There are four solutions. Better taxes on wealth that do not destroy the tax base in one go are the place to start. And much higher taxes on the income from wealth is the next place to go. Then end to the subsidies within the tax system to wealth. And after that, a willingness to use the power of government to create money to address the real issues created by poverty and not just splash the cash has to be the priority. Some [of these are linked here](#). The rest requires a proper understanding of modern monetary theory, but that's not hard. It's time NGOs got this right. They might put forward credible ideas in that case. Right now they are not and that helps no one.