

Why isn't there more support for progressive taxation of wealth?

A sociological contribution to the wider debate

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A sociological reflection on the 'return of inequality'

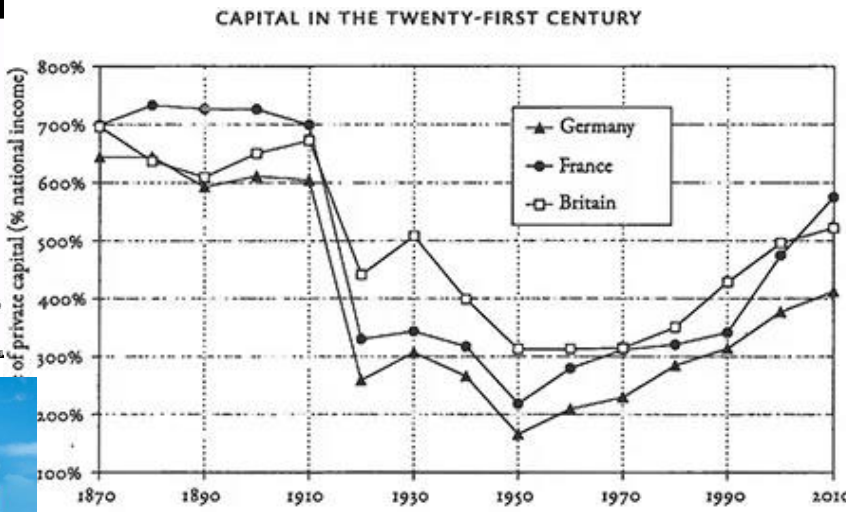
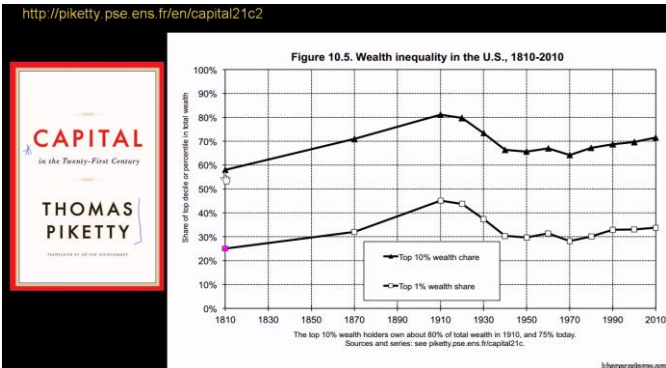
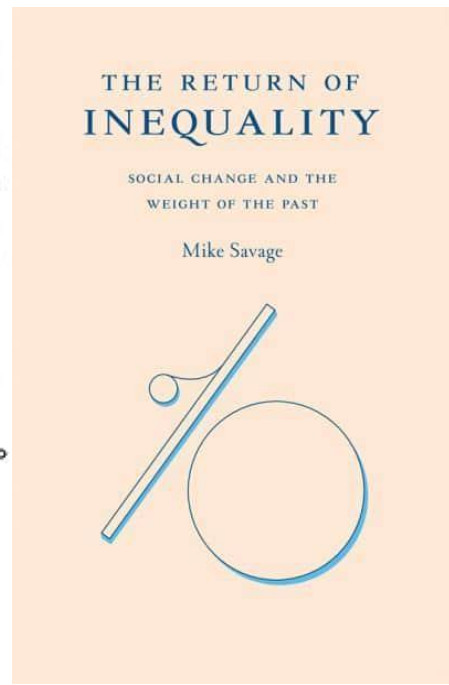
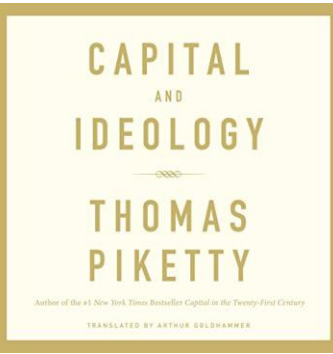


FIGURE 1.2. The capital/income ratio in Europe, 1870-2010
 Aggregate private wealth was worth about six to seven years of national income in Europe in 1910, between two and three years in 1950, and between four and six years in 2010.
 Sources and series: see piketty.pse.ens.fr/capital21c.



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The Wealth Inequality of Nations

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Abstract
 Comparative research on income inequality has produced several frameworks to study the institutional determinants of income stratification. In contrast, no such framework and much less empirical evidence exist to explain cross-national differences in wealth inequality. This situation is particularly lamentable as cross-national patterns of inequality in wealth diverge sharply from those in income. We seek to pave the way for new explanations of cross-national differences in wealth inequality by tracing them to the influence of different wealth components. Drawing on the literatures on financialization and housing, we argue that housing equity should be the central building block of the comparative analysis of wealth inequality. Using harmonized data on 15 countries included in the Luxembourg Wealth Study (LWS), we demonstrate a lack of association between national levels of income and wealth inequality and concentration. Using decomposition approaches, we then estimate the degree to which national levels of wealth inequality and concentration relate to cross-national differences in wealth portfolios and the distribution of specific asset components. Considering the role of housing equity, financial assets, non-housing real assets, and non-housing debt, we show that cross-national variation in wealth inequality and concentration is centrally determined by the distribution of housing equity.

Keywords
 wealth, income, housing, inequality, comparison

How does the 'return of inequality' affect the prospects for 'participatory socialism' today?

- Rendering historical shifts as changing distributions allows the 21st century to be seen as akin to the early 20th century when redistributionist socialist & communist movements were strong
- This obscures how qualitative shifts in the nature of wealth may make the prospects for redistributionist politics harder. Although wealth assets can analytically be rendered in economic terms, people may not experience them like this, and indeed might see them as very different to income .
- Until the 20th century, wealth was generally organised in visibly exclusive ways, e.g. through slavery, patriarchal relations, landed estates and conspicuous consumption. But for large numbers of people in rich nations today, contemporary wealth has been rendered as 'ordinary' and 'familial' though owner-occupied housing, pension funds, personal savings, whilst extreme wealth is often hidden and opaque.

Building a phenomenological account of wealth: wealth as extra-economic

It matters how wealth is experienced and understood

- Wealth as (1) temporal and (2) relational
 - Qualitative interview study (Hecht and Summers, 2021)
 - Focus group study (Davis et al. 2020)
- (3) Private wealth vs public insurance against risk
 - Focus group study (Davis et al. 2020)

1. Wealth as temporal

Qualitative interview study (Hecht and Summers, 2021; n=73)

- Wealth (stock) experienced as durable, solid and reliable
- Income as short-term 'flow' of economic resources

-> Implications for wealth taxation: wealth conveys future potential, chance to live a 'good life'



2. Wealth as relational

Focus group study (Davis et al. 2020, n=58)

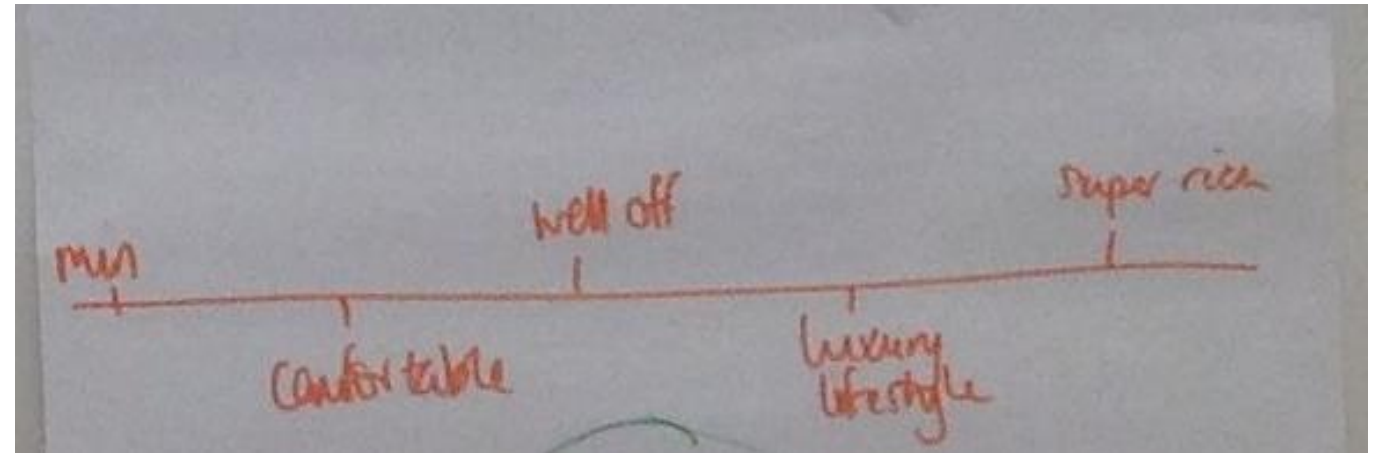
- Acquiring wealth is familial as well as personal
- Seen as a sign of taking responsibility for those you love and care for
- Wealth seen as offering the ability to care for others, and be cared for

-> Implications for wealth taxation: taxing wealth would be akin to taxing 'the stuff of life' itself

3. Private wealth vs public insurance against risk

Focus group study (Davis et al. 2020, n=58)

- Participants asked to discuss higher standards of living 'well above the minimum'
- Enjoyed task, and empathized
- Imagined themselves in the shoes of the rich
- Identified 'wealthy' and 'super rich' categories



3. Private wealth vs public insurance against risk

Focus group study (Davis et al. 2020, n=58)

- Findings: even vast amounts of wealth seen as necessary for security in context of austerity and welfare retrenchment (Hecht et al., forthcoming)

-> Implications for wealth taxation: taxing wealth as taxing security people achieved for themselves and their family

->Distinction: personalized wealth (main home or pension fund) (Rowlingson et al. 2020)

Conclusion

Why isn't there more support for progressive taxation of wealth?

- A sociological phenomenological approach: wealth as extra-economic
- How wealth is experienced and understood:
 - Wealth as temporal and relational
 - Private wealth vs public insurance against risk

Poses challenges and provides solutions for the taxation of wealth

Appendices

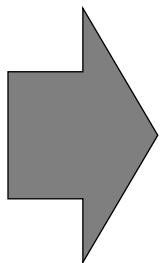
On Temporality:

Temporality: Stocks and flows

- Orientation to the future

- Daly and Leonard note that managing on a low income can mean that the future is “framed in terms of hours and days rather than years” (2002:117)

While income fluctuates, wealth stabilizes, affecting access to opportunities in virtually every domain... (Harrington 2016: 36)



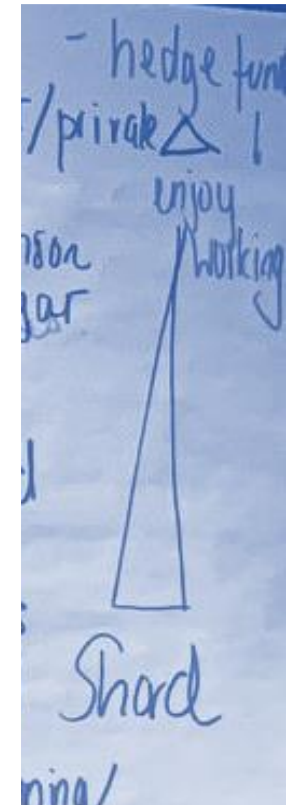
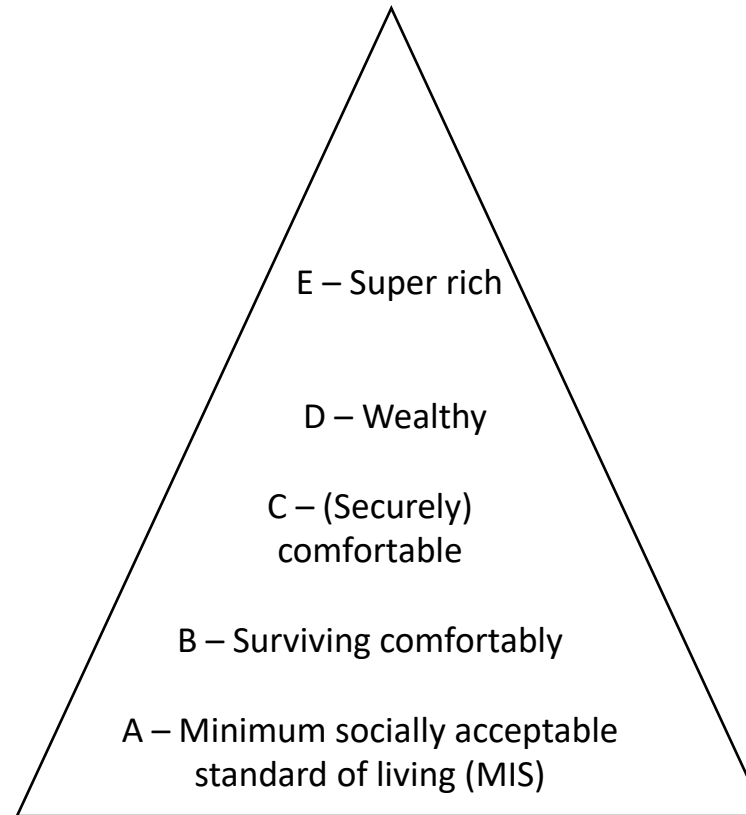
Interview study sample demographics (Hecht and Summers, 2021)

	Top one percent sample		Social security sample	
Gender				
Female	8	27%	26	60%
Male	22	73%	17	40%
Age group				
20s	3	10%	5	12%
30s	10	33%	12	28%
40s	6	20%	12	28%
50s	6	20%	13	30%
60s	5	17%	1	2%
Work Status				
Entrepreneur	10	33%	0	0%
Self-employed	5	17%	3	7%
Employed	15	50%	13	30%
Unemployed	0	0%	27	63%
Ethnicity				
White	27	90%	16	37%
Non-White	3	10%	27	63%
Sample Size	30	100%	43	100%

Riches line project – extra information

Londoners: Can public consensus identify a 'riches line'?

- Descriptive consensus around different levels of living standards (A-E)



Londoners: perceptions of richness

- Security
- '[At level] D I think people are definitely secure. They don't worry about tomorrow because tomorrow is sorted out with the money. C are quite secure but they still have to think about retirement and things like that.' **Group 6, mixed income parents**

Perceptions of 'Richness'

- -> perceptions of security key, accumulation of wealth justified ... (profound need for **security**: sought to achieve by private wealth (in absence state provision))
- In liberal welfare regime, focus on individual responsibility and low decommodification offered by the state -> **seek individual decommodification** through accumulation of wealth
- Precarity of current times legitimizes seeking extra security through wealth: the level above which anyone could really be 'secure' from sudden financial shocks was very high (among both samples)

Londoners: findings

Gr	Participants	<A	Level A	Level B (Surviving) Comfortably	Level C (Securely) Comfortable	Level D Wealthy	Level E Super rich
1	Lower income non-parents	<MIS	MIS	Comfortable	Well off	Luxury Living	Super rich
2	Higher income non-parents		MIS	Self sufficient	Comfortable	Wealthy	Super rich
3	Lower income parents	<MIS	MIS	Surviving comfortably	Securely comfortable	Aspirational comfortable	Super rich
4	Higher income parents		MIS	Not labelled (high street chains)	Flourishing, (Securely) comfortable, Well off	Wealthy	Super rich
5	Mixed income non-parents	<MIS	MIS	Not labelled ('fun nights in'; comfortable/self sufficient)	Financially (cap)able/independent	Wealthy, flourishing, (rich)	Super rich
6	Mixed income parents	<MIS	MIS	Not labelled (A and B referred to together)	Comfortable	Secure, affluent	Super rich

Fieldwork

6 groups in November 2018-January 2019

1. Lower income non-parents (<£30k)
2. Higher income non-parents (>£50k)
3. Lower income parents
4. Higher income parents
5. Mixed income non-parents
6. Mixed income parents

Different levels of living standards

	<A	A	B	C	D	E
Low income never parents	<MIS	MIS	Comfortable	Well off	Luxury Living	Super rich
High income never parents		MIS	Self sufficient	Comfortable	Wealthy	Super rich
Low income parents	<MIS	MIS	Surviving comfortably	Securely comfortable	Aspirational comfortable	Super rich
High income parents		MIS	Not labelled (high street chains)	Flourishing, (Securely) Comfortable, Well off	Wealthy	Super rich
Mixed income never parents	<MIS	MIS	Not labelled (nights in; comfortable)	Financially (cap)able /independent	Wealthy, flourishing (rich)	Super rich
Mixed income parents	<MIS	MIS	Not labelled (A and B referred together)	Comfortable	Secure, affluent	Super rich