Inquiring Minds for March 27, 2020
Topic.. TAXES -The how and why
Moderator.. Al Kaplan

The attached paper deals with the Wealth Tax, but we will direct our discussion towards the concept of Taxation, primarily as we see it here in this country.

Much of our heated discussions about taxes, and specifically taxing the rich is political.
But let us deal in a logical, non-political discourse.

Firstly, what are the purposes of taxes? ... I offer two possibilities,
Firstly, society (governments) Acquiring monies to fulfill social obligation... community safety, etc.

Secondly, Equalizing individual personal (or corporate) assets.
As to the second purpose mentioned, i.e., "equalization of assets", is this a valid concept in our society?
If we accept the concept of "equalization of assets", should we consider Earnings or Already existing assets? Already existing assets of necessity includes...
Inherited assets and Previously earned assets

And so let us begin the discussion..

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The Liberal Economists Behind the Wealth Tax Debate

By Jim Tankersley and Ben Casselman - Feb. 21, 2020

BERKELEY, Calif. — One of the most liberal policy proposals animating the Democratic presidential primaries is the handiwork of two French economists who are not formally advising any campaign and have barely met the candidates running for the White House.

Gabriel Zucman and Emmanuel Saez are the driving force behind proposals for a wealth tax, an idea embraced by Senators Bernie Sanders and Elizabeth Warren as a way to reduce economic inequality by forcing the richest Americans to pay taxes on everything they own and diverting that money to public services like universal health care and free college tuition.

Their efforts documenting a sharp increase in the concentration of wealth at the very top and their outspokenness have vaulted the tax from a fringe idea in American politics to the center of a reinvigorated debate on taxing the rich.

They have also made Mr. Zucman and Mr. Saez the most visible, and polarizing, economists in the 2020 campaign.

Other economists, including some who held top jobs under past Democratic presidents, have attacked Mr. Zucman and Mr. Saez over their research methods, their policy conclusions and their data. Conservative economists say their proposals would cripple economic growth.

Last year, the faculty at Harvard's Kennedy School of Government voted to offer Mr. Zucman, 33, a tenured position. But Harvard's president and provost nixed the offer, partly over fears that Mr. Zucman's research could not support the arguments he was making in the political arena, according to people involved in the process. He has since been awarded tenure alongside Mr. Saez, 47, at the University of California, Berkeley.

The pair have won praise from some liberal activists. Felicia Wong, the president of the Roosevelt Institute, a progressive think tank, said Mr. Saez and Mr. Zucman had helped bring large tax increases on the rich into the mainstream, winning support even from Democratic candidates who do not support their wealth tax.

The effect was evident in the Democratic presidential debate on Wednesday in Las Vegas. Over two hours that included few concrete economic policy proposals, Ms.

Warren and Mr. Sanders both promoted their wealth-tax plans. Mr. Sanders leaned on Mr. Zucman and Mr. Saez's data to denounce "the insane situation that billionaires today, if you can believe it, have an effective tax rate lower than the middle class."

Late last month, Mr. Zucman and Mr. Saez discussed their work from their university offices in Berkeley, with billion-dollar views of the San Francisco financial district in the background.They acknowledged their critics and the uncertainties involved in their research, which attempts to assemble a picture of America's wealth distribution that is essentially invisible in standard economic data. But they defended their methods and conclusions, and said they were not surprised that the wealth tax, which polling shows is popular even with a majority of Republicans, had captured the imagination of candidates and voters.

"Clearly it's been central to the campaign," Mr. Zucman said, citing voter dissatisfaction with the levels of inequality in America,and he added: "Let me be very clear that the wealth tax is not going to solve all these problems. It's part of the solution."

Both Mr. Saez and Mr. Zucman have built their careers studying the rise of inequality and its intersections with tax policy. In 2009, Mr. Saez won the John Bates Clark Medal for leading what the American Economic Association called "a remarkable resurgence of interest in tax policy research over the last decade."

Mr. Zucman began his doctoral studies in economics that year. The son of two doctors in Paris, he wrote his master's thesis on the effects of France's wealth tax on the migration of high earners and spent the fall of 2008 interning at a Parisian financial firm. Lehman Brothers, the investment bank, collapsed on his first day, and he found himself explaining the macroeconomic dynamics of a financial crisis to panicked traders. It helped inspire him to pursue a doctorate in economics.

Mr. Zucman eventually made his way to Berkeley, where he teamed up with Mr. Saez, who, along with another French economist, Thomas Piketty, was producing pioneering research that documented the rising share of income earned by the very richest Americans in recent decades. Mr. Saez and Mr. Zucman, building on that data, showed that wealth had grown more concentrated as well.

In their book published last fall, the pair estimated that the top tenth of 1 percent of Americans — fewer than 250,000 adults, with an average wealth of about $70 million each — held 19.3 percent of all wealth in 2018. That was triple their share from four decades earlier.

That statistic has helped galvanize the left, prompting lawmakers and other Democrats to call for a complete overhaul of how America thinks about taxation. Every major Democratic presidential candidate has proposed trillions of dollars in tax increases on the rich and corporations to pay for government programs to help reduce inequality, like affordable housing, debt-free college and universal health coverage.

"In terms of Democratic thinking, it's been enormously influential, both in highlighting the issue of inequality — particularly how concentrated it is at the very top — and the way the tax system has been inadequate in combating that increase in inequality," said Jason Furman, a Harvard economist who was a chairman of President Barack Obama's Council of Economic Advisers.

Four years ago, Mr. Saez and Mr. Zucman pitched the leading Democratic candidates, Hillary Clinton and Mr. Sanders, on their wealth tax proposal, but both campaigns passed.

This cycle has been different. Mr. Sanders and Ms. Warren have both proposed wealth taxes. A third leading candidate, Pete Buttigieg, has said America "should consider" a wealth tax, though he has criticized Ms. Warren's. Michael R.

Bloomberg, the billionaire former mayor of New York, this month proposed raising taxes on the richest Americans but stopped short of endorsing a wealth tax.

"They are the experts on wealth and income inequality in America," said Warren

Gunnels, a senior adviser to Mr. Sanders's campaign. "Those that disagree with Saez and Zucman," he added, "are the types of groups and academics that are funded by the powers that be, the establishment, the billionaire class."

Mr. Sanders is counting on the wealth tax to raise more than $4 trillion over a decade, which he would spend on universal child care, affordable housing and part of the financing for his "Medicare for all" plan. Ms. Warren sees it supplying $2.75 trillion for education and child care and $1 trillion for Medicare for all.

Mr. Saez and Mr. Zucman produced those revenue estimates. Leading economists have challenged them, most notably Harvard's Lawrence Summers, a former chairman of Mr. Obama's National Economic Council, and Natasha Sarin, a University of Pennsylvania law school professor, who calculated that the tax would raise less than half that amount.

The debate has turned ugly on Twitter, a development that Mr. Zucman has embraced. He engages in prolonged back-and-forth debates with his critics, defending his views with charts, data, emojis and sarcasm.

In December, he dismissed Mr. Summers and Ms. Sarin's revenue estimates as "unserious." A month earlier, when The New York Times and other outlets reported that Mr. Bloomberg was prepared to spend as much as $1 billion on his presidential campaign, Mr. Zucman feigned surprise: "This is astonishing, because what I learned from Larry Summers and others is there's no evidence that the wealthy have a lot of influence on US politics. Very confused right now."

Mr. Zucman seems to regard social media as a necessary but unfortunate venue for advocacy. Asked in an interview if he enjoyed Twitter, he let out a long sigh. "Who does?" he said. As for losing out on the opportunity at Harvard, he said it was appropriate for social scientists to contribute to policy debates and said Harvard's decision "should not discourage young scholars in the U.S. to publicly defend new ideas."

Mr. Zucman dives into long back-and-forth debates with critics on Twitter.

Ian C. Bates for The New York Times

He seemed disappointed in Mr. Summers, whom he regards as a brilliant economist who has strayed into a subfield where Mr. Zucman claims more expertise. Mr. Summers regards Mr. Zucman as highly talented, and was among the economists who argued strongly in favor of his hiring at Harvard.

"These things get sorted out over time," Mr. Summers said in an interview, after praising Mr. Zucman and Mr. Saez for pushing the debate on inequality. "Most serious professionals in the tax policy area think that the polemical urge at some points has gotten the better of Gabriel and Emmanuel, especially when Gabriel starts to tweet."

Other economists have challenged the details of Mr. Zucman and Mr. Saez's wealth inequality calculations. They have engaged in a debate with the economists Matthew Smith, Eric Zwick and Owen Zidar, whose work shows a much smaller concentration of wealth among top earners. The competing study implies there is less for the government to gain by taxing the very wealthy.

And while candidates like Mr. Sanders support raising taxes on the wealthy by citing Mr. Zucman and Mr. Saez's claim that the rich pay lower effective tax rates than poor and middle-class Americans, many liberal economists say the claim is wrong since the calculations do not include some tax benefits for the poor, like the earned income tax credit.

"Leaving them out seems both analytically and politically mistaken," said Jared Bernstein, a former top economist for Mr. Obama who counts himself a fan of Mr. Zucman and Mr. Saez.

Some economists have long been critical of Mr. Saez and Mr. Zucman's work, including Wojciech Kopczuk, a Columbia University economist who published a rebuttal to the pair's wealth data in 2015. But their rising public profile has brought more scrutiny. Mr. Kopczuk argues that, compared with their earlier work, the Berkeley economists' recent book made more aggressive — and he believes incorrect — assumptions.

"That's when you can say without any doubt they crossed from academic research to advocacy," Mr. Kopczuk said. "It's liberating when you don't have to deal with reviewers."

Mr. Saez and Mr. Zucman defend their methods as "conservative" estimates and note that the imposition of an American wealth tax would provide much more transparent evidence on wealth concentration.

"If we have the wealth tax data, we will see who is right," Mr. Saez said. "If we're wrong, fine. If it turns out there is no wealth concentration in the United States, we don't need a wealth tax."

Jim Tankersley reported from Berkeley, and Ben Casselman from New York. Sent from my iPad