

# **The problem of wealth**

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## **Why do people want to be wealthy?**

Why do “very wealthy” people want to be “very, very wealthy?” Standard economics treats this urge as if it stems from the desire to use this wealth to consume more bread, a swimming pool, or insurance in the event of illness. However, an increase in wealth among those who are already wealthy only marginally affects their demand for tradable consumer products. Even Bill Gates does not eat more than five eggs a day and does not fly on two private jets at the same time.

The fact that very wealthy people do not suffice with what they have stems from other desires that economic theory ignores – for example, the drive for power and the ability to influence others. The problem of wealth is the concentration of great wealth and, consequently, great power in the hands of a few.

## **What’s wrong with that?**

What’s wrong with that? It’s wrong for the same reason that we don’t want a class of aristocrats, as small and enlightened as it may be, to rule our lives. The concentration of wealth is anti-democratic. After all, the democratic idea is not only to hold elections every four years; the democratic idea expresses the aspiration to distribute political power equally among all of the citizens. Those who are not troubled by oligarchy, who do not wish to take responsibility and exert influence, who prefer to let others determine their way of life – should only hope that the wealthy elite turns out to be a community of angels that does not abuse its power.

The damages stemming from the concentration of wealth can be seen in the daily evidence of plutocratic influence over politicians, the media and the rights to use public spaces. And even philanthropy, the charitable aspect of wealth, is not necessarily as welcome as it seems. When a society delegates responsibilities to philanthropists, it also leaves them to set the priorities. Thus, for example, academic education is developing in directions that have little to do with academic considerations; the moneyed few prefer to perpetuate themselves and their loved ones on the walls of pseudo-academic disciplines instead of donating funds to the faculties of the humanities and pure science.

## **What should be done?**

Even without reliable statistics, it is hard to avoid the impression that the proportion of private wealth in Israel in the hands of the top 0.1% has risen dramatically. It goes without saying that I do not begrudge people who are very affluent. Many of them acquired their wealth with integrity and talent, while contributing greatly to the welfare of others. Therefore, we should not address the problem of wealth from a perspective of envy and contempt. Here are three of the less painful ways to reduce the concentration of wealth in the hands of a few:

Limitations on ownership: Every society determines which assets can be designated for ownership and whether it is possible to trade them. Ownership rights are far from self-evident. We believe that each person has ownership over his or her body and time, and there should be no trade in human beings. We do not want public parks and seashores to be privately owned, and we want to preserve a person's right to purchase what he or she has created. Beyond these principles, things become less clear. Between a commune in which the individual has no assets, and a society in which the other's freedom (slavery) and body (prostitution) are both subject to trade, there is a wide range of possibilities. Declaring certain goods as non-tradable could limit the power of wealth.

Real estate, and land in particular, is a good candidate to be excluded from the realm of accumulating wealth. Land is a scarce asset and cannot be smuggled in a suitcase or sent in a check to Switzerland. Trade could be conducted in the rights to use land for limited periods of time. Ownership of one or two housing units could be permitted. But it is important that these properties will not be used to accumulate wealth and create a base of power. And incidentally, keeping land under national ownership was a fundamental value of the Zionist movement, and some will find the roots of these ideas in the biblical jubilee commandment.

Limitations on privatization: I too believe that it would be better for us if the government ruled more and managed less. The government is too large, with countless problems and dilemmas, and operational management is best to leave in the hands of others. But even if we sell national assets, we can prevent a situation in which the control of these assets concentrates in the hands of a few. For example, we could stipulate that national assets can only be transferred to cooperative corporations and that a single individual cannot hold more than a tiny share of the privatized asset.

Inheritance tax: Inheritance tax dilutes the concentration of capital held in the hands of a few families. Tax on large inheritances is the most just tax I know. In fact, it is so just that there would be good reason for it even if the government did not need tax revenues at all. There is no contradiction here with the principles of the free market: A heavy inheritance tax is imposed in the

best countries of the West, including the United States, Even if there is a “price” to this tax (like any other tax), there is a limit to how much “an unjust society” should pay in striving toward “efficiency.”

### **Fear of formal democracy**

Opening the markets to free movements of capital exacerbated the problem of wealth. The wealth can always threaten “to leave.” Israel is in danger of being abandoned by the cultural and productive heart of its society, but is more troubled by the fear that several hundred wealthy people might transfer their wealth to another country.

The problem of poverty is urgent and screams out, while the problem of wealth is quiet yet threatens to turn the system of government into a formal democracy. In some ways, it is easier to address the problem of poverty because it involves “giving,” while tackling the problem of wealth requires “taking.” When too many frustrated citizens lose their patience or in the wake of a historic catastrophe, the society is compelled to take drastic steps to quiet the citizens or compensate the masses for their readiness to sacrifice. For example, World War II led to the adoption of the principles of the European welfare state and the Vietnam War contributed to strengthening civil rights in the United States. The problem is that when a society realizes that it should redistribute the wealth, it finds itself expropriating and confiscating and imposing property taxes. It is “not nice” and the smart way to prevent the cruelty involved in taking away wealth is to stop facilitating the accumulation of wealth.