

Oppose Limitless Inequality Growth And Reverse Community Harms (OLIGARCH) Act

America's extreme concentration of wealth and the accompanying threat to our democracy cries out for a tax designed exclusively to contain inequality. We've developed a proposal for that limited purpose.

Background: Societal Risks Posed by Extreme Wealth Concentration

The danger to democracy posed by extreme concentration of wealth is ever present. Thomas Paine thought the freedom of elections was "violated by the overbearing influence" of inherited wealth. Abraham Lincoln believed in the taxation of extreme wealth to [prevent the rise of an aristocracy](#). Nearly a century ago, Louis Brandeis famously observed: "We can have democracy in this country, or we can have great wealth concentrated in the hands of a few, but we can't have both."

Even before the pandemic, wealth concentration in America had reached crisis levels. The pandemic has raised the alarm even higher. While families struggled with losses of jobs, income, and loved ones to the pandemic, [America's 700-odd billionaires added \\$2 trillion to their collective net worth](#), an average increase of nearly \$3 billion each.

In the three most recent election cycles, [Americans for Tax Fairness reported](#), billionaires made close to 10 percent of all federal campaign contributions.

Political scientists Jeffrey Winters and Benjamin Page have analyzed the relative political power of America's wealthiest citizens. Using their Material Power Index (MPI), they found that "each of the top 400 or so richest Americans had on average about 22,000 times the political power of the average member of the bottom 90 percent, and each of the top 100 or so had nearly 60,000 times as much." Winters and Page concluded that the political influence of America's top 400 was greater than the aristocracy of ancient Athens and "nearly identical" to that of ancient Rome.¹

In a stark real-world example, the Koch brothers demonstrated how powerful the influence of the ultra-wealthy could be during the passage of the Tax Cuts and Jobs Act. They spent \$20 million ahead of the vote promoting the tax bill with direct lobbying, ads, canvassing operations, and more. Then, Speaker of the House Paul Ryan received \$500,000 in contributions to his fundraising committee from Charles Koch and his wife, and the NRCC got an additional \$474,000, and they pledged to spend millions more trying to convince voters that the unpopular tax plan was actually going to be an economic boon. Their reward for that spending was [about \\$1.4 billion in annual tax savings](#).

¹ Jeffrey A. Winters & Benjamin I. Page "Oligarchy in the United States?, Perspectives on Politics" (Dec. 2009), pp. 731-51.

Current Proposals to Tax the Ultra-Rich

Recent tax reform proposals to tax the ultra-rich include Senator Warren's Ultra-Millionaire Tax, Senator Sanders' For the 99.5% Act, Senator Van Hollen's Millionaires Surtax, and Senator Wyden's, President Biden's, and Representative Bowman's various plans to tax unrealized capital gains for the ultra-rich. While those well-conceived proposals all would impact American inequality in a meaningful way, they all serve multiple purposes, such as fairer tax policy, raising revenue, and limiting the future wealth of so-called trust fund babies. Consequently, none of the proposals is narrowly-tailored to the exclusive purpose of addressing democracy-threatening wealth concentration.

Our Proposal: Oppose Limitless Inequality Growth And Reverse Community Harms (OLIGARCH) Act

Given the critical importance of constraining extreme wealth concentration and the threat it can pose to our way of life, we believe a tax designed exclusively for that purpose would be invaluable. The ideal proposal should satisfy the following requirements:

1. First, and most important, the tax should wax and wane along with wealth concentration, rather than in response to legislative tweaking. It should intensify during periods of extreme inequality, when wealth at the top is increasing faster than wealth in the middle. But when median household wealth increases and inequality moderates to an acceptable level, the tax should taper off to near non-existence.
2. Second, the threshold for taxation should have a clear connection to the objective of taxing only those whose wealth, if allowed to continue growing unchecked, could pose a significant threat to democracy and our society.
3. Third, the tax should be highly progressive, asking much more from the ultra-ultra-wealthy than it does from those who are just ultra-wealthy.

We designed our proposal, the OLIGARCH Act, to satisfy those three requirements. The structure is a straightforward progressive annual tax on extreme wealth, based on a household's wealth compared to the wealth of the median American household.²

It would have four tax brackets:

- 2% for all wealth between 1,000 and 10,000 times median wealth;
- 4% for wealth between 10,000 and 100,000 times median wealth;
- 6% for all wealth between 100,000 and 1,000,000 times median wealth;

² The most often cited measure of median net worth is the Federal Reserve's triennial [Survey of Consumer Finances](#). In the 2019 survey, median household net worth stood at \$121,700. For years the survey is not conducted, the most recent determination of median household net worth could be assumed to increase or decrease by the same percentage as aggregate household net worth, which is determined on an annual basis.

- 8% on all wealth over 1,000,000 times median wealth.

We intentionally chose not to peg the threshold for taxation to a specified dollar amount, as doing so would require constant re-examination of the appropriate dollar threshold.

To test whether our proposal satisfied the first criterion above, we used the analysis of [Professors Thomas Piketty, Emmanuel Saez and Gabriel Zucman \[table E4\]](#) to assess how robustly it would respond to changes in wealth concentration. They estimate wealth on a per adult basis, rather than a per household basis, but the relationship of extreme wealth holdings to the median should be similar. In 1980, fewer than 0.005 percent of adults would have had wealth in excess of 1,000 times median wealth, the threshold for taxation under our proposal, with maybe 0.0002 percent having wealth in excess of 10,000 times median wealth. In 2019, after 39 years of increasing wealth concentration but prior to the recent surge of the pandemic years, about 0.025 percent of adults – five times the 1980 level – had wealth in excess of 1,000 times median wealth, with .0008 percent or so – four times the 1980 level – having wealth 10,000 times median wealth.

At the two top tax brackets, the responsiveness of our proposal to changes in wealth concentration is even more robust. Comparing Forbes’ data for the richest Americans in 1983 and currently and to estimates of median household wealth from the Federal Reserve, we estimate that in 1983 no Americans would have had wealth equal to 100,000 times median household wealth, the threshold for the 6% tax rate under our proposal.³ In 2021, about 52 Americans would have exceeded that threshold, with two Americans having wealth greater than 1,000,000 times median household wealth.

It is worth noting the limited scope of our proposed tax. A household with 999 times the wealth of the median household would not pay a nickel in tax. A household with 2,000 times that of the median household would pay a tax equal to only one percent of its total wealth. The tax we propose would fall exclusively on those with what we consider “runaway wealth” – wealth so great that factors like living expenses that ordinarily serve as natural constraints on wealth accumulation have virtually no impact.

Rationale for a Wealth Tax

Why a wealth tax? For the ultra wealthy, any tax functions exclusively as a constraint on their rate of wealth accumulation, as it has no other impact on their lives. For most Americans, income taxes may impact decisions such as retirement planning, job choice, and whether a spouse chooses to work. Not so for the ultra wealthy. Sales and excise taxes impact spending decisions for nearly all of us, but not the ultrawealthy. Given those realities, and because the purpose for a separate tax that falls only on the ultra wealthy is to constrain their accumulation of wealth, a tax

³ In 1983, median net worth for American households, excluding automobiles and other consumer durables, stood at \$24,574, according to the [Federal Reserve](#). That year, John Paul Getty topped the Forbes 400 list, as reported by the [New York Times](#), with a net worth of \$2.2 billion, about 90,000 times the median household net worth.

based on wealth above a level anyone would consider extreme in comparison to the wealth of average Americans seemed the most logical approach.

We are of course aware that some experts believe a tax based on wealth could be ruled unconstitutional by the Supreme Court. Many experts, however, do not agree, believing a tax on extreme wealth would pass constitutional muster. We do not believe Congress should be deterred by this uncertainty. The constitutionality of the Affordable Care Act was by no means certain at the time of its enactment. But by moving forward anyhow, Congress provided health care to millions.

By proposing a tax on wealth above extreme levels, we do not suggest that other reform proposals that impact mainly rich Americans, such as the various proposals to tax unrealized investment gains and to close the loopholes in the estate tax, should be abandoned. Those proposals serve other valid purposes and should be pursued.

But we believe the level of wealth concentration in America today cries out for a specific tax, narrowly tailored to the purpose of reversing the extreme inequality that destabilizes our economy and threatens to turn our democracy into an aristocracy or, worse yet, an autocracy.