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My Turn: Facts and fiction in the wealth tax debate

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Taxing the country's billionaires is a proposal floated by more than one Democratic candidate for president. And one might be surprised to learn that Donald Trump proposed a massive one-time tax on the rich in 1999.

Some of the nation's best-known billionaires agree with the Democrats. Warren Buffett and fellow billionaire Bill Gates have called for higher taxes.

"There's no doubt that what we want government to do in terms of better education and better health care means that we need to collect more in taxes," Gates said during a recent conversation in New York City. "And there's no doubt that as we raise taxes, we can have most of that additional money come from those who are better off."

Gates, like Buffett, acknowledges that he's among those whose taxes should go up. "I need to pay higher taxes," he told CNN's Fareed Zakaria during a 2018 interview. "I've paid more taxes, over $10 billion, than anyone else, but the government should require people in my position to pay significantly higher taxes."

Buffett thinks he and Gates are not alone in supporting higher tax rates. Though some critics contend that the tax changes proposed by politicians like Bernie Sanders and Elizabeth Warren would provoke the rich to flee the United States, the idea doesn't scare Buffett.

"I think people want to come here," he said, not leave. Even with higher taxes, he thinks, "they would come."

As for a "wealth tax," self-made billionaires like George Soros, Chris Hughes and others in a very diverse group, in a letter to the *New York Times* (June 24) called for "a modest wealth tax on the fortunes of the richest one-tenth of 1 percent of Americans – on us."

On June 25, Eli Broad, a philanthropist and former entrepreneur, in a letter to the *Times*, pleaded: "Please, please raise my taxes. Wealthy people like me should commit to reducing the ravages of economic inequality." My preference is for a revision of the tax code for greater equity.

A wealth tax, which has existed for decades, has its critics. In the *National Review* (March 27) Chris Edwards, tax-policy director at the Cato Institute, wrote that it was too difficult to administer and raised little money. I consider his points empirically valid and convincing. They should settle the issue.

But they do not. Close to home, in a Jan. 13 opinion piece in this paper, Joe Mendola outlined different objections to a wealth tax. He fears that the tax will deplete the fortunes of billionaires, especially that of Jeff Bezos and his company, Amazon. "Today," wrote Mendola, "middle-income families . . . have substantial value in their 401ks and IRAs because the mutual funds they have in their retirement accounts invested in Amazon stock. . . . If we elect any of those progressive candidates who propose a wealth tax, the only readily available way for that tax to be paid is by billionaires like Bezos having to sell their stock to pay the tax." The liquidation, he argues, will result in a drop in the value of the stock of Amazon and other companies that make up the 401ks and mutual funds.

I respectfully suggest that what Mendola predictions will not happen. Billionaires don't sell their stock holdings to pay their bills. That is what the middle class does with its IRAs and 401ks. Moreover, in European countries that had a specific wealth tax, billionaires simply found ways to avoid paying the tax.

But there is more dire news in Mendola's economic forecast. He claims that a "wealth tax equals high youth unemployment." His evidence, which he asks his readers to find on their own, is a high unemployment rate in Western European countries that had a wealth tax and now have high unemployment for 19- to 26-year-olds.

So what does one find about unemployment, especially in the years after the 2008 financial crisis, which hit Europe as hard is it did America? The most important discovery is that the youth jobless rate, while high in some countries, is not currently in a crisis. As Kristie Pladson demonstrates in her "Europe's Youth Unemployment Isn't as Dire as Typically Claimed" (Aug. 15, in "Terms of Trade," a daily newsletter for Bloomberg), student numbers distort figures for the 15-24 age group. The jobless ratio gives an alternative picture of the unemployment rate.

She writes: "Sky-high youth unemployment in nations such as Italy, Spain and Greece has been cited by populists as evidence that established parties are failing younger generations. A closer look at the data suggests the situation isn't quite as horrific as typically claimed."

Nowhere in Pladson's article or information found at Eurostat, the European Union's statistics office, does a tax on the super rich appear as a reason for high youth unemployment. The culprit, in my view, is a bundle of other factors, from the economic crisis of 2008 to harmful policies of austerity.

But don't take my word for it. Read Pladson's article and study the data displayed by Eurostat.

In conclusion, Buffett and Gates give reasons for taxing billionaires, and Soros and others ask to be taxed for the good of the country. As for a wealth tax, I believe it should be approached with caution. I also believe that Mendola is on the wrong track. He predicts that a tax on Bezos's income, for example, will have dire economic consequences, especially for the retirement funds of New Hampshire investors. Such an economic phenomenon, I suggest, has no empirical precedent in postwar Europe where a wealth tax has been tried.

Data from Eurostat does not support his assertion that a wealth tax equals high youth unemployment.