Funding the Future

There are better ways of taxing wealth than imposing we...

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All attention last week was focused on the midterm election results for the Senate, House of Representatives and governors in states in the USA, and with good reason. However, when the States go to the polls, they really do go to the polls. Very large numbers of positions in the USA are subject to a ballot, as are some other issues which require referendums to determine policy.

In California, there was such a referendum last week. It was on what was called Proposition 40. The proposal was that California should adopt a billionaire wealth tax which would impose a one-time 5% tax on individuals and trusts with over $1 billion in assets and allocate the resulting revenues to fund healthcare, food assistance and education.

I stress that, whilst, as I normally say, tax does not fund anything, that is only true at a federal level in the context of the USA. At a state level, the states themselves cannot create the currency they use because that is created by the federal government, and as a result, tax does fund their spending. In this case, therefore, the link between the tax and the spending outcome was appropriate, although proposing a one-off tax to fund long-term spending makes no economic sense to me.

As it turned out, this will not matter. According to the New York Times, the proposal has been rejected by about 52.8% to 47.2%. California will not be getting a wealth tax, and this setback will undoubtedly impact other campaigns for a wealth tax elsewhere in the USA, and maybe elsewhere.

However, as I have long pointed out, and as I demonstrated in my Taxing Wealth Report , we do not need a wealth tax to significantly increase the amount of tax raised from those with wealth. This goal can be achieved within the existing tax system in the UK and could raise significantly more revenue to achieve the goal of reducing inequality than any wealth tax that has been proposed for this country could. What is more, because each measure could be introduced individually, and I proposed up to 30 in all, of varying degrees of revenue effectiveness, the cliff-edge effect seen in this poll in California could be avoided, making delivery a much higher probability.

This was an issue I discussed with Aaron Bastani in my interview with him for Novara Media last week. They have now clipped that section of the video and published it as a separate video in its own right. That’s here.

I suggest all those who are suffering disappointment in response to this result in California take a look. There are better ways to do wealth taxation than by imposing wealth taxes.

https://www.youtube.com/watch?v=u6jXqWnfDLU?si=_v_jR5-f102kg-2h