



TAX POLICY CENTER
URBAN INSTITUTE & BROOKINGS INSTITUTION

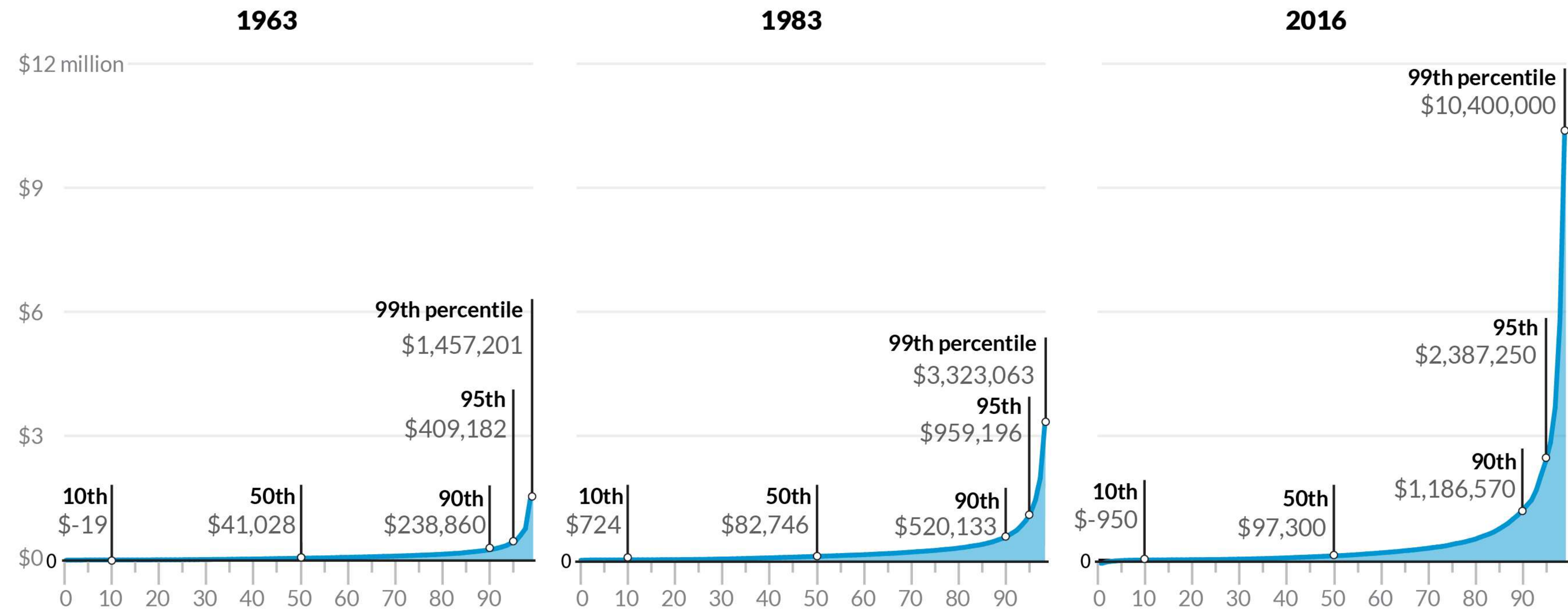
Should the Tax System Be Used to Reduce Wealth Inequality in the United States?

#LiveAtUrban



Kilolo Kijakazi

Distribution of Family Wealth, 1963-2016

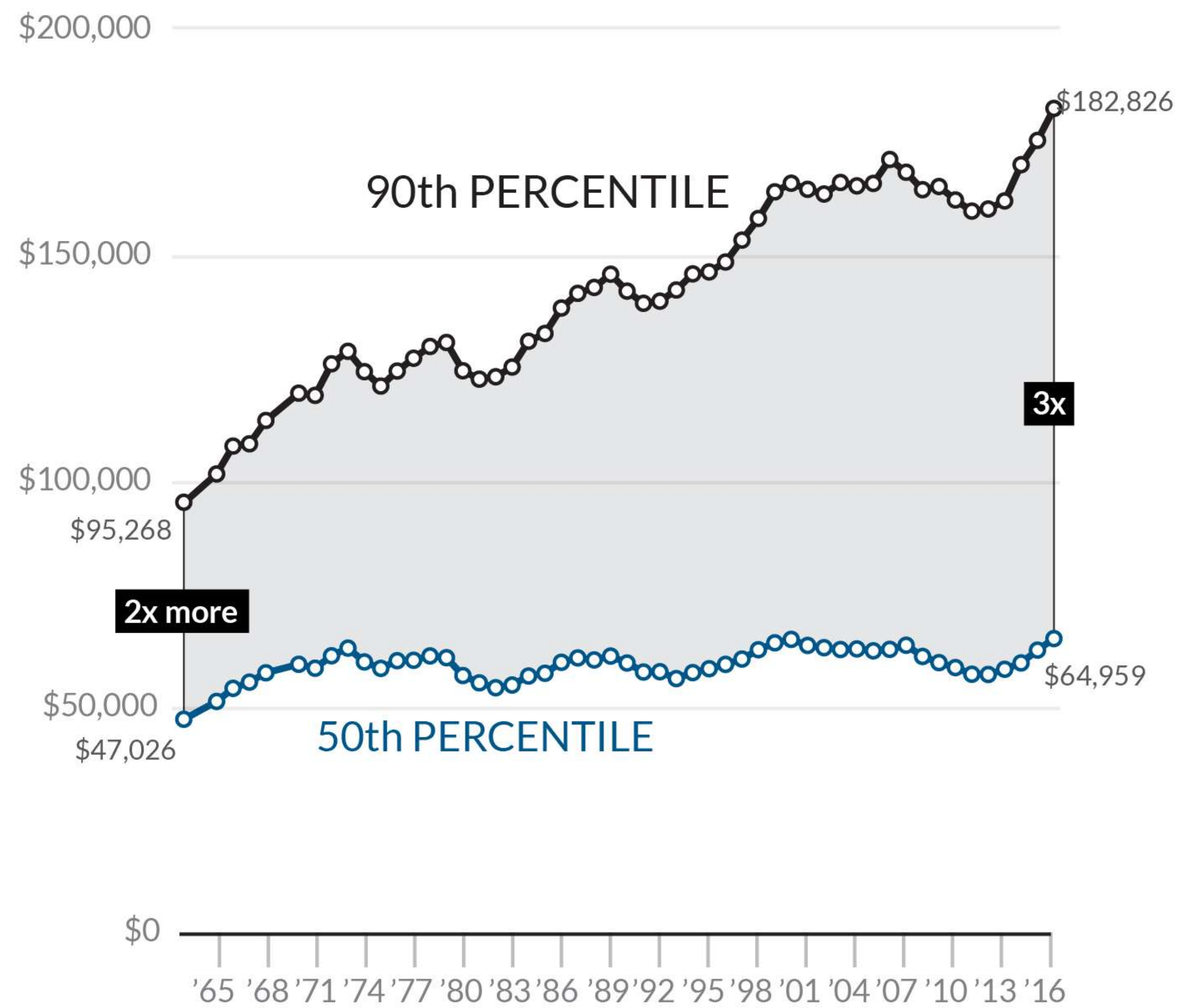
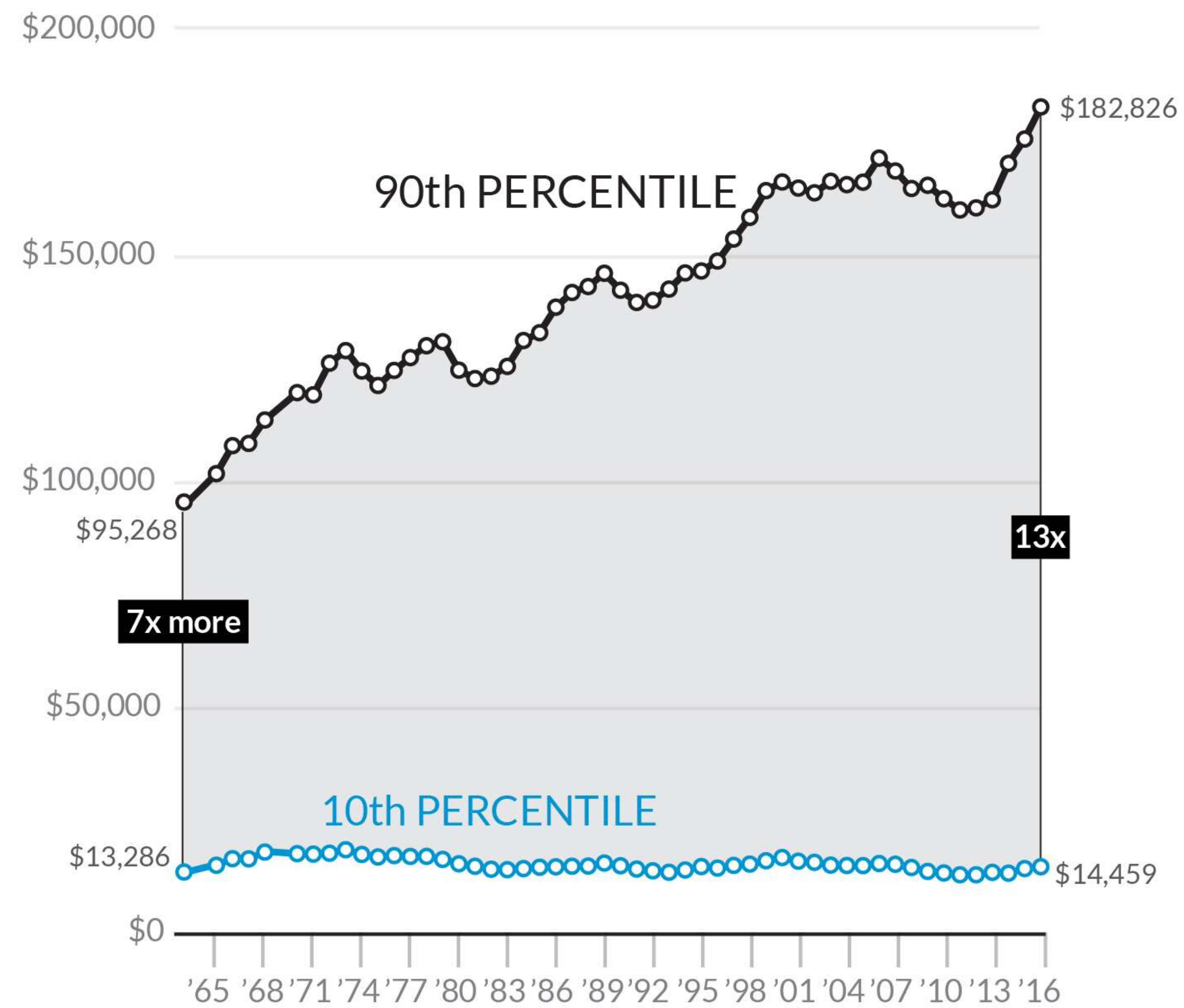


Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2016.

Note: 2016 dollars.

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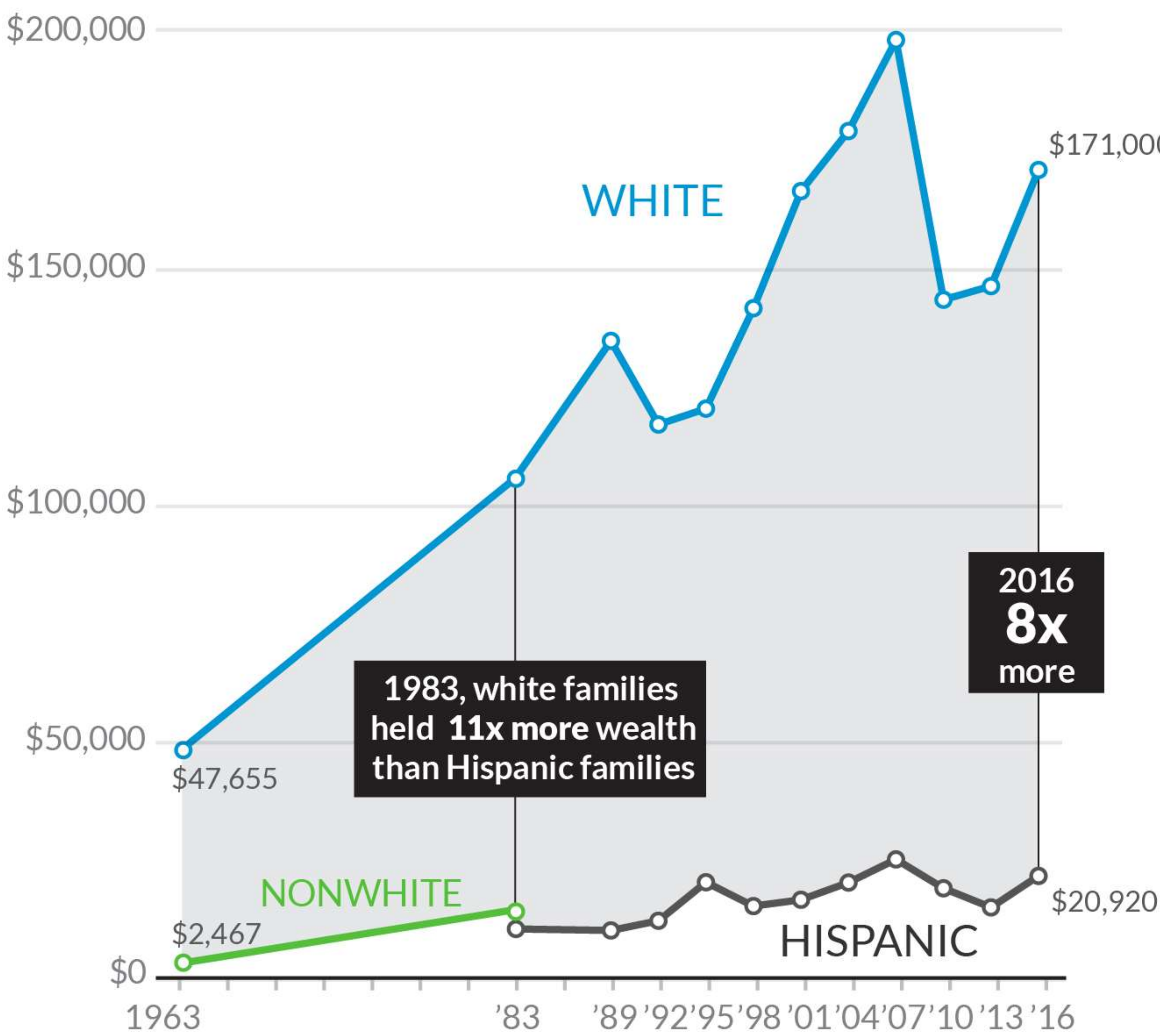
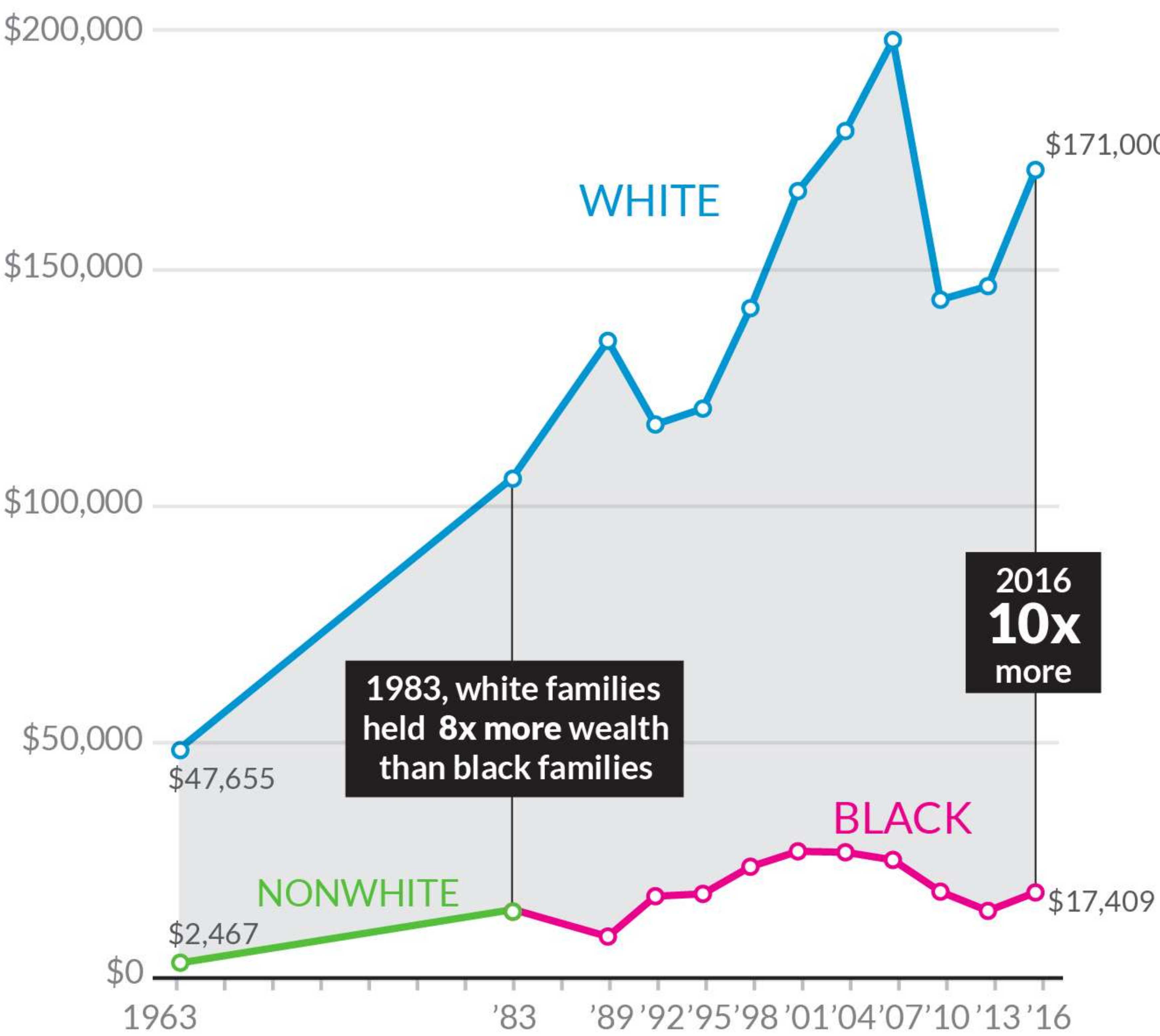
Distribution of Family Income, 1963-2016



Source: Karen Smith, Urban Institute's tabulations from the Current Population Survey 1963–2017.

Notes: 2016 dollars. Income here is measured as private income (e.g., earnings and dividends) plus cash government benefits. Income differences narrow when all taxes and transfers—such as health insurance and in-kind government benefits—are included, but private wealth does not change.

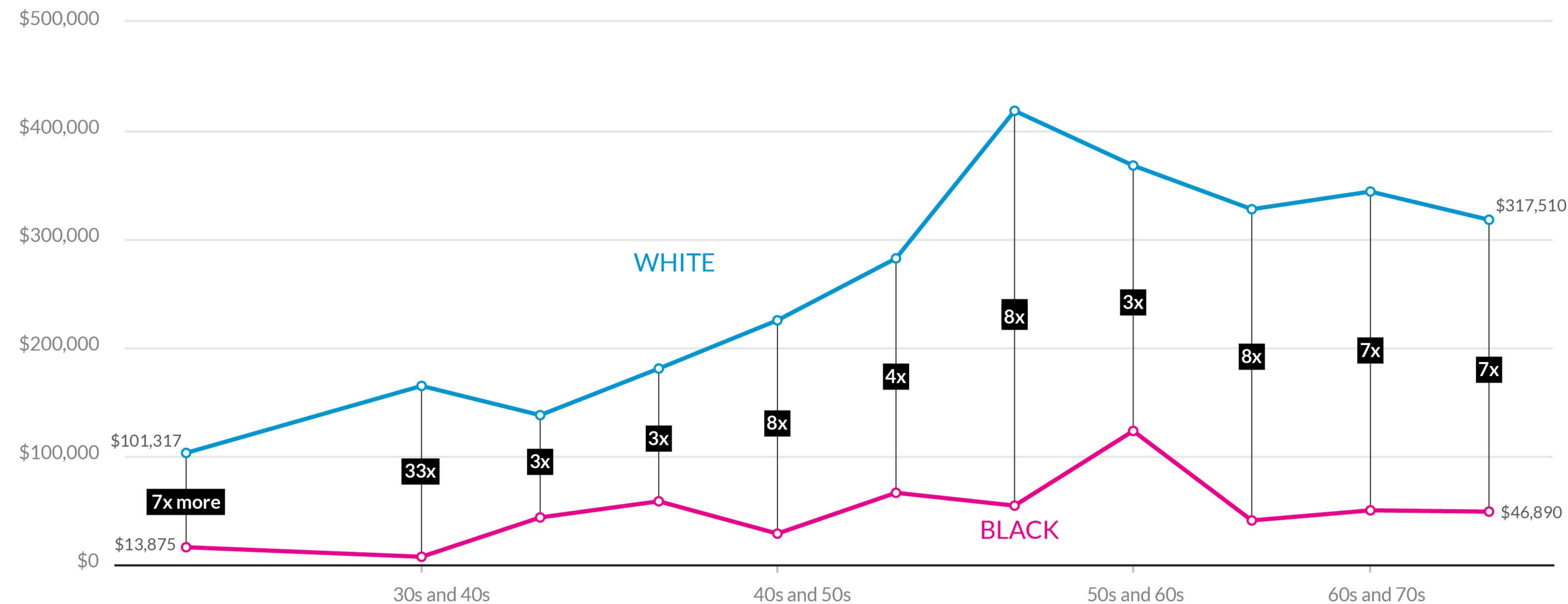
Median Family Wealth by Race/Ethnicity, 1963-2016



Source: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983-2016.

Notes: 2016 dollars. No comparable data are available between 1963 and 1983. Black/Hispanic distinction within nonwhite population available only in 1983 and later.

Median Family Wealth for Those Born 1943-51 by Race



Source: Urban Institute calculations from Survey of Consumer Finances 1983–2016.
Notes: 2016 dollars. Hispanic sample size too small to show. Age is defined as the age of the household head. In 2016, these people were ages 65–73; in 1983, they were ages 32–40.

Political Effects of Unequal Wealth

Benjamin I. Page, Northwestern University
for Tax Policy Center 1/16/20

Why worry about unequal wealth?

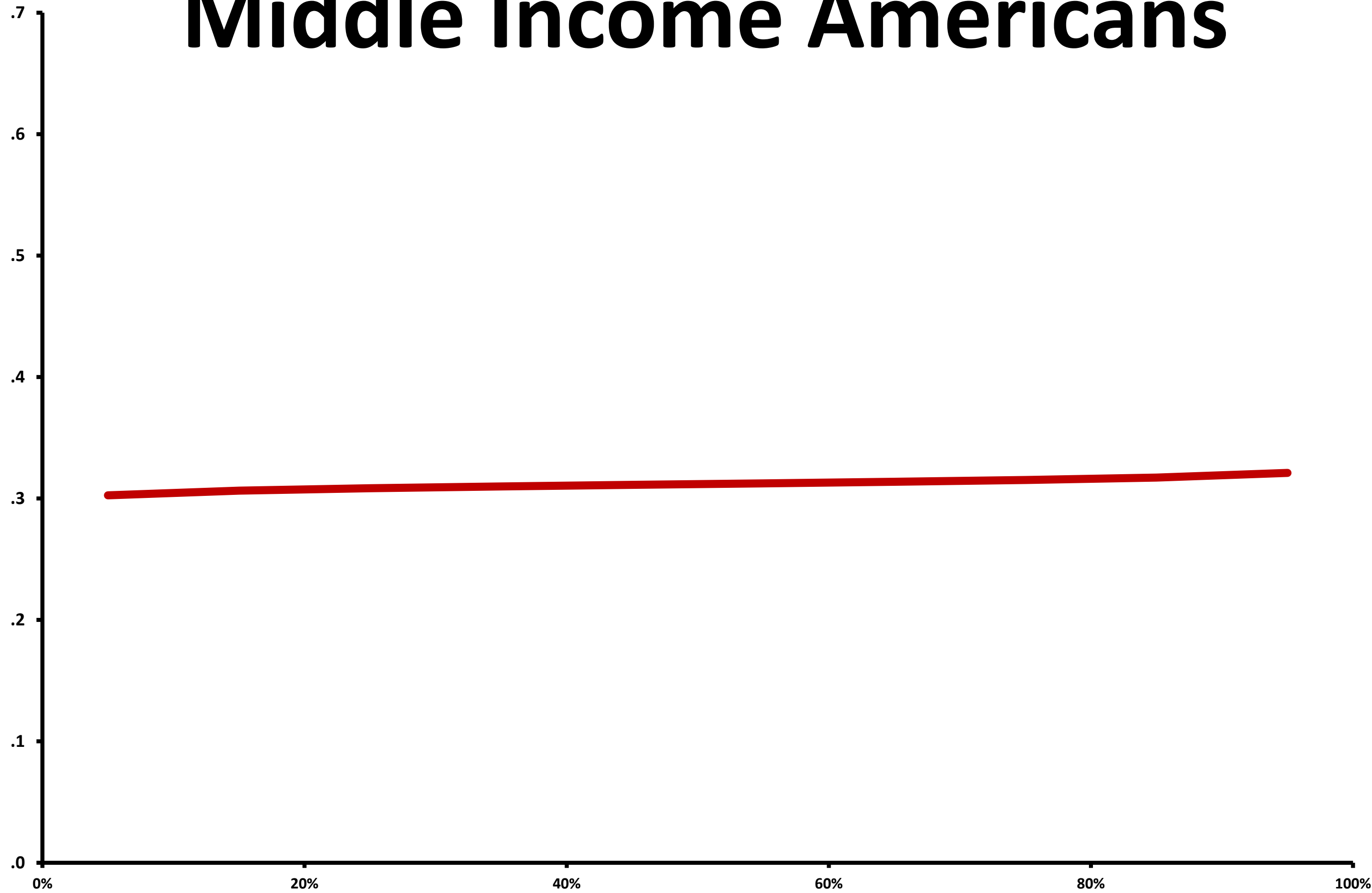
- One reason is that unequal wealth undermines democracy:
- Wealth confers political power
- The wealthy want -- and tend to get – self-serving policies opposed by most Americans
- Economic inequality begets political inequality; that increases economic inequality

Evidence of unequal influence

- Affluent Americans and organized interest groups – esp. business groups – strongly influence federal government policy making
- Taking that into account, ordinary Americans have little or no influence
- Source: 1,779 cases of policy making over a twenty-year period (Gilens & Page 2014)

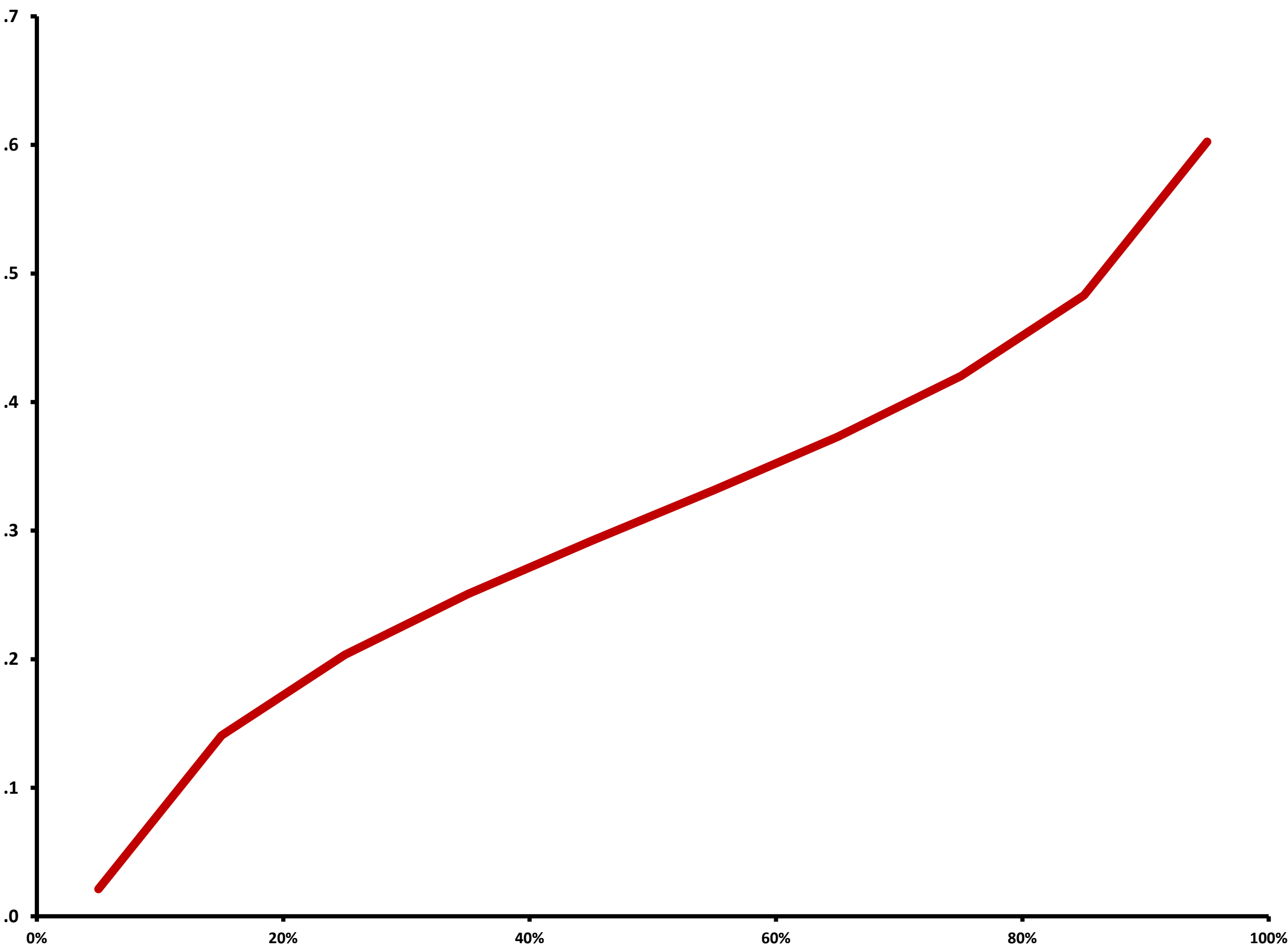
Middle Income Americans

Probability
of Adoption



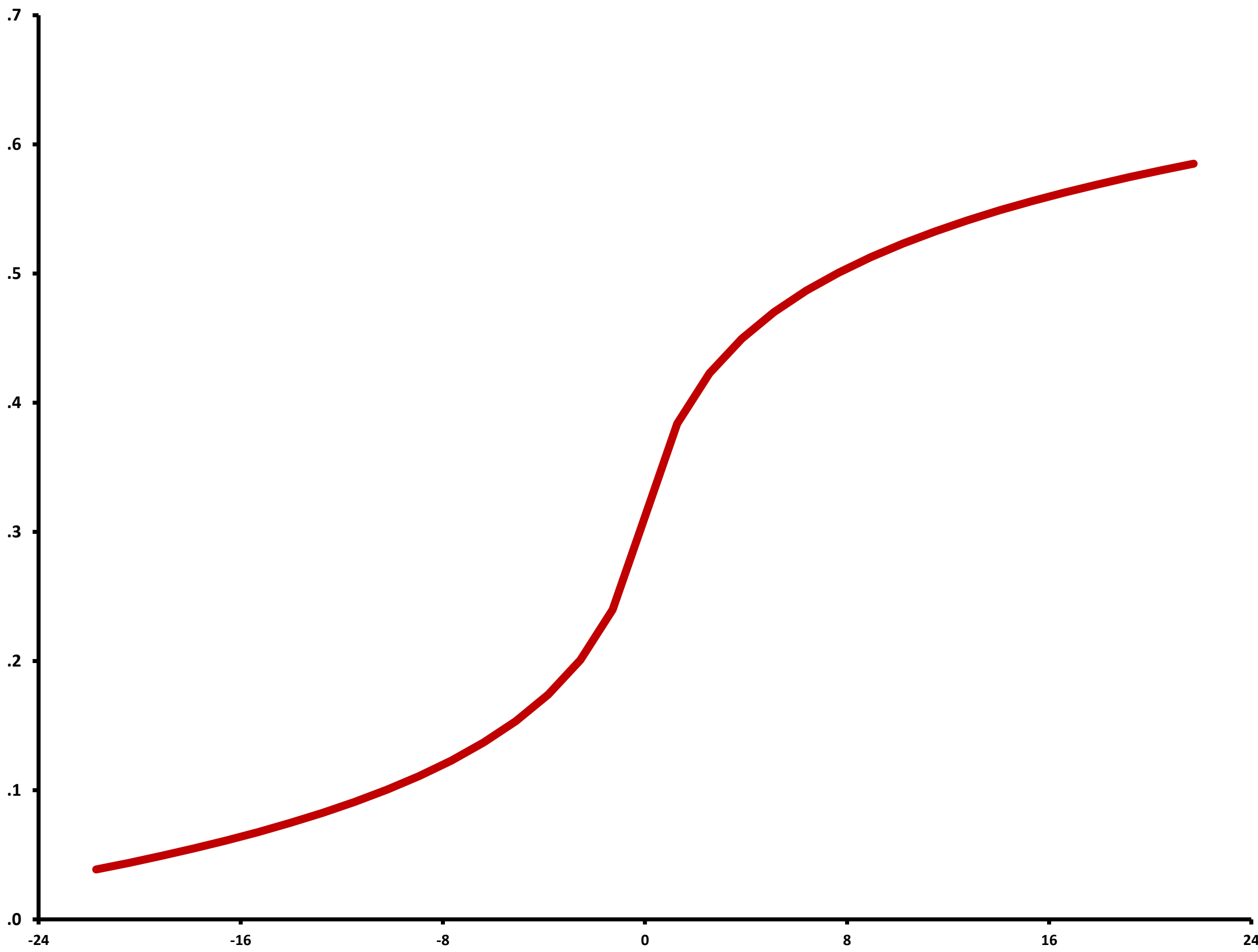
Percent Support

High Income Americans



Percent Support

Interest Groups



Alignment

Multi-millionaires disagree with the public about many policy issues

- They are much less supportive of gov't help with jobs, wages, health care, and pensions
- They favor less economic regulation, less progressive taxes, and less support for public schools
- Source: SESA study of multimillionaires (Page, Bartels, & Seawright 2013)

The wealthy want different policies

	% in favor		
	Millionaires	Public	Difference
Jobs and incomes			
Gov't should see to food, clothing, and shelter	43	68	-25
Minimum wage above poverty line	40	78	-38
Increase the Earned Income Tax Credit	13	49	-36
Govt see to it that everyone can find a job	19	68	-49
Govt provide jobs	8	53	-45
Provide a decent standard of living for the unemployed	23	50	-27
Health care			
National health insurance financed by tax money	32	61	-29
Willing to pay more taxes for health care for all	41	59	-18
Retirement pensions			
Expand Social Security	3	55	-52
Social Security ensure minimum standard of living	55	68	-13
Raise cap in income subject to Soc. Sec. payroll tax	47	60	-13

Wealthy different, ctd.

	% in favor		
	Millionaires	Public	Difference
Education			
Spend whatever is necessary for really good public schools	35	87	-52
Govt make sure everyone can go to college	28	78	-56
More govt investment in worker retraining	30	57	-27
Taxes			
Rely a lot on corporate income taxes	38	62	-24
Govt should reduce diffs between high and low incomes	17	46	-29
Reduce inequality by heavy taxes on the rich	17	52	-35
Economic regulation			
More regulation needed of: (% "more" minus % "less")			
Wall Street firms	(+18)	(+45)	
Oil industry	(+5)	(+50)	
Health insurance industry	(+4)	(+26)	
Big corporations	(-20)	(+33)	

Billionaires, too, work against policies that most Americans favor

- Most billionaires are silent about public policy
- A few vocal billionaires (Gates, Buffett, Soros, Bloomberg) give a misleading, center-left impression
- Most others give big \$ to conservatives
- All of those who actively work on tax policy push for lower taxes, esp. against estate taxes
- Source: data on 100 wealthiest billionaires (Page, Seawright, and Lacombe 209)

Implications

- Unequal wealth
- Power of wealthy
- A dangerous spiral?
- Wealth taxes & other measures (political reforms, social spending, empowering labor, antitrust action, economic regulation) could reduce both economic and political inequality
- A social movement for democracy would help

political inequality

more unequal wealth

Suggested reading

Bartels, *Unequal Democracy* (Princeton 2016)

Gilens & Page, “Testing Theories of American Politics,” *Perspectives on Politics* 12 (3) 2014

Page, Bartels, & Seawright, “Democracy & ... Wealthy Americans” *PoP* 11 (1) 2013

Page & Gilens, *Democracy in America?* (Chicago 2017; paperback ed. March 2020)

Page, Seawright, and Lacombe, *Billionaires and Stealth Politics* (Chicago 2019)

Hertel-Fernandez, *State Capture* (Oxford 2019)

DEMOCRACY IN AMERICA?

WHAT HAS
GONE WRONG
AND WHAT WE CAN
DO ABOUT IT

BENJAMIN I. PAGE & MARTIN GILENS

Eugene Steuerle

Low Rates of Taxation of Capital Income

Estimated Percentages of the Affluent Reporting Very Low Rates of Return On Their Wealth

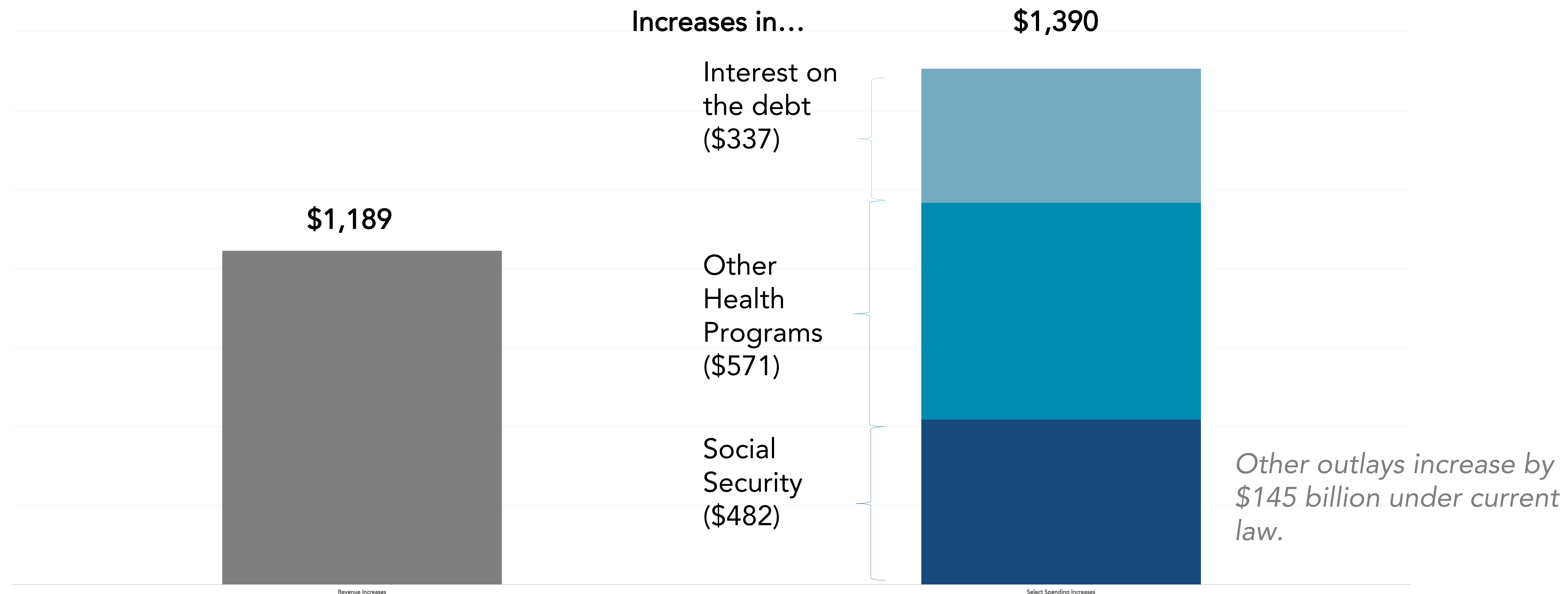
Wealth	Share of taxpayers reporting net taxable capital income of:		
	<1%	1-2%	<2%
\$2-5 million	38%	30%	68%
\$10-50 million	33%	23%	55%
\$100 million or more	38%	22%	60%

Source: (Bourne, et al., 2017)

117 Percent of Revenue Growth Consumed by Growth in Social Security, Health Care, and Interest

Increases in Revenue and Spending from 2018 to 2029

Billions of 2018\$



Source: Erald Kolasi and C. Eugene Steuerle, 2019. Washington, DC: Urban Institute
 Calculations based on CBO, *Update to the Budget and Economic Outlook: 2018 to 2029*, August 2019.
 Current law revenue projection assume that some tax cuts enacted in 2017 will be allowed to expire.