

The Extreme Harm of Extreme Wealth

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Extreme wealth hoarding by the super-rich has a devastating impact. It drives up poverty, pumps out climate-wrecking emissions, undermines democracy, and weakens governments' ability to tackle the crises we face. To address the problem of extreme wealth, the government should: i) introduce an annual tax on wealth over £10 million; ii) set an 'extreme wealth line' of £10 million and orient policy to redistribute wealth above this threshold; and iii) advocate wealth taxes internationally through the UN Tax Convention.

Introduction

The need for limits

Our economic model is catapulting us through climate and ecological limits, while failing to meet people's basic needs. Financialisation has warped the economy to protect and multiply private fortunes, instead of benefitting the wider economy and directing wealth to useful purposes. Today's billionaires are a stark symbol of systemic dysfunction. In response, we need to transform the economic system with bold policies that can redistribute limited resources, harness them to tackle the multiple crises we face, and impose real limits on extreme and harmful wealth.

Problems

Extreme wealth / extreme poverty

Wealth inequality is soaring. In the UK, the richest 1% hold more wealth than the poorest 70% combined.¹ Globally, they own more wealth than the poorest 95%.² As new wealth is created, it is overwhelmingly hoarded by a tiny few - and if this trend continues, the first trillionaires will emerge within a decade.³ Extreme wealth and extreme poverty are two sides of the same coin.

Since 1990, UK billionaires' wealth has increased by 1,000%, while poverty rates have barely shifted.⁴ Globally, in 2023, the richest 1% in countries like the UK extracted \$30 million every hour from the Global South through the financial system.⁵ The economic inequality that allowed Jeff Bezos to send Katy Perry into space is forcing millions of people to go hungry or rely on foodbanks.

You would need to earn £3.8 million per hour, every hour, from age 18 to 66, to match Elon Musk's current wealth.⁶

The super-rich are fuelling climate collapse

Extreme wealth is an environmental disaster. The richest 1% emit as much planet-heating pollution as the poorest two-thirds of humanity, due to their lavish lifestyles and high-carbon investments.⁷ It would take about 1,500 years for someone in the bottom 99% to produce as much carbon as

the richest billionaires do in a year.⁸ The super-rich are far less exposed to climate impacts, yet hold the means to address them. Under the polluter pays principle, they should be made to contribute proportionately to climate finance both domestically and globally to repair the mess they have caused.

The richest 1%'s share of total emissions is double that of the poorest 50%.⁹

Billionaires are bad for democracy

Extreme wealth can buy political influence through lobbying, party funding, and media ownership. The super-rich have flooded UK politics with cash: the Conservatives received £20m from multi-millionaire businessman Frank Hester,¹⁰ Labour took £4.5m from ex-Autoglass CEO Gary Lubner,¹¹ and property developer Nick Candy has pledged millions to Reform UK.¹² Meanwhile, billionaires own major outlets including the Mail, Telegraph, Times, Independent, Evening Standard, and GB News,¹³ and bankroll think tanks such as Policy Exchange¹⁴ and the Tony Blair Institute.¹⁵ In this way, the ultra-wealthy can buy political influence, push policy that serves their interests, and corrupt our democracy.

Just five millionaire donors have provided 80% of Reform UK's funding since 2019.¹⁶

Funding public spending

The UK faces multiple crises which demand public spending. Public services like education, healthcare and local government are crying out for investment. We need major scale-up action to tackle the climate crisis, and the UK, with other Global North countries, owe the Global South trillions in climate finance.¹⁷ Every pound on a billionaire's bank balance is one which could be spent on tackling these crises.

The government does not need to wait for tax reforms to accelerate climate action. As we saw during the covid crisis,¹⁸ the UK's ability to issue its own currency allows it to spend huge amounts up front without waiting for tax revenue. However, long-term spending without tax increases would cause inflation. Taxing the vast wealth of the super-rich could allow the government to fund this long-term spending. For

example, Greenpeace UK calculated just 2.5% annual tax on assets over £10m could raise £36 billion.¹⁹

The UK's richest own £773 billion in assets²⁰ - more than three times the annual NHS budget.²¹

Myths

78% of Brits back a wealth tax on the super-rich.²² As public support has grown, its opponents have responded with a campaign of fearmongering. Media outlets and think tanks have claimed that wealth taxes will punish those who have worked hard for their wealth, and that the super-rich will leave the country if taxed. Both claims are hugely overblown.²³

Ultra-wealthy people do not make their fortunes from work - 60% of billionaire wealth comes from inheritance, cronyism and corruption, or monopoly power²⁴ - so taxing them is unlikely to reduce productive work. Spain,²⁵ Norway,²⁶ and Switzerland²⁷ all have successful wealth taxes and have not seen a mass exodus of the super-rich.

The wealth of the super-rich is often held in the form of assets, such as houses, land, and business, which cannot be easily hidden or moved abroad - especially as the number of ultra-rich people is relatively small and therefore easy for tax authorities to monitor.

Following the invasion of Ukraine, the UK was able to swiftly seize £5 billion of assets from Putin-linked oligarch Roman Abramovitch and force him to sell Chelsea football club and donate proceeds to humanitarian work.²⁸ The super-rich are not untouchable.

Solutions

Taxing extreme wealth

Taxing the extreme wealth of the super-rich could be a quadruple-win. If properly designed, it could reduce inequality and extreme wealth, cut the climate impacts of the super-rich, protect our democracy from oligarch interference and fund significant public spending. We propose an annual wealth tax on all assets a person holds over £10m. In the UK, this would apply to around 75,000 people - roughly 0.11% of the population.²⁹

The rate of this tax should be regularly reviewed. At just 2%, it could raise £24bn, providing a valuable source of revenue. Eventually, the rate will need to rise above the 5% average rate of return the super-rich receive on their investments, in order to effectively reduce their overall wealth. In the long run, we support a 20% rate, which is equal to the basic rate of income tax.³⁰

The extreme wealth line

Tackling extreme wealth requires more than a wealth tax. It needs to be a cross-cutting policy goal. Just as we recognise an extreme poverty line, below which nobody should fall, we

should also set an extreme wealth line, above which no one's wealth should rise.³¹ Government policy should then be aligned with the objective of redistributing all extreme wealth above this limit.

Leading scholars propose setting the extreme wealth line at £10 million.³² As an individual's wealth rises into the tens of millions, the returns they receive from their financial investment accelerate, and their extreme wealth begins to snowball.³³ £10 million is more than 99.89% of the population own,³⁴ seven times what the average British worker will earn in their lifetime,³⁵ and far more than is needed to live a comfortable and fulfilling life. Wealth above this level cannot be considered useful or necessary - drawing an extreme wealth line is the first step to limiting unproductive and unjustified wealth.

International tax justice

Extreme wealth is a global problem and demands international coordination. The UK should champion wealth taxes and the transparency required to enforce them, including automatic exchange of tax information between countries and public registers of luxury goods. A new UN Tax Convention is under negotiation, which could make it much easier to coordinate international action to tax the super-rich.³⁶ The UK must strengthen the convention and advocate for including strong provision on wealth taxation and closing tax haven loopholes.

Thanks to the City of London's financial services industry, and offshore tax havens like Bermuda, Jersey, the British Virgin Islands and the Cayman Islands, the UK is considered the world's worst enabler of tax abuse.³⁷ Corporations and the super-rich take full advantage of our lax legislation to avoid paying billions to HMRC³⁸ and foreign governments.³⁹ If the UK were to crack down, it could make a meaningful difference to global tax abuse.

Recommendations

To reduce economic inequality, climate impacts, and democratic threats, and to facilitate greater public spending, the UK government should:

1. Tax the super-rich: urgently introduce an annual wealth tax on all assets over £10 million.
2. Set a £10 million extreme wealth line: establish £10 million as the upper acceptable limit for wealth, and orient public policy, including future wealth taxes, towards redistributing wealth above this level.
3. Advocate wealth taxes internationally: work with foreign governments to support extreme wealth taxation globally, including through the emerging UN Tax Convention.

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