Regulating Extreme Wealth

This text is the translation of the following book chapter: François, M. (2024). Réguler l'extrême richesse, in *Fin du monde, fin du mois, même combat ?*, by D. Masset et J. Piron, edited by Etopia et Altura (2024), ISBN 978-2-931190-13-5

ChatGPT (Version GPT-4) was used for the translation.

The slogan "End of the world, end of the month, same fight"[1] illustrates the emergence of a societal debate that tries to link social issues with environmental crisis. This debate invites us to move beyond the idea of an opposition between a lower middle class that is becoming impoverished and lacks the financial resources to cope with the costs of ecological transition, and an upper class that can afford solar panels, electric cars, and high-speed train travel. It highlights that it is possible to pursue environmental policies while reducing inequalities, which would increase support from the lower classes.

However, this argument represents only the first term of the socio-ecological equation because it overlooks a fundamental and indispensable social class to solve this equation: the ultra-rich[2], whose wealth evolution is the major explanatory factor for the increase in inequalities in recent decades[3]. The inadvertent neglect of integrating extreme wealth into the equation hides the second term, namely that poverty and extreme wealth issues are intrinsically linked if we wish to reduce inequalities in our contemporary societies, characterized by the advent of a post-growth world (see below). By omitting this second term, we obscure the fact that resolving this equation requires regulating extreme wealth. More importantly, forgetting to consider this second term represents a serious obstacle to deploying the transformation of our society towards greater sustainability, as explained in this text.

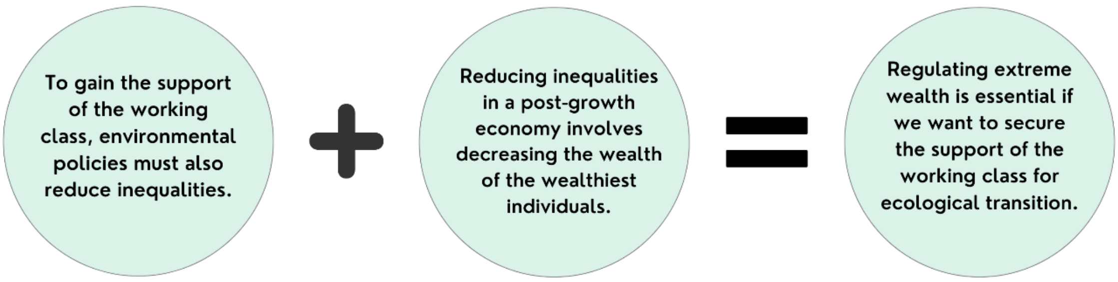

Figure 1 – The two terms of the equation and the conclusion: "End of the World, End of the Month, End of Extreme Wealth, Same Struggle.".

[1] This is the translation of the French slogan "Fin du monde, fin du mois, même combat".

[2] There are several definitions of "ultra-rich." For example, the French Observatory of Inequalities suggests distinguishing between the wealthy, the super-rich, and the ultra-rich, which correspond to the top 10%, 1%, and 0.1% in terms of income.

[3] Chancel, L., Piketty, T., Saez, E., Zucman, G. (dir.), Rapport sur les inégalités mondiales 2022, Seuil, 2022.

Before discussing the three reasons that explain the importance of considering the link between poverty and wealth, it is necessary to clarify the notion of a post-growth society. This new paradigm is based on the observation that our social and environmental indicators are now decoupled from economic growth[4]. Recent research has demonstrated, for example, that our productivist society is incompatible with environmental limits and that it is highly unlikely to achieve carbon neutrality while maintaining economic growth. If growth is no longer desirable for ecological reasons, it is not desirable for social reasons either. Indeed, our social performance indicators, such as life expectancy, education levels, or subjective well-being, are now decoupled from growth. Growth can even reduce our well-being when it causes environmental damage that directly threatens us. Consider, for example, the increasing extreme weather events (floods, fires) caused by our polluting economic system, which in turn destroy the living environment of many populations. Given these well-documented observations, the post-growth paradigm invites us to develop a societal project that goes beyond the goal of economic growth to embrace that of satisfying fundamental human needs without exceeding planetary limits. In this paradigm, the goal is to build a social floor to meet everyone's essential needs (food, education, housing, etc.) while respecting the ecological ceiling, which indicates the environmental limits not to be exceeded (chemical pollution, climate change, biodiversity loss, etc.).

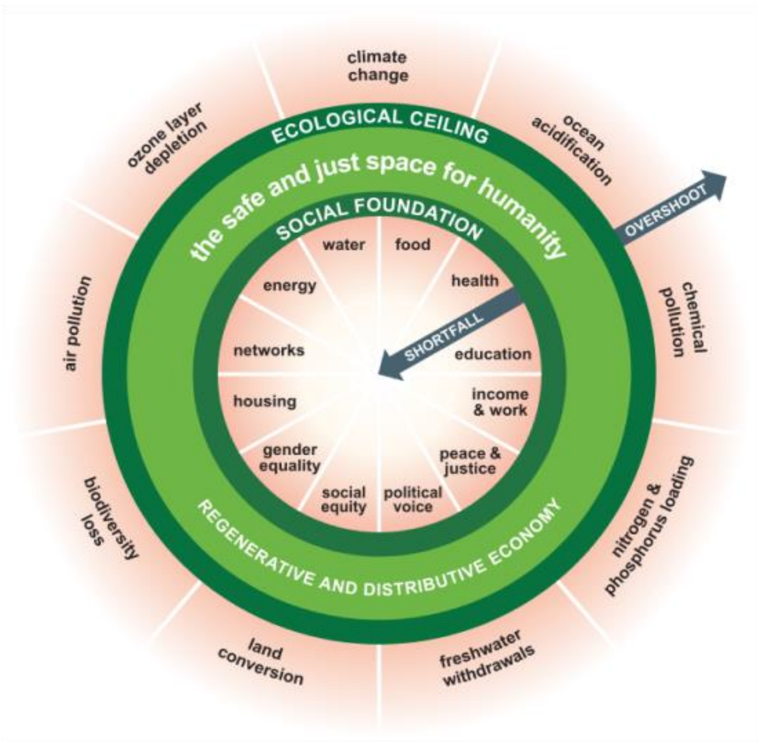

Figure 2 – The "Doughnut" diagram represents our economy, which ideally should be situated above the social floor and below the ecological ceiling. Source: Raworth, K. (2017), Doughnut Economics: seven ways to think like a 21st century economist. London: Penguin Random House.

In this new societal context of post-growth, there is a first reason why it is necessary to consider wealth if we wish to reduce inequalities. Without growth, the historical strategy of redistributing

[4] Parrique, T., Barth, J., Briens, F., Spangenberg, J., Kraus-Polk, A., Decoupling Debunked. Evidence and arguments against green growth as a sole strategy for sustainability, European Environment Bureau EEB, 2019.

the "fruits of growth" through social transfers and investments in education and infrastructure loses its purpose. Indeed, it is no longer a matter of redistributing the surplus of national production in a game where everyone would be more or less a winner (workers, employers, and the State). It is now necessary to make trade-offs on the distribution of wealth and income within a non-growing economy. In such a context, if certain deciles or percentiles of the population receive a larger proportion of national income, it is necessarily at the expense of other deciles of the population whose income proportion will decrease: the income gap between these two groups will consequently increase. If the wealthiest get richer – which is the case today – it implies a relative impoverishment[5] of other categories of the population. There are therefore implicit limits to wealth and income if we wish to avoid an inexorable increase in inequalities in a post-growth society.

Secondly, taking extreme wealth into account is necessary for social justice and, by extension, the effectiveness of public policies. Researchers have shown that the wealthiest contribute disproportionately to climate change, with the top 1% emitting on average 10 times more greenhouse gases per person than the poorest 50%[6]. In our field surveys on carbon inequalities, interviewees are extremely shocked when confronted with these disparities. In the face of these glaring inequalities, it is difficult to engage citizens in the ecological transition when they regularly discover the abusive and polluting consumption of political and economic elites in the media – for example, Charles Michel's[7] private jet flights are often mentioned in our surveys. Imposing limits on wealth or regulating the activities of the ultra-rich is therefore an indispensable condition for reducing public distrust and increasing support for public policies around the ecological transition.

Thirdly, inequalities today are a barrier to behavioural changes because the poorest social classes do not have the means to cope with the costs of low-carbon technologies. It is therefore essential to find new financial resources to build public policies that support the lower middle classes so that they are not excluded from upcoming societal changes. Public policies targeting extreme wealth could generate significant financial resources to fund the ecological transition. A recent study, for example, calculated that a European wealth tax on the richest 0.5% would annually generate between 1.5 and 4 billion euros in Belgium[8].

Limiting extreme wealth to regulate inequalities

To address the challenges of extreme wealth and inequality reduction in a post-growth context, our research explores new avenues. What if innovative political ideas, such as wealth limits, were part of the solution? For example, could we imagine a society with a maximum income or a limit on the number of properties one can own? What are we talking about exactly?

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[5] Relative impoverishment refers to a decrease in wealth compared to wealthier classes. It does not necessarily imply absolute impoverishment. For example, if lower-income classes, with the same income, can buy more consumer goods due to a decrease in prices (such as through the relocation of production to a low-cost country), they are considered to be better off because their purchasing power increases, allowing them to buy more goods. In this situation, although the purchasing power of wealthier classes grows more rapidly than that of lower-income classes, leading to increased inequality, the lower-income classes are not experiencing absolute impoverishment.

[6] Chancel, L., Global carbon inequality over 1990–2019, Nat Sustain 5, 931–938, 2022.

[7] Charles Michel is a Belgian politician and the current president of the European Council.

[8] The Greens/EFA, Tax the Rich: from slogan to reality, September 2023.

In the context of the ecological transition, we define these wealth limits as ecological and social policies that set limits on income and wealth, and that contribute to the construction of a world with limits. These are ecological and social policies because they aim to improve the living conditions of the most disadvantaged while reducing the excessive environmental impacts of the wealthiest. For example, a maximum income of one million euros with a 100% tax beyond this amount would fund many social and ecological measures while preventing the ultra-rich from spending and investing their money in polluting activities. This definition also includes the idea of a world with limits, as it involves moving away from a vision of an unlimited world where we must always produce and own more. This conception of the world aligns with "Limitarianism", a philosophical movement developed by the Belgian philosopher Ingrid Robeyns[9].

These innovative political ideas have already existed in different political and historical contexts[10]. As early as 375 BC, two politicians of ancient Rome proposed limiting the agricultural land owned by each citizen to improve the living conditions of the most disadvantaged. More recently, in 1942, Franklin Roosevelt suggested establishing a maximum income, a 100% tax on income above 25,000 dollars per year (equivalent to 450,000 euros per year today), to finance World War II and his anti-inflation policy. This initial proposal was implemented through a 92% tax rate on very high incomes and helped reduce inequalities for decades in Western countries, as high rates persisted in the United States and Europe until the 1980s. Finally, the city of Berlin witnessed the most recent example. In this city, the ownership of the real estate market is concentrated in the hands of large real estate companies accused of driving up rental prices. In 2021, a referendum approved a proposal setting a limit of 3,000 apartments that each real estate company can own. In short, these examples show that there is a wide range of possibilities for establishing wealth limits and that creativity is possible. They are an invitation to open the debate on wealth limits to regulate extreme wealth in our societies.

To achieve a just transition, we could imagine establishing a maximum income to financially support the lower middle and working classes who cannot cope with the costs of the ecological transition. This annual maximum income, set, for example, at 500,000 euros per person, could be implemented through a 100% tax on income exceeding this limit or by requiring these incomes to be paid into social and ecological funds tasked with deploying projects related to the ecological transition.

While the social question emerged in a context of inequality and poverty in past centuries and the ecological question has arisen with the environmental impacts of our lifestyle in recent decades, it is now essential to update our understanding of the world and our political tools. We must acknowledge that extreme wealth continues to grow each year and represents a major obstacle to the ecological transition and the reduction of inequalities. Its regulation is an essential condition for solving the "End of the world, end of the month" equation.

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[9] Ingrid Robeyns, Limitarianism. The Case Against Extreme Wealth, Penguin Books Ltd, 2024.

[10] For more information, see our research in the following article: François, M., Mertens de Wilmars, S., Maréchal, K., Unlocking the potential of income and wealth caps in post-growth transformation: a framework for improving policy design, Ecological Economics, 2023.