



## A wealth tax is a tax on business

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Anti-wealth fever grips the Democratic Party and seems sure to carry into the election year. The economic boom is lifting all boats, yet presidential candidates [Elizabeth Warren](#) and [Bernie Sanders](#) argue that the wealthy are gaining at our expense. They are pushing new wealth taxes even though most of Europe repealed such taxes as too damaging.

Rising Democratic star [Pete Buttigieg](#) says he is “all for a wealth tax,” and also wants higher taxes on corporations, incomes and capital gains. Evoking the zero-sum narrative of Warren and Sanders, [Buttigieg claims](#) “most of our economic growth goes to a smaller and smaller slice of the wealthiest Americans.”

[Joe Biden](#)—a supposed moderate in the race—also wants [higher taxes on corporations](#), incomes, and capital gains. Biden has shied away from a wealth tax, but he is not above [throwing bombs](#) at the wealthy, arguing on his website that “this country wasn’t built by Wall Street bankers and CEOs and hedge fund managers.”

Leftist politicians can dish out rhetoric, but they seem ignorant of how wealth is created or how it is used. They seem to assume that top wealth is just expensive toys. In discussing her wealth tax plan, [Warren’s website](#) says, “Consider two people: an heir with \$500 million in yachts, jewelry, and fine art, and a teacher with no savings in the bank.”

Actually, most wealth of the wealthy is business assets, not yachts and other personal assets. A [recent study](#) by Matthew Smith, Owen Zidar, and Eric Zwick detailed the assets of the top 0.1 percent of the richest Americans, who are those with net wealth above \$16 million. Forty two percent of their wealth is equity in private businesses and 31 percent is equity in publicly traded businesses. Another 22 percent is bank deposits, debt, pensions, and other assets. Just 5 percent of this group’s wealth are their homes.

A rough guess is that one quarter of the deposits, debt, pensions, and other assets are holdings of government debt. That means almost 90 percent of the wealth of the top 0.1 percent of Americans consists ultimately of equity and debt in businesses, which fund capital assets that spur economic growth.

Looking just at billionaires, [Wealth-X estimates](#) that just 2 percent of their fortunes consist of homes, yachts, jewelry, cars and other personal assets. Consider the richest man in America, [Jeff Bezos](#). His homes are worth [a huge \\$150 million](#), but they account for just 0.1 percent of his total

wealth of \$114 billion. The great majority of Bezos' wealth consists of his 12 percent ownership of Amazon, a company he founded in his garage in 1994.

Leftists often complain that wealth is “concentrated.” But in terms of how it is used, the wealth of the wealthy is dispersed widely across the economy in productive business assets. Bezos' wealth reflects Amazon's vast global operations that employ 650,000 people. Without wealth or capital supporting them, those folks would not have jobs and billions of packages would not be delivered.

Warren says, “The top 0.1% of families—the richest 1 in 1,000—now have nearly the same amount of wealth as the bottom 90% of American families combined. Meanwhile, for everyone else, opportunity is slipping away.” But with his Amazon assets, Bezos is generating employment opportunities for many people while slashing prices for hundreds of millions of consumers.

Bezos' wealth is publicly traded equity, but what about the largest part of wealth at the top—private equity? The biggest private company in America is Cargill based in Minnesota. The Cargill and MacMillan families own 90 percent of Cargill, which has annual revenues of \$114 billion. By building Cargill over the decades, the families have become wealthy while creating opportunities for vast numbers of people in the food, agriculture, and transportation industries.

Leftist politicians who want higher taxes on wealth apparently assume that capital and labor, or wealth and workers, are enemies. But the capital assets on Cargill's balance sheet of \$62 billion enable the company to employ 160,000 people in a huge enterprise crucial to America's economy.

People may point to the \$150 million in homes that Bezos owns as excessive. But those personal assets are already hit by local property taxes, which are a form of wealth tax. The problem with the Warren-Sanders-Buttigieg wealth tax is that it would not just tax assets used for consumption such as homes, but also a vast amount of assets used for production.

Democratic efforts to tax wealth and capital would severely damage the ability of Amazon, Cargill, and many other businesses to provide jobs and incomes to millions of Americans. Capital and labor are complements, not enemies, and that is why such taxes would be so damaging not just to the rich but to every worker in America.

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