Our proposal

▷ Robust discussion about sharing of Covid-19 costs: wealth tax, income tax, debt renegotiation, etc.

▷ This paper proposes a new instrument: a wealth tax on corporations’ stock

▷ Each year listes companies would pay 0.2% of their year-end market value in taxes

▷ Tax could be easily collected by securities commission in each G20 country
Motivation

- Rising top-end wealth concentration and business concentration
- Reinforced by Covid-19 pandemic
- Declining taxation of corporate profits → undermines sustainability of globalization
The rise of billionaire wealth relative to the size of the economy

Wealth of the top 400 wealthiest Americans (top 0.00025%) (as a fraction of total US GDP)

April 1st, 2021
2020
The collapse of corporate income taxes

Federal tax revenue (% of national income)

Individual income tax

Corporate income tax
Economic effects

What would taxing listed corporations’ stock at 0.2% a year do?

- Reduces rate of return on listed equity by 0.2% (capitalizes into ≈ 5% stock price decline)
- Creates incentives to remain private → large private businesses could be asked to pay tax in kind
- No effect on liquidity or business operations (firms can always create shares)
Market capitalization: 50%–150% of GDP in G20 countries

Tax revenue: about 0.1%–0.3% of G20 countries’ GDP (0.2% overall, around $180 billion)

Similar in size to lost revenue due to corporate profit shifting to tax havens (e.g., OECD 2018; Torslov et al., 2020)
Figure 1: Private wealth in the United States (% of US GDP)

- Listed equity
- Private businesses
- Fixed-income claims (net of debts)
- Housing
Progressivity

- Equity ownership highly concentrated, even after factoring in stock ownership through broad-based pension funds
- Much more concentrated than housing (= the main form of wealth currently taxed)
- Tax we propose would increase progressivity of current tax systems
- But less progressive than a well-enforced progressive individual wealth tax
The concentration of listed equity wealth in the US

Figure 2: Share of pre-tax income earned vs. share of equity wealth owned by the top 1% pre-tax income earners
International cooperation

- Ideal situation: all G20 jointly implement this tax
- Simpler than fixing the corporate income tax!
- Revenue could go to each G20 country, apportioned globally (e.g., based on population) or fund global public goods
- Single-country solution also possible by apportioning market capitalization (e.g., based on sales)