Tipping the Scales
Why We Need to Tax the Ultra Rich

AN ARTICLE SERIES PUBLISHED IN DECCAN HERALD, CURATED IN COLLABORATION WITH THE CENTRE FOR FINANCIAL ACCOUNTABILITY
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Introduction

Around 21,000 luxury cars were sold in India in the first six months of 2023. This represents a 16% growth over all of 2022 and is 7% more than the peak sales for the same period in 2018. In contrast, the sale of two-wheelers, which are largely bought by low and mid-income riders, in fact, has stagnated. Imports of alcohol increased 54% in the first nine months of FY23, according to an analysis of the commerce ministry’s trade data. In contrast, Nestle India has reported a loss in volumes for the Maggi Chotu pack, which costs Rs 7. The import of exotic food items such as dragon fruit, preserved olives and high-value cheese has jumped anywhere between 24% and 33%. In contrast, as per market intelligence firm NielsenIQ rural Indians have even cut back on spending on washing powder & and shampoo.

The contrasting fortunes that these figures show are deeply worrying. It reflects a gulf that divides the ones on top and the miserable at the bottom. But it is hardly the talking point today as the masses are kept opiated on other kinds of divisive agenda. So, it does not bother us that India has been ranked 111 out of 125 countries in the Global Hunger Index (GHI) 2023, further lowering its position to 107 (out of 121 countries) in 2022. At the same time, we feel pride in the fact that India was the only country among the world’s top 10 ultra-high net worth nations that recorded an increase in its ultra-wealthy population in 2022 as per World Ultra Wealth Report 23. This grotesque inequality on display, which is a direct outcome of our government’s policies, does not seem to have any effect even on those who were betrayed by the promise of trickle-down. There is hardly any public discourse on this rift that is tearing open the society. On the contrary, there is a concerted effort on the part of the government to decry and demonize welfare spending on the poor as “freebies,” “revdi” and “fiscal imprudence”. While at the same time considering the benefits, write-offs and tax waivers given to the corporates as “incentives”.

Tipping the Scales: Why We Need to Tax the Ultra Rich
Many a time it is difficult to fathom the scale of such “incentives” for the ultra-rich or how it compares with the spending on the poor. The total write-offs by public sector banks and private sector banks in the 2021-’22 financial year stands at Rs 1,72,800 crore, which is much higher than the amount allocated to any of the three key social sectors (health, education or MGNREGA) in 2023-24. Again, for instance, the tragic train accident at Balasore that left at least 292 people dead brought the question of public spending on safety to the foreground. As per the Comptroller and Auditor General of India’s 23rd report of 2022, the combined shortfall in the money needed for the renewal of tracks amounts to Rs 103,395 crore. By comparison, the write-offs that year by public sector banks alone amounted to Rs 133,945 crore. Let’s take one more example. The soaring fuel prices have proved to be an enormous burden on the people just when they were struggling to get back on their feet after the pandemic. If the government had been mindful of this enormous burden and had revised its fuel tax rates to the pre-pandemic (2019-20) level, then the estimated loss of revenue in the difficult years would have been Rs 1.19 lakh crore. Seems like a lot of money? Well, we gave up on a whopping 1.84 lakh crores in just two years by slashing the tax rates for the corporates in 2019. Selling the myth of “trickle down” our economic policies have brought us to a point when the richest Indian if he were to spend INR 2000 every minute, more than 10,000 years would pass before his net worth is exhausted!

This compilation of articles, written by eminent economists, social scientists, activists and policymakers, is an effort to encourage further discussion on the subject. Curated by the Centre for Financial Accountability and published in the form of a series by the Deccan Herald, the series not only unpacks the concern of inequality but also engages with the substantive idea of meaningfully enhancing public spending on welfare by ensuring basic rights for the people. This of course needs a radical departure from the neo-liberal order that ranks profits over people. As an effective and possible redistributive measure, the article series emphasizes the idea of taxing the ultra-rich. This could generate enough revenue to bolster a rights-based democracy and at the same time fulfil the constitutional vision of counteracting the concentration of wealth and resources in fewer hands.

Senior economist Prabhat Patnaik, in his article, envisions five universal rights – health, education, employment, food and pension – that can be guaranteed simply...
with a minimal tax on just the top 1%. If one says that such moves will result in capital flight and are not conceivable in the present financial order, his response is simple, “the economic regime that a society adopts should serve its basic objectives; these objectives should not be adjusted to what is feasible within a particular economic regime.”

The K-shaped recovery on display today is deeply disconcerting writes senior economist Jayati Ghosh in her article. She highlights how on the one hand share of Indians on the global billionaire list has nearly doubled over the past five years, while on the other hand, in the government’s admission 70 per cent of the deaths of children under five years were due to malnutrition. “None of these terrible outcomes were inevitable or even necessary. They are the outcome of policy choices that have enabled massive enrichment and aggrandization of a tiny minority of rich individuals and corporations… It’s time to stop and reverse this horrifying process of extreme wealth inequality,” she writes.

In his article, senior economist Arun Kumar laments the changing attitude towards the poor coupled with an “increasing self-centredness” of the well-off and the middle classes owing to growing marketization and consumerism. Social concerns of poverty and inequality have taken a back seat. He warns that a “high degree of inequality, as is prevalent in India, has economic, social and political implications. It results in inadequate demand, decline in investment rate and growth of the economy, and rising unemployment.”

As a policy analyst, Jyotsna Jha shares her concern in her piece about how the concentration of wealth in fewer hands implies that only a handful of people have disproportionate access to assets and resources that remain unavailable for public spending. “Wealth tax”, she says, “can help tap into a part of these resources and convert them into productive public expenditure.”

Some of the articles in the series approach the issue of inequality from specific vantage points, say health or hunger so as to make a case for a stronger rights-based approach. Dipa Sinha, an economist and part of the Right to Food campaign points out how child malnutrition levels in India are high and slow to improve. Levels
of stunting for children among SCs and STs are as high as 40%. Given India’s rather poor track record on social spending, she believes, a more progressive taxation system, with the introduction of wealth and inheritance taxes on the super-rich, “would not only take us towards a more just taxation regime but would also contribute to a just society free of hunger and malnutrition.”

Mohan Rao, who has worked extensively on public health, points out that households spend nearly four times less in government hospitals than in private hospitals making the “a choice between life and death, or at least between survival and indebtedness.” The kind of grotesque inequality on display today in India, he said, “are not intractable facts of nature, but mutable and contingent facts of history and politics.” For a decent and affordable public health system one has to move away from an order that perpetuates inequality. “The only prescription”, he says, “is to acknowledge and correct a set of policies that are contributing to this inequality”.

Ishan Anand and Anjana Thampi in their article bring up the crucial aspect of concentration of wealth is also tied to group inequality and social exclusion. Households in the SC and ST communities have the lowest net worth and women stand out in assetlessness. They suggest that “taxation of top wealth and redistribution in the form of a rise in welfare allocations for historically disadvantaged communities and women can address some of these gaps.”

Samali Banerji, a young scholar reflects upon the distinct implications that riveting ourselves to an economic order breeding inequality poses. Hyper-consumerism induced climate crisis; the weakening of democracies as oligarchs take a grip over politics; and the volatility of financial markets that is unleashed.

Drawing a direct linkage between the climate crisis and inequality, Anirban Bhattacharya from the Centre for Financial Accountability points towards the fact that it is well–off with a consumption pattern that is unsustainable, extractive and unequal who are responsible for the crisis while it is the poor who pay the price disproportionately. It is the super–rich who need to be taxed thereby to raise the money required to meet the challenges thrown by the time ahead.
As the country prepares for another general election, it is important to acknowledge the widening gulf that separates the ultra-rich at the top from those at the bottom. It is also important to recognize that the wider this gap, the louder will be the efforts to whip up divisive politics so as to detract us from the divisions that matter, that between opulence and penury. At a time when alarming unemployment, the raging cost of living crisis and the dwindling real wages are breaking the backs of the poor, it is important that we speak of substantive issues and of deepening democracy. It is crucial that we express that there are other pathways that are very much within our reach, only if there is a political will for the same.

We hope that the collection evokes more discussion, thoughts and debates on not just understanding the pathways that have brought us to where we stand, but also on the pathways that one can take to move towards a more equitable, just tomorrow. We express our sincerest gratitude to Deccan Herald and particularly to Mr. S Raghotham for carrying the series in the esteemed daily which facilitated this conversation with a larger audience. We are also grateful to the authors of the series who acknowledged the value of the exercise and took out time to contribute towards it.
Income tax collections increased from Rs.2.6 lakh crore in 2014-15 to Rs.5.6 lakh crore in 2021-22 – a rise of 117%.

In the same period, corporation tax levied on corporates increased only by 28%, from Rs.4.3 lakh crore to Rs.5.5 lakh crore.
Why society should be concerned about inequality and poverty?

Recently, after my talk on the current economic situation in India at a private university, I was asked, why those students should be concerned about inequality and poverty. I had raised these as major issues of concern. The university being a private one, the fees are high not only compared to the public universities but in comparison to the country’s per capita income. So, most students there belong to well-off families. The question was therefore not surprising.

Having studied in the elite St. Stephens College for my undergraduate degree in the late 1960s, when many left to join the Naxalite movement and the discussion was usually around poverty and inequality and the failure of the State to tackle these issues, I have been under the illusion that college students typically question the status quo and the establishment. Especially since poverty and inequality are a result of the rules of economic gains set by the system and are not natural phenomena.

During my teaching career, I had not faced such a question from either the students in my class or during the hundreds of talks that I have given in the last 40 years.
Talking of public policy in India invariably led me to refer to inequality and poverty. So, the students’ question recently suggested that the well-off increasingly believe in ‘me for myself’, a huge shift in societal thinking.

The next day, I happened to visit an elderly gentleman, a former neighbour of over 25 years. Again, I heard similar thoughts. When asked how he spends his day, he replied, “I do my thing, and do not worry about what I can do little about”. It sounded rational for an 85-year-old who is coping with an increasingly complex and less familiar world. But also, because he is well-off and well taken care of, the wider societal processes are not his concern.

Oxfam, Credit Suisse, etc., have been pointing to growing inequality in society. During the pandemic, 80 per cent of workers said they did not have enough savings to buy one week of rations. So, as soon as work stopped due to the lockdown, millions, fearing starvation, migrated from the cities to their villages, with children in tow and carrying their meagre belongings. They were ready to travel hundreds of kilometres in the heat, without food and water for long stretches. Their desperation was evident.

Images of the desperate migrants were beamed into the drawing rooms of the well-off. They could no more be in denial about the persisting poverty and inequality in India. But now, with the pandemic under control, concern seems to have waned. Should the elite still be concerned about inequality and poverty?

**Shift in perceptions**

Why this changing attitude towards the poor? There is increasing self-centredness of the well-off and the middle classes due to the philosophical shift in society brought about by growing marketisation. Markets as a place to exchange goods and services have always existed, even under barter. It is marketisation that is new and implies the penetration of the market principles into social institutions. This is what is changing societal and individual consciousness.
One of the principles is ‘more is better’, which results in growing consumerism. That is, consumption for the sake of consumption. Demand is created where a need does not exist. Like, drinking fizz drinks, which is 99 per cent water. Using private vehicles when public transport is available. Discarding things when repair is feasible or the item is usable for many more years, and so on.

Consumerism has become the new opium of the masses — diverting attention from societal issues. In India, a developing country, there is a ‘demonstration effect’ from the richer countries. So, at a low per capita income, India has some of the most polluted rivers and air.

Marketisation has made people think of themselves as homo economicus – only economics matters. Social concerns – such as poverty and inequality — are losing importance. People are assumed to be rational and acting to maximise individual welfare. For this, they have to minimise costs, such as feeling guilty about their self-centredness.

The self-perception of being homo economicus dilutes social concerns and weakens collectivity. For instance, concern about poverty could at a minimum make one feel guilty about societal processes that benefit oneself. It is then natural to say, “I will only be concerned about what I can do something about”. The corollary is, “I can do nothing about poverty, so I will not think about it”. The result is rising atomisation, with people increasingly catering to their narrow self-interest and maximising their individual welfare. This decline in the desire for collective action also impacts action on critical issues, such as pollution and climate change.

**Why inequality matters**

A high degree of inequality, as is prevalent in India, has economic, social and political implications. It results in inadequate demand, decline in investment rate and growth of the economy, and rising unemployment. This creates a vicious cycle that is hard to escape. To tackle the demand problem, the World Bank had suggested ‘safety net’ in the 1980s, and has recently proposed the more drastic solution,
The political aspect is that the poor can be manipulated by the rulers by offering them sops during elections. The attention of citizens can be diverted by raising divisive issues and blaming the plight of the poor on some other groups or on some events in the distant past. Conflict in society grows as there is jostling over a few well-paying jobs. So, conflict over reservation in jobs and in education has intensified, though that is not a solution to the problem of unemployment.

In brief, growing inequality and poverty have huge costs for society, including for the well-off. But the ruling elite in India is increasingly short-term-ist. They are not considering the long-term implications of their unwittingly embracing marketisation, which is shaping their thought processes. So rational policies, such as depending more on direct taxes than the regressive indirect taxes, do not get implemented. Wealth taxation is run down, though that is the best way of raising resources for development. Thus, while ostensibly acting in their self-interest, the rich are undermining it.
WHERE WE STAND?

Study shows that Poverty levels neatly follow social stratification in UP:

Muslim Dalits (52.5%), Hindu Dalits (51.9%), Muslim OBCs (38.2%), Hindu OBCs (38.0%), and Muslim General (31.3%).

These are much higher compared to the Hindu General (14.4%).

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Inequality in India is at obscene levels. While still home to a very large number of people living in destitution, the number of dollar billionaires in India increased from one in the mid-1990s to 166 in 2022.

The fortunes of wealthy elites have also skyrocketed over the years, increasing the gap with the average Indian. As per the Forbes billionaires list for 2023, the most affluent Indian (Mukesh Ambani) is worth $83.4 billion, which translates to around Rs 6.8 lakh crore.

To put these numbers in perspective, if Ambani were to donate a Rs 2000 note every minute, it would take more than 6,000 years before his current wealth runs out.

Using official survey data from 2018 and adjusting for inflation, we find that the average household wealth in India will be around Rs 25 lakh in 2023. That is, the wealth of the most affluent Indian is around 27 lakh times the wealth of an average Indian household.
In general, the top 10% of the Indian population has enjoyed a steep rise in their wealth share over the past two decades. Some argue that there is nothing wrong with rising wealth concentration at the top and that policy should rather focus on poverty. Such arguments overlook the consequences of rising wealth disparity.

Extreme concentration of wealth is detrimental to the health of democracy and to the planet itself. A handful of individuals and corporations are able to exercise disproportionate influence and control over economic policy, politics, the media, and other institutions whose impartial functioning is a precondition for the functioning of a true democracy. Wealthy elites across the globe are also responsible for a high share of carbon emissions.

Recognising the perils of extreme wealth concentration, wealth taxes are being demanded in different parts of the world.

India has had a long experience with a wealth tax, though not a very good one. A wealth tax was introduced in 1957 but did not make a substantial contribution to revenues due to design and implementation issues. When the wealth tax was abolished in 2015, it contributed only Rs 1079 crore, or 0.05%, of the total tax revenue.

There have been several calls for a tax on the top 1% of wealth holders in India. Our calculations show that a flat 2% wealth tax on the top 1% would have generated about Rs 8.54 lakh crore in 2021.

The Hurun India Rich List for 2021 lists 1007 families that own wealth worth more than Rs 1,000 crore. A wealth tax of 2% on these 1007 families would have generated Rs 1.84 lakh crore in 2021.
However, an ideal tax structure should be a progressive one where the marginal tax rate increases as wealth rises.

We propose a progressive wealth tax with five slabs: a tax rate of 2% on wealth between Rs 1,000 and 25,000 crore, 3% between Rs 25,000-50,000 crore, 4% between Rs 50,000-75,000 crore, 5% between Rs 75,000-1,00,000 crore, and 6% on wealth above Rs 1,00,000 crore.

This proposed wealth tax on families with net worth above Rs 1000 crore, ranging between 2% and 6%, would have generated Rs 2.76 lakh crore in 2021, which is higher than the combined budgetary allocation on health, education, MGNREGA, and old age, widow, and disability pensions for 2023, and the tax revenues could have been used to double the budgetary allocation on these heads.

A progressive wealth tax should ideally be accompanied by an inheritance tax. Several countries in the world have some form of inheritance, gift, or estate tax. The inheritance tax rate varies from 33% in Ireland to over 50% in Japan.

Detractors of the wealth tax claim that it is a bad idea on the grounds that wealth is difficult to tax, it may discourage growth, financial wealth is only notional, and its value fluctuates with the stock market. These arguments do not hold water.

A wealth tax is well aligned with the idea of India as enshrined in the constitution. The directive principles of state policy give a clear mandate for the State to ensure "that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment".

The unequal distribution of wealth is also intimately tied to group inequality and social exclusion. Official statistics show that caste and gender are important axes of inequality in wealth distribution. Households in the Scheduled Castes and Scheduled Tribes communities have the lowest net worth. Gender-disaggregated data on land ownership clearly shows that women within the household face serious assetlessness.
Taxation of top wealth and redistribution in the form of a rise in welfare allocations for historically disadvantaged communities and women can address some of these gaps.

India has the advantage of a long experience with wealth taxes and a strong tax administration. If the focus is on extreme wealth limited to a narrow tax base—say, the top 1%—it need not be a difficult exercise to administer a robust wealth tax system.

A tax on wealth and a rise in public spending on the social sector are sound economics. What is needed is a political vision, accurate data collection on top wealth, and the will to choose people over corporate profits and mind-numbing levels of wealth accumulation.
Top 1% has 58% of total Wealth of Private Individuals in India
Inequality amplifies malnutrition crisis in India

That child malnutrition levels in India are high and slow to improve, even when compared with neighbouring countries such as Bangladesh, does not need belabouring. However, in discussions on the problem of malnutrition in India, inequality does not get its due. First, there is the issue of inequality in malnutrition outcomes reflecting social and economic marginalisation by caste, region, and class that needs to be addressed. Although there has been some improvement in most undernutrition indicators among all communities, the gap between groups is still very high. While there are differences in all the indicators, data on stunting (low height for age reflecting chronic undernutrition, also inter-generational) is given here for illustration.

For instance, data from the National Family Health Survey (NFHS)-5 show that while the prevalence of stunting among SCs and STs is around 40 per cent, it is 30 per cent among children belonging to the “Others” group, which mainly consists of upper-caste Hindus. Regional inequality is also an issue in India, with stunting being much higher in rural areas (37 per cent) compared to urban areas (30 per cent) and the prevalence in Bihar (43 per cent) being almost double that in Kerala (23 per cent).
23 per cent of children in the top wealth quintile are stunted, compared to 46 per cent in the bottom quintile. At the same time, the prevalence of malnutrition, even among the better-off, is relatively high when compared with other countries. For example, based on information in the World Bank database, it is found that the average stunting rates in comparable countries such as Bangladesh, Ghana, and Vietnam are 28 per cent, 18 per cent, and 20 per cent, respectively, which are lower than what they are among even the best-off in India.

The literature highlights gender inequality and the poor status of women as two of the major reasons for the high prevalence of malnutrition in India and also for the relative distribution amongst states in the country. In addition to this, malnutrition is determined by a number of factors, including the quality and adequacy of diets, household food security, adequate incomes and livelihoods, access to health care and sanitation services, the prevalence of diseases, and more. Therefore, there is no single strategy that is sufficient for reducing malnutrition, and it is affected by both direct interventions as well as developments in the economy.

Moreover, not just economic growth but a transition to a more favourable income distribution would also have a positive impact on levels of stunting. For example, even though GDP growth rates in Brazil were not very high between 1996 and 2006 (1.4 per cent per capita), this period saw a rapid decline in stunting prevalence in the country, partly attributable to reduced inequality (as measured by the Gini co-efficient) and poverty reduction. Further, experiences from across the world show that reducing malnutrition requires active State intervention towards the provision of basic social services in education, health, and nutrition, improving women’s status, and reducing poverty. It is also observed that public expenditures on these services are determined not just by levels of income in a country but rather more by political priorities and the nature of growth a country aspires to.
India performs rather poorly when it comes to spending on social security, health, and education. The allocations of the Union government towards schemes such as the Integrated Child Development Scheme (ICDS) and school mid-day meals that directly provide nutrition to children have declined by around 30 percent in the last ten years. Overall spending on health and education is still far below the targets set by successive governments in India. Around 1.3 per cent of the GDP is spent on health, and the National Health Policy aims to increase the budget to at least 2.5 per cent of the GDP by 2025.

ILO’s World Social Protection Report shows that India spends 1.4 per cent of GDP as total expenditure on social protection (excluding health), compared to an average of 2.5 per cent of GDP being spent by low-middle income countries and 8 per cent by high-middle income countries. Even in the small amounts that are being spent, there is an increasing bias towards privatisation, such as through health insurance schemes, digital platforms for education, or encouraging centralised and/or packaged food distribution. The result of poor spending on the ground is poor coverage and low quality in services, and hence not much impact.

Expanding spending on the provision of universal basic services is imminently possible in India. Not only is India a poor spender compared to other countries, but it is also a country with relatively poor resource mobilisation. The tax-to-GDP ratio for India, for example, is around 17 per cent compared to 34 per cent in Brazil.

Further, the taxation in India is fairly regressive, with over 66 per cent of the total taxes coming from indirect taxes, and on the other hand, the effective tax rate faced by the corporates in the highest profit bracket (more than Rs 500 crore) being as low as 19 per cent. With many reports showing increasing inequality and concentration of wealth in India and the possible increase in poverty rates in recent years, there is an urgent need to expand the social services in the country, for which the allocations to the social sector must be increased. A more progressive taxation system with the introduction of wealth and inheritance taxes on the super-rich would not only take us towards a more just taxation regime but would also contribute to a just society free of hunger and malnutrition.
Tax The Rich!

For free food grains for the poor during COVID, the government till April this year claims to have spent about ₹ 3.4 lakh crore.

More than double the amount could have been generated if a 2% wealth tax was put on the top 1% thereby yielding ₹7.54 lakh crore.

2% Wealth Tax on Top 1% + 50% Inheritance Tax to Fund Universal Social & Economic Rights for Bottom 99%
A decent public health system is incompatible with inequality

What Thomas Piketty shows us in A Brief History of Equality, with solid data over time, is that at the beginning of the 20th Century, direct taxes amounted to about 10% of the economy of the UK (and the US and other Western economies). These funds were largely allocated to military expenditure and colonial administration. However, following the devastation of the First World War and the establishment of the USSR, dramatic changes occurred, particularly in the UK, and to a lesser extent in the US. These changes were influenced by the emergence of the Soviet Union, the Labour Party’s impact in the UK, the communist influence in the French parliament.

Sidney and Beatrice Webb’s visit to the Soviet Union, the first country in the world to provide universal and free healthcare, greatly influenced the establishment of the National Health Service after the Labour Party’s victory in the first post-war elections, during which Churchill was rejected in the UK.

The proportion of direct taxes rose significantly then on until about 1980. The introduction of inheritance taxes, wealth taxes, and progressive taxation led to a substantial increase in the share of direct taxes, reaching about 50–60% in most
Western European countries, and even in the US. This increase facilitated investments in education and healthcare, which became the envy of other nations. It also enabled investments in public goods, such as transportation and communication, as well as the implementation of minimum wage standards, old age pensions, and unemployment benefits. In essence, these measures reduced inequalities, including income and wealth disparities, and consequently led to a decrease in health inequalities. These societies became more equitable, evident in the improved height and reduced disparity in average life expectancy among the working class. However, despite these advancements, persistent health inequalities based on social class persisted, as highlighted in the Black Report.

It was proportionate taxation, wealth tax and inheritance tax that made these social goods possible. Corporate taxation also formed a part of this package. This also meant the social responsibility for the next generation, the reproduction of labour, was socialised by social-democratic movements in the West.

In India, the proportion of indirect taxes far exceeds that of direct taxation (which has not crossed 10-11%), paid for by the poor. This is not only grossly unfair but subsidises the rich in many ways.

Since 1980, however, there has been a reversal of these patterns of progressive taxation, and fiscal injustice has come home to stay. Income and wealth inequalities have increased around the world, and in India. Reflecting this, health inequalities
too have increased within and between nations. The Oxfam International report Inequality Kills notes that the wealth of the 10 richest men has doubled, while the incomes of 99% of humanity are worse off, because of Covid-19; that 252 men have more wealth than all the one billion women and girls in Africa, Latin America and the Caribbean combined; that since 1995, the top 1% have captured nearly 20 times more global wealth than the bottom 50% of humanity. In fact, this inequality contributes to the death of at least one person every four seconds.

In India, the top 10% of the population holds 77% of the total national wealth; 73% of the wealth generated in 2017 went to the richest 1%, while 670 million who comprise the poorest half of the population saw only 1% increase in their wealth. There are 119 billionaires in the country at present; their numbers increased from only 9 in 2000 to 101 in 2019. The report also notes that 63 million Indians are pushed into poverty every year due to health care costs.

These are not intractable facts of nature, but mutable and contingent facts of history and politics. It is politics which determines who lives and who dies and how. That is what should make health justice important on our political agendas. With 9.28 physicians per 10,000 persons in India (2019) there is no dearth of data that cries out for significant increase in public expenditure on health as against the meagre 2.1% of GDP. According to a study by the World Health Organisation in 2022, nearly 70% of all outpatient care and about 60% of all inpatient care in India is provided by private healthcare facilities. Given that households spend nearly four times less in government hospitals than in private hospitals, this certainly becomes a choice between life and death, or at least between survival and indebtedness.

A decent and affordable public health system is incompatible with inequality. The only prescription is to acknowledge and correct a set of policies that is contributing to this inequality and thereby condemning millions to lives of misery, uncertainty and ill health. This requires bringing discussion about a just tax system, about a wealth and inheritance tax back on the table.
Tax The Rich!

During the pandemic, the government claimed to have increased expenditure on public healthcare in 2021-22 by 73% from a year ago to ₹4.72 lakh crores.

It is still lesser than what can be generated from 2% wealth tax on the top 1% that yields ₹7.54 lakh crores.

2% WEALTH TAX ON TOP 1% + 50% INHERITANCE TAX TO FUND UNIVERSAL SOCIAL & ECONOMIC RIGHTS FOR BOTTOM 99%
Building a rights-based welfare State in India

Prabhat Patnaik

Political formations in India have generally come to accept the idea of economic transfers to the poor. The Congress made it a major plank in the recent Karnataka elections. Even the BJP, which favours transfers to the rich in the name of “development” and debunks transfers to the poor as “freebies”, engages in some “freebies” at election times. And several economists advocate cash transfers for guaranteeing a basic minimum income in society.

All this is good news, but transfers are a distinctly suboptimal way of redressing economic inequality. This is so for at least three reasons. First, they constitute, and are also presented as, a largesse on the part of the government, thereby demeaning the recipients into mendicants. Second, they can be withdrawn at any time at the mercy of the government. And third, they do not necessarily yield real benefits to the recipients in the form the latter would like: if there are no schools or hospitals in the neighbourhood, then simply giving cash to the poor does not ensure education or healthcare for their children. It is therefore preferable to institute a set of universal, justiciable, and constitutionally guaranteed fundamental economic rights, on a par with the fundamental rights that already exist, as the means of building a welfare state.
Let me take just five such rights: a right to food for everyone (on par with what the BPL population gets at present); a right to employment (failing which the unemployed person should be paid a statutorily fixed wage or salary); a right to free, quality public education; a right to free, quality public healthcare (through a National Health Service as in the UK); and a non-contributory living old-age pension (for all those who are not getting pensions through some existing institutional arrangement) and disability benefits.

The institution of these five rights will require, in addition to what is already being spent under these headings in central and state government budgets, an additional public expenditure of about 10 percent of GDP. Raising financial resources for such expenditures should not be a problem. Since any initial extra public expenditure generates some extra tax revenue within the period itself, which also gets spent, to spend an extra 10% of GDP, the governments at the central and state levels will need to raise an extra 7% of GDP as tax revenue.

This amount can be raised through the imposition of just two additional taxes, and that too only on the top 1% of the population: a 2% wealth tax and a 33.3% tax on whatever wealth is passed on as inheritance or gift. (Details are given in an article by P Patnaik and J Ghosh in Aruna Roy, Nikhil Dey, and Rakshita Swamy, eds., We the People.) These are extremely modest rates: during the last US presidential elections, one contender, Elizabeth Warren, had suggested a two-slab wealth tax of 1% and 2% (a proposal publicly endorsed by several billionaires), while another, Bernie Sanders, had suggested a graded wealth tax going up to 7%; and several advanced capitalist countries have inheritance taxes much higher than suggested here, such as 40% in Japan.
Of course, raising adequate financial resources does not ensure that spending of this order will not be inflationary, but two mitigating factors are pertinent here: first, these rights need not be instituted all at once; their introduction can be staggered over a couple of years, during which production capacities can be built up to take care of any excess demand. Second, there is already enough “slack” in the economy, in the form of unsold food grain stocks and unutilized industrial capacity, to absorb the impact of the initial injection of demand without causing any additional price rises.

To be sure, the proposals mooted here will make serious administrative demands. There will have to be an agreed-upon allocation of responsibilities and, correspondingly, of resources between the centre and the states for instituting these rights. But such hurdles will not be insurmountable and obviously cannot be allowed to hold up the institution of such rights. Likewise, the administration of a wealth tax is not easy, which is usually the reason given for abandoning this tax in India and elsewhere, but its administrative difficulties must not be allowed to get in the way of imposing a wealth tax, and one can learn from the way that the recent American proposals mentioned above were designed to be implemented.

No doubt, with the relatively unrestricted trade and capital flows that neo-liberal India currently has, the building of such a welfare state, where the government has major responsibilities, may undermine the “confidence of finance” and trigger a capital flight, making the balance of payments unmanageable. But the economic regime that a society adopts should serve its basic objectives; these objectives should not be adjusted to what is feasible within a particular economic regime. Hence, if the regime of relatively unrestricted trade and capital flows becomes a barrier to instituting economic rights, then that regime should be altered through the imposition of appropriate trade and capital controls.

If a Constitutional amendment for instituting fundamental economic rights appears infeasible for some reason, then a unanimous resolution in both houses of parliament can be tried instead, as happened with the MGNREG Act. But the people must not be made to wait ad infinitum for the benefits of GDP growth to “trickle down” to them.
INEQUALITY BREEDS HATE & DIVISIVE POLITICS!

- The bigger the gap between the top and the bottom millions, the shriller will be the hatemongering, majoritarian hyperboles, discrimination against Muslims as the "enemy" and the fusing of state and religion.

- The more unequal we come as a country, more will be the need for a false sense of pride and a pliant media that would obscure the real divides and play up the false ones.

- Political vocabulary has fundamentally changed from democracy, rights, equality, deliberation, etc., to revdi, duty, sacrifice, respect, obedience, etc.

- So, while in Chile, Brazil, US or UK, thousands march the streets against inequality, it is still not as big a mass issue in India as it should be.
By all accounts, India is considered one of the most unequal countries in the world, and inequality has been on the rise in recent years. The World Inequality Report 2022 reported that the top 1 per cent in India owns 22 per cent of the total national income, while 10 per cent holds 57 per cent, and the bottom 50 per cent owns only 13 per cent. The wealth inequalities are even higher, with the top 1 per cent owning 33 per cent, the top 10 per cent holding 65 per cent, and the bottom 50 per cent holding as little as 6 per cent of the total household wealth. Despite the visible slowdown of the Indian economy since 2015-16, the recent economic growth rates have been higher than those in many developing nations. However, it is evident that this growth has not significantly benefited the bottom half of the population.

What makes it worse is that the recent economic growth experienced in India has largely been jobless growth. The International Labour Organisation (ILO) estimates show that the youth (15-24 years) unemployment rate, which had been hovering around 22 per cent in the last decade, went up to 24.9 per cent in 2020 and 28.7 per cent in 2021, marking a steep rise. This has implications for rising inequality.
and the so-called demographic dividends, which cannot be realized without creating opportunities for our youth to earn, and earn well.

It is now widely believed and agreed, especially in the post-Covid world, that fiscal policies can play an active role in promoting more equitable and sustainable growth, directly addressing issues of poverty, low income, and employment.

Higher public investment in long-term human development markers such as education, nutrition, and healthcare, along with a focus on developing small manufacturing, non-farm economic opportunities, and other ways of creating both employment and income (and hence, demand) at the decentralized level and large scale, is being recommended not only by rights-based organisations such as UNICEF (for instance, see) but also by institutions like the World Bank (e.g.). To enable such a supportive fiscal policy, India needs to widen its revenue collection and revenue base. Therefore, it becomes important to discuss the need for levying wealth tax and implementing it now and the so-called demographic dividends, which cannot be realized without creating opportunities for our youth to earn, and earn well.
Arguments in favour of wealth tax as a major source of revenue in highly unequal economies are simple and compelling. Massive accumulation of wealth in very few hands implies that a smaller section of people has access to a much larger share of economic assets and resources that remain almost completely unavailable for public spending. Wealth tax can help tap into a part of these resources and convert them into productive public expenditure, which could play a role in galvanising the economy if spent wisely, and hopefully also in stopping the widening of inequalities. It is a progressive measure, especially in present-day India, where it is unlikely to have any impact on the lower middle or low-income groups. It is also fair since a high level of wealth is usually a result of inheritance and accumulated social capital associated with belonging to privileged classes, castes, and families, rather than being linked to an individual’s merit.

Wealth tax is opposed on the grounds of its possible adverse impact on private investments and innovation. The best way to examine these concerns would be to look at recent trends in private investment to gauge what happens when there is no wealth tax. Private investment as a percentage of GDP has been either stagnant or declining since 2013, despite consistent growth in credit to the private sector during the same period. The World Bank estimates show that private investment fell from 31 per cent of GDP in 2011 to 22 per cent in 2020, and even below 20 per cent in the following years. Even fiscal stimulus measures, such as lowering corporate tax rates from 30 per cent to 22 per cent in 2019–20, did not change this trend. Clearly, there is something else at work, and it is evident that accumulated wealth does not automatically convert into investment or innovation when there is low demand. This makes wealth tax a legitimate fiscal policy choice. Many argue that these factors are unrelated in a modern and complex economic system since making the rich poorer does not necessarily make the poor rich or even less poor. That is true, but it can be addressed by promoting progressive and well-directed public spending on desired lines, which can also stimulate demand and, in turn, perhaps even private investment.

Wealth tax can take several forms. One of the easiest ways to levy a wealth tax would be to change the nature of the gift tax in India, which currently exists as part of the income tax since 2017. While any cash, movable, and immovable property worth above Rs 50,000 is taxable, all gifts received during marriage,
death, or inheritance through a will are exempted, and all gifts from relatives (self or spouse’s) at any time are also exempted. If these exemptions (related to both relatives and occasions) are removed and the threshold is increased to even Rs 5 crore, this can be a far more effective measure in tapping wealth transfers that occur within extended families or even otherwise, especially during extravagant Indian weddings, as a source of revenue.

In addition, property tax and capital gains tax are other examples of wealth tax. Capital gains tax exists in India, but it currently refers only to transactions, and there are also exemptions for reinvestment. However, limiting the deduction of tax benefits for reinvestment to Rs 10 crore for capital gains in the 2023 Union budget is a welcome step. Nevertheless, the rationale for a non-transactional net wealth tax, levied on the entire wealth of an individual but applicable only to super-rich or high net worth individuals, also exists due to high inequality.

Even if it is not imposed regularly, it can at least be implemented as a one-time ‘solidarity tax’ to deal with the adverse impact of the pandemic on the economy, as being done by a number of Latin American countries. The millionaires who added millions more even during Covid-19 owe at least that much to the country.
About 80% of the 12,000 odd millionaires whose assets exceed $2.1 million paid a one off wealth tax raising more than $2.3 billion in Argentina.

In India Top 1% has 58% of total wealth of private individuals. Why not tax the rich?

The tax called solidarity contribution amounting to 0.5% of GDP raised resources to pay for medical supplies and relief for small businesses battered by the pandemic in Argentina.

2% wealth tax on top 1% + 50% inheritance tax to fund universal social & economic rights for bottom 99%
India remains a low-middle-income country, and the bulk of the population ranks low compared to most countries in most indicators of conditions of life. Yet the country ranks third in the number of dollar billionaires, just behind the United States and China, which have significantly higher per capita incomes.

The K-shaped recovery the economy experienced after the pandemic has many manifestations: the growing share of profits in national income, and within that, the concentration of corporate profits in the largest companies; and the change in patterns of aggregate demand away from mass consumption goods to goods and services consumed by the affluent. But one critical piece of evidence is surely the gaping wealth inequality in the country, which has already made it one of the most unequal countries in the world.

According to the Hurun Global Billionaires list, the number of US dollar billionaires in India increased to 187 in 2023, adding 16 more billionaires since the previous year. Their total estimated wealth increased as well. This was quite unlike the global pattern: across the world in 2023, the number of dollar billionaires is estimated to have fallen by 8 per cent while their total wealth declined by 10 per cent. As a result
the share of Indians on the global billionaire list has nearly doubled over the past five years, from 4.8 per cent to 8 per cent.

This is not the result of increased aggregate income growth; rather, it reflects extreme increases in inequality. Oxfam estimated that the fortunes of billionaires increased tenfold over the decade preceding the Covid-19 pandemic, such that by 2019, the top 10 per cent of the population held 77 per cent of national wealth, and the top 1 per cent grabbed nearly three-quarters of the increased wealth generated in 2017.

The pandemic and its aftermath made matters significantly worse in terms of wealth inequality. In the decade from 2012 to 2021, the top 10 per cent of the population appropriated 40 per cent of the wealth created in India, with the bottom half of the population getting only 3 per cent. In early 2023, the richest 21 individuals in India held more wealth than 700 million Indians.
Yet, while the richest have never had it so good in India, the mass of people are experiencing dramatically worsening conditions. The bulk of the people in the country, whose livelihoods depend on self-employment or low-paid work in small and micro enterprises, have experienced a series of major blows since late 2016: the disastrous demonetisation in November 2016; the problematic, abrupt, and poorly managed imposition of the Goods and Services Tax in July 2017; the decline in per capita public spending on essential public services like nutrition, health, and education, as well as on the rural employment programme; and then, of course, the Covid-19 pandemic that was characterised by a brutally imposed lockdown and completely inadequate social protection for the most vulnerable populations.

All the evidence points to many disastrous outcomes for ordinary people. There has been a significant increase in absolute hunger, to the point that the central government even admitted to the Supreme Court that nearly 70 per cent of the deaths of children under five years were due to malnutrition. Public health services remain woefully inadequate in most states, and the much-vaunted public insurance-based programme has largely failed in even the most basic objectives. Major programmes like the rural employment guarantee are starved of funds. The years of learning losses resulting from pandemic-related closures are affecting hundreds of millions of children and youth, but education spending stagnates.

None of these terrible outcomes were inevitable or even necessary. They are the outcome of policy choices that have enabled massive enrichment and aggrandization of a tiny minority of rich individuals and corporations, whose wealth increases are mistakenly sought to be celebrated as a sign of India’s aggregate advancement.

It’s time to stop and reverse this horrifying process of extreme wealth inequality. One obvious instrument for this is the imposition of wealth taxes on the extremely rich. This is not a novel concept, and it is one that is being much more widely applied in many countries, especially since the pandemic. Some governments in Europe are imposing “solidarity taxes” on high-net-worth individuals and large corporations, while others (most recently Colombia) are raising taxes on the wealthy wherever they choose to hold their wealth.
In the Indian case, in 2020, the economist S Subramanian estimated that a tax of just 4 per cent on the estimated wealth of the top 953 richest families (based on the Hurun India wealth list for 2019) would yield the equivalent of 1 per cent of GDP in additional taxes—more than three times the central government’s health expenditure, for example. Yet the very rich will barely notice this amount of taxation since this is equivalent to around the amount of fluctuations in their total wealth that come about annually through changing asset prices, etc. Since wealth inequality has increased massively since then, it is likely that such a tax would in fact yield much more in tax revenues if properly applied.

Earlier attempts at wealth taxes in India were criticised because they were seen as too complicated to administer and led to low tax collection relative to the costs of collection. It is interesting to note that a much more complicated tax—the property tax applied to real estate—is still seen as perfectly feasible. But also, one problem with the previous attempts in India could be that the threshold for wealth tax collection was placed too low, affecting many who were not so extremely wealthy and generating very high implementation costs. If the wealth threshold is placed very high, say confined to the 177-dollar billionaires, and covers the relatively easy known sources of wealth such as financial and property assets that must be registered, it would be relatively easy to collect and not impinge on 99.99 per cent of the population, even while it could yield significant tax revenues.

The main constraint to this is not a broader political acceptance but the lobbying power and deep linkages of the extremely wealthy with the government. In the face of this, taxing the extremely rich can only come about through widespread social mobilisation, raising a demand so loud and strong that it will be impossible for the government to deny.
TAX COLLECTION FROM THE WEALTH TAX ON THE SUPER RICH EXCEEDED $32 MILLION IN 2021 FROM 203 MILLIONAIRES WITH ASSETS OVER $4.3 MILLION IN Bolivia.

In India Top 1% has 58% of total Wealth of Private Individuals. Why not Tax The Rich?

Bolivian President Luis Arce said that the new tax is part of the “dismantling of neoliberalism to resume the Productive Community Social-Economic Model to get out of the crisis.” The revenue collected shall lead to redistribution of wealth and combat rising inequalities.

2% WEALTH TAX ON TOP 1%+ 50% INHERITANCE
TAX TO FUND UNIVERSAL SOCIAL & ECONOMIC RIGHTS FOR BOTTOM 99%
Tax the wealthy to propel inclusive economic growth

Even a modest observer can’t miss the apparent contrast that my city, Kolkata, throws up. What one also can’t miss now are the construction smog, renovation work, and new buildings cropping up at every turn. Being a relatively affordable real estate market, post-pandemic optimism in Kolkata is soaring. Apartments up to 500 sq ft saw a 56 per cent rise in sales; those between 501 and 1,000 sq ft grew by 79 per cent; and those upwards of 1001 sq ft increased by 87 per cent since January 2022. This is both a positive indicator of the growth of wealth and a worrying sign of K-shaped progress, raising concerns about whether a shrinking middle-class consumer base is necessarily turning into an upper-class consumer group.

The answer lies in the distinct sight of abject poverty and dire homelessness: Ragged clothes, a few PET bottle possessions, wistfully surviving in a tiny part of the footpath or space below a flyover, almost always left to fend for themselves. There has also been a surge in the number of families, mostly migrants from nearby states, living under tarpaulins in Kolkata’s 40°C summers, water-logged monsoons, and biting winters.
Recent studies have consistently disproved the long-hailed neoliberal concept of a trickle-down effect, which said that economic growth would raise the living standards of all in society, with marginal disparities. As it turns out, economies have certainly grown over the years, but not in an inclusive manner.

As per the World Poverty Clock, 3 per cent of the Indian diaspora lives in extreme poverty, below Rs 155.51 per day. This is a staggering 4,42,13,761 people, of whom 4.17 crore reside in rural India and more than 24 lakh in urban India. Based on the Periodic Labour Force Survey data, the poverty headcount ratio, i.e., the percentage of the population living below the poverty line, was 32 per cent in 2019–20. Recent data from the NSO is awaited. To put the depth of depravity in perspective, according to the State of Inequality Report, an Indian earning Rs 3 lakh per annum would be placed in the top 10 per cent of wage earners. In contrast, the richest 1 per cent own more than 40 per cent of the national wealth, and the wealthiest 10 per cent of Indians own more than 77 per cent.

According to the India Inequality Report 2021 by Oxfam India, the wealth of India’s billionaires increased by around 35 per cent during the Covid-19 pandemic, while the income of the bottom half of the population declined by around 20 per cent. Such extreme wealth accumulation is not just a stand-alone issue, but a causal factor in some other, equally detrimental issues.

Consumerism-driven climate crisis: In terms of usage, the top 1 per cent has a disproportionate carbon footprint. The bottom half of the population is responsible for carbon emissions of around 1 metric tonne per annum, while the richest 1 per cent of Indians emit 32.4 metric tonnes per annum on average. But it is the poor who suffer the consequences of the emissions of the rich.
Weakening democracy: With such immense wealth accumulation in the hands of a few, power too gets very concentrated, resulting in the formation of oligarchies. Quite naturally, these wealthy individuals would do their best to keep the wealth in their families, by influencing national and international politics. This often leads to an authoritarian style of rule after an opportune marriage between oligarchs and autocrats. Such leadership is evidently against the interests of the masses, resulting in an erosion of democratic values.

Volatile financial markets: Those with much wealth occupy large portions of the shares in the financial markets. A slight personal shift in their investments may have cascading consequences. Such vulnerable and volatile financial markets are not just risky for the smaller participants but also for non-participants. A bank run has severe inflationary tendencies, which, added to the real inflation rates, pinch the pockets of the poorer sections of society.

Wealth, then, acts as a buffer during times of economic distress. Income earners, who lack the cushioning of wealth, may need to draw loans, offer collateral, or fall victim to bad deals and high-interest rate traps during emergencies, whereas wealth holders have spare assets to monetise and fund their emergencies.

There is thus an urgent need for policy interventions to address rising inequality and ensure more inclusive economic growth. A progressive wealth tax would prove to be a viable alternative, permitting sensible social welfare spending. Thomas Piketty demonstrated that between the 1940s and 1980s, the US and Europe experienced the maximum growth rates when taxes were at their peak. With heightened globalisation post-80s, tax cuts instead had been accompanied by relatively reduced growth rates than the previous years and had only fostered concentration of wealth.

During the migrant labour crisis and lockdowns of 2020, S Subramanian, a member of the advisory board of the World Bank’s Commission on Global Poverty, estimated that a 4 per cent Covid wealth tax on the wealthiest 953 families in India could have generated revenue worth 1 per cent of the estimated GDP of that year. This, incidentally, is lower than the package the GoI announced for public healthcare expenses amid the 2020 Covid-19 crisis.
The government’s revenue sources continue to shrink, especially with the recent wave of disinvestment in profitable PSUs. To keep the fiscal balance sheet in check, the government would need to increase its revenues, which in effect means increasing tax dependency. With unemployment consistently hovering around 7.8 per cent on a pan-India scale, according to CMIE data, any attempts to increase the direct tax ambit reach a dead end, leaving indirect taxes to fill the gap. A standard, regressive tax hurts those at the bottom of the spectrum the most!

If the idea of a wealth tax is akin to the notion of “penalising the wealthy for having financial resources,” doesn’t the idea of not imposing a wealth tax resonate with the notion of penalising the poorest for being poor?
SALE OF TWO-WHEELERS & SMALL CARS ON A DOWNWARD SLIDE WHILE LUXURY CAR SALES ON THE RISE.

IT SHOWS A K-SHAPED RECOVERY AND A RISING INEQUALITY WHEREIN THE RICH ARE GETTING RICHER, AND THE POOR POORER.

2% WEALTH TAX ON TOP 1%+ 50% INHERITANCE TAX TO FUND UNIVERSAL SOCIAL & ECONOMIC RIGHTS FOR BOTTOM 99%
To tackle the climate crisis, address inequality

Every morning, when we turn the pages of the newspaper, we get a glimpse of a rather grim future. We read about the 54 bodies in the hospital in Ballia who succumbed during a heat wave; the Yamuna seemed to have avenged its neglect in the national capital. We read about the second straight year when our wheat production has taken a hit due to the heat wave and about the skyrocketing tomato prices amid extreme heat and heavy rains.

As much as 90% of India’s total area is in extreme heat danger zones, says Ramit Debnath, a Cambridge scholar. Extreme heat could ultimately lead to a 15% decline in “outdoor working capacity”. This translates into a reduction in the quality of life for up to 48 crore Indians, and will cost 2.8% of GDP by 2050. Other reports are more dire.

According to a McKinsey report, the lost labour hours due to increasing heat and humidity could put approximately 2.5–4.5% of GDP at risk by 2030. India is already losing the most in the world due to heat, a whopping US$101 billion annually, according to a report by Nature Communications.
If we are to look for the culprits causing this global warming, they are the well-off with a consumption pattern that is unsustainable. They are the beneficiaries of a system built on the idea of insatiable greed and unending growth that is both extractive and unequal. The top 1% of emitters globally each have carbon footprints of over 50 metric tonnes of CO₂, which is more than 1,000 times greater than those of the bottom 1% of emitters.

The same is true when we look within our own boundaries. The bottom half of the population emits only 1 metric tonne per year in India, while the top 1% of the richest Indians emit 32.4 tonnes on average. In fact, in terms of emission inequality within national borders, India, China, and most of the emerging economies fare worse than the advanced economies.
Who bears the carbon brunt? Crop failures will certainly affect farmers significantly. But even otherwise, it is the poor who are disproportionately exposed to the extremes of the climate. As per a 2019 study that compared exposure to heat between low-income and other neighbourhoods in several cities of the subcontinent, including Delhi, it was revealed that it is the people in densely built, low-income neighbourhoods with no open green spaces who tend to suffer the most as the buildings of these neighbourhoods trap heat. Then again, another study shows that the cumulative cost of the Mumbai floods in 2005 was much greater for the poor as a proportion of their income than it was for the rich, as the poor had to repeatedly spend on repairs to their homes. While the rich contribute far more to the climate crisis, it is the poor who suffer.

In a letter addressed to the World Bank and the UN, more than 200 economists, including Jayati Ghosh, Joseph Stiglitz, and Thomas Piketty, have said that “Extreme poverty and extreme wealth have risen sharply and simultaneously for the first time in 25 years.” They were backed by the likes of former UN secretary general Ban Ki-moon and New Zealand’s former prime minister Helen Clark, among others. They said that “without a sharp reduction in inequality, the twin goals of ending poverty and preventing climate breakdown will be in clear conflict.”

We would need an immense amount of public investment to ensure a just transition, to build the social and material infrastructure that is climate resilient, or to mitigate and adapt to the extremes. To both address inequality and raise the resources needed to combat the climate emergency, taxing the super rich is an idea whose time has come.

Just before the global summit in Paris last month, a group of more than 100 leading economists urged taxing extreme wealth to spend on the energy transition of the poorer economies or on loss and damage. Research suggests that if the combined emissions of wealthy countries were to be accounted for the climate crisis’s impact on poorer countries, the rich would owe the poor $6 trillion a year in reparations.
Now, while we team up and heighten the pressure by all means on the global north to pay up, the deaths and suffering won’t wait. There have been over 1,338 deaths in India due to extreme weather in 2020; the death toll was 1,750 in 2021. And last year, it was 2,220. These are the official numbers; the actual numbers are likely to be much higher.

We can’t let the poor suffer when we can make the superrich of the country (who participate in superfluous consumption and emissions) pay at least partly for the transition, mitigation, or damage through a minimal wealth and inheritance tax. Just for the sake of demonstration, the total wealth of the top 1% of the wealthy in 2021 was about INR 427 lakh crore. Only a 2% wealth tax on the top 1% could generate about INR 8.54 lakh crore for the exchequer. In fact, over less than 10 years, such a tax could have generated what the RBI estimates to be our cumulative total expenditure (Rs 85.6 lakh crore) for adapting to climate change by 2030.

Alternatively, a progressive wealth tax of 2-6% spread over five wealth slabs on, say, the 1,007 individuals having above Rs 1,000 crore of wealth in India (as per the Hurun Rich List, 2021) could have generated Rs 2.76 lakh crores. Alongside, if we could add a modest 33% inheritance tax on just the top 1% rich (which is less than say Japan’s 50% or equivalent to that of Ireland), we could cumulatively generate nearly Rs 10 lakh crore, which can help in addressing the food insecurity, health expenditure, and other welfare expenditure that the climate crisis is going to bring in its wake. It is high time that we take such measures before more such news stories like the Ballia Hospital, floods, or food crises find their way into our newspapers.
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A wealth and inheritance tax on the super rich can generate enough resources to universalize basic rights for the millions at the bottom. Instead of policies that concentrate wealth at the top and despair below, let's look towards a redistributive, equitable and sustainable tomorrow.
Centre for Financial Accountability (CFA) engages in critical analysis, monitoring and critique of the role of financial institutions – national and international, and their impact on development, human rights and the environment, amongst other areas. Our body of work includes both research and programmes.

We produce information resources and policy analysis for a range of different readership – civil society, grassroots movements, general public, media houses, policy makers and parliamentarians. Our awareness programmes work towards demystifying finance through increasing public awareness and encouraging public debates about issues of financial accountability.

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