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WEALTH TAX:
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Cristian Dimitriu

Consejo Nacional de Investigaciones Científicas y Técnicas (Argentina)

Universidad de Buenos Aires (Argentina)

cristiandimi@gmail.com

RESUMEN

En este artículo, defiendo una justificación procedimental del impuesto a la riqueza, y critico la justificación más popular de este impuesto, que se basa en lo que llamo el "enfoque de resultado" (outcome-approach). Según el enfoque de los resultados, el impuesto a la riqueza está justificado por el hecho de ser un medio efectivo para alcanzar un resultado, o estado de la cuestión, que podemos considerar justo. Ese resultado, o estado de la cuestión, sería la *igualdad*. Argumento aquí que el "enfoque de resultado" conduce a resultados injustos o anti-intuitivos, dado que genera la misma carga impositiva para agentes que deberían tener cargas diferentes. Esto sucede porque el enfoque ignora la historia de transacciones que llevaron a la creación del impuesto que se grava impositivamente. El enfoque procedimental que defiendo, en cambio, se basa tanto en la justicia de las transacciones, como en el resultado que generaron, y se basa en la idea de que el impuesto a la riqueza debe cargar a algunos agentes más que a otros, dependiendo de si cumplieron con estándares de justicia en las transacciones en el pasado. Los estándares de justicia en las transacciones que menciono son, principalmente, explotación, opresión e injusticia estructura.

Palabras clave: Impuesto a la riqueza, igualdad, explotación, coerción, injusticia estructural.

ABSTRACT

In this article, I defend a procedural justification for the wealth tax, and criticize what I have called the outcome-approach. On the outcome-approach, the wealth tax is justified on the ground that it is an effective means to achieve an outcome, or a state of affairs, that we might consider just. That outcome or state of affairs would be *equality*. I argue that this approach leads to unjust or unituitive results, as it burdens all agents equally, being the case that not all agents should be burdened equally. This is because it ignores the history of transactions that led to the creation of taxed wealth. The procedural approach that I defend, in contrast, looks both at the fairness of transactions, and the result they have generated, and is based on the idea that the wealth tax should burden some agents more than others, depending on whether or not they have met standards of fairness in the past. Those standards of fairness are basically exploitation, oppression, and structural injustice.

Keywords: Wealth tax, equality, exploitation, coercion, structural injustice.

Introduction

In the last forty years or so, economic inequality in the world has sharply increased, and the tax system of states did not respond accordingly. The three progressive taxes that have been created to compensate for such inequalities are the individual income tax, the corporate income tax, and the estate tax. However, as Saez and Zucman have explained[1], they all have weakened in recent years. The top marginal federal income tax has lowered from more than 70 percent every year between 1936 and 1980 to 37 percent in 2018. Corporate taxes have declined from 50 percent in the 1950s to 16 percent in 2019. On the other hand, it is estimated than only 0,2% of the

1. Emmanuel Saez and Gabriel Zucman, 2020.

population in the US will pay the estate tax[2]; and because of loopholes and weak enforcement, it is quite easy for them to avoid paying this tax. As a consequence, the government has almost no tools left to redistribute wealth from the top to the bottom. This picture is not very different in other countries.

Given this context, discussions on implementing a wealth tax have become urgent and popular. In this article, I will defend a new justification of a wealth tax. The justification I propose is different from traditional justifications, and it avoids some of the problems they have. Specifically, my justification is sensitive to the fact that a wealth tax (and, indeed, many other taxes) might burden agents who do not deserve to pay (or, who do not deserve to pay much *as much* as other agents). I will call the traditional justifications for the wealth tax "outcome-based", and my own justification "procedural". The procedural justification does not totally reject the outcome-based justification—it simply adds another dimension to it.

The article is structured as follows. **First**, I will define "wealth tax", and will explain the main strategy that has been used in the literature to defend it. I will this strategy the "outcome-based" approach. **Second**, I will call the mainstream strategy "outcome-based", and will explain the problems that the outcome-based approach leads to. **Third**, I will defend a procedural justification for the wealth tax which, combined with the outcome justification, solved the problems that I mentioned in the previous sections. **Finally**, I will address some possible objections that might be raised against my procedural approach. I explain in this section possible responses, and explain why they do not work.

2. Huang, Chye-Ching; DeBot, Brandon, 2023

Wealth tax and state of affairs

What is a wealth tax? The first thing that needs to be said about the wealth tax is that it does not tax income, or corporate gains, or inheritance. A wealth tax taxes wealth—that is, the net worth of an individual. Currently, many contributors are extremely wealthy, but pay almost no taxes. This is because because they have possessions, but low taxable income. According to *Forbes*, Buffet´s wealth was 62$ billion in 2015. However, and despite the fact that he was extremely wealthy, he only paid income taxes on the income generated that by that wealth. If his income was around 5% in 2015, he paid federal income taxes of about 0.058 per cent of his wealth[3]. In general, any corporation that owns shares, does not pay taxes on those shares. It only pays taxes on the income generated by those shares. As a result, a company´s wealth can grow substantially for years, and pay almost no taxes on it. A wealth tax would compensate for this fact, by taxing not only income, but also posessions. Of course, not everybody would pay the same amount.

An important point is that only individuals whose net worth exceeds certain threshold will pay this tax[4] and, clearly, such net worth should be extremely high. If most of the population pays the wealth tax (as it happens in Argentina, for example, where the threshold is currently around 64,000 U$S, an amount that almost everybody who is middle class owns), the tax misses its purpose, as it ends up increasing poverty, rather than eliminating inequality.

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3. See <https://www.bostonreview.net/forum/gabriel-zucman-taxing-super-rich/>.

4. In this paper, I will not defend a specific threshold. That is, I will not commit myself to a specific amount of wealth above which the wealth tax will be implemented. I will simply assume that such threshold should exist, and that it is possible for societies to agree on its exact content and amount.

Not much has been said about the wealth tax from a normative perspective. Normative theory has discussed how to justify taxes in general, and has conceived taxes in relation to theories of distributive justice. The possibility of a wealth tax has been mentioned in passing in the context of this debate, but has not received much attention as an independent topic.

Robert Nozick and John Rawls Rawls, have set the stage for the debate on taxation. From a libertarian perspective, Nozick[5] has claimed that taxes should be enforced only to support a minimal state, as any other kind of tax would conflict with the right to private property and would therefore be considered theft. Rawls, on the other hand[6], has defended taxation as a means to satisfy the principles of justice which, in turn, shape the basic structure. Since the principles of distributive justice he defends are egalitarian, he ends up endorsing strong redistributive taxes, such as the inheritance and capital transfer tax[7]. Although he says nothing about the wealth tax specifically, we can speculate that he would have supported such tax, on the ground that it would be an effective means to satisfy the difference principle. In any case, the central point is that taxation should be conceived for Rawls *instrumentally*. That is, a means to satisfy some independently valid principle of distributive justice.

Unlike Rawls, Piketty addresses a wealth tax specifically. But the way he thinks about it is not really substantially different from the way Rawls would have though about it. In fact, Piketty can be considered an extension of the Rawlsian paradigm, in the sense that he conceives of taxes as a means to realize a previously valid and desirable outcome that societies should, ideally, aim at. As in Rawls, Piketty´s

5. Nozick, Robert. 1975

6. Rawls, John. 1971; Rawls, John. 2001

7. For more details about this point see O'Neill, Martin., & Williamson, Thad. 2014.

desired, and ideal, outcome is *equality* (or, at least, a version of equality under which different social groups have similar rates of growth). Since capitalism in its current version has led to huge inequalities, or has benefitted some social groups disproportionatelly, capitalism is an unjust economic system. So, even though Piketty and Rawls might have different views on how demanding equality is, or what equality would demand exactly on socities, they both agree that equality is an outcome, or result, that socities should aim at; and that societies that deviate from this outcome are unjust. The point that Piketty can be considered an extension of Rawls´s paradigm has been defended in the literature[8]. by Dimitriu.

The wealth tax, in this picture, would be one of the many possible tools that capitalist societies should use to achieve this principle. As we can see in O´Neill[9], and also in Dimitriu[10], his normative framework neglects to discuss normative and relational concepts such as 'domination' and 'exploitation'. Once a society achieves its goal, which is to satisfy the ideal principles of distributive justice, these relational concepts become irrelevant. Thus, his proposal to implement a wealth tax would basically imply transferring funds from some contributors to the state, so that the state can redistribute this money. Once this happens, the state has finished his task. Again, the wealth tax should be considered as a means to obtain an end-result that he considers just.

There are other justifications for a wealth tax that can be considered an extension of the Rawlsian paradigm. Limitarianism, as proposed by Robeyns[11] is the view that there should be an ethical limit to personal wealth. And prioritarianism is the view that the moral value of achieving a

8. See for example Dimitriu, Cristian. 2020.
9. O'Neill, Martin. 2017
10. Dimitriu, 2020.
11. Robeyns, Ingrid. 2022.

benefit for an individual (or avoiding a loss) is greater, the lower the person's level of well-being over the course of her life apart from receipt of this benefit[12], which leads to the conclusion that accumulation of wealth should be limited when wealth distribution fails to satisfy this minimal threshold.

Finally, there have been some proposals about how to implement a wealth tax specifically, which do not directly relate to Rawls´s paradigm. In a debate on the wealth tax that appeared in the Boston Review[13], Stuart White has agreed with the implementation of a wealth tax, but proposed that there should also be a floor tax for indigency, Karl Smith has argued against the wealth tax as it hurts the economy, and Dean Baker made the point that discussions about the wealth tax distracts from real causes of inequality.

What we can see is that most of the justifications for the wealth tax have in common that they consider legitimate a certain distibutional outcome, and see that tax as a way of achieving this outcome.

We can have a better understading of what an outcome-based approach looks like by reading one of their main advocates: Liam Murphy. Murphy claimed that "we cannot directly draw conclusions about *justice* from the distribution of taxes alone. Justice in taxation is not a matter of some fair distribution of tax burdens as measured against pretax income. It is about how well or badly the tax system, together with the other elements of the economic and welfare system, secures **just *results*, which is a matter of absolute and relative levels of welfare, the absence of social stratification and concentrations of power, and so on**"[14]. Here we see that, for Murphy, the taxing scheme should be instrumental

12. See for example Parfit, Derek. 1997; Crisp, Roger. 2003; or Scheffler, Samuel. 1982.

13. See "Forum, Taxing the Superrich", *Boston Review*, March 17, 2020. <https://bostonreview.net/forum/gabriel-zucman-taxing-superrich/>.

14. Murphy, Liam & Nagel, Thomas. 2002.

to certain results, or outcomes. There is a pre-existing ideal of justice society should aim at, and taxes are just or unjust depending on whether they successfully approximate, or not, to that ideal.

In the next section, I will explain and define the central features of the outcome-based approach, and the potential problems it leads to.

The outcome based-approach

What is the oucome-based approach? An outcome is a substantive result (or state of affairs) that societies should ideally aim at. Under the outcome--approach, the justice of a distribution depends on how things are distributed, that is, on who ends up with what. So, for example, when distributing money from the state budget among citizens, the outcome approach would be interested in the right *share* for each of them; rather than in other considerations, such as who contributed to the state budget, or the history of past transactions that generated the budget. *Egalitarianism* can be considered an outcome under the outcome-approach, as some versions of it claim that societies should ideally achieve equality in the distribution of resources[15]

On the outcome-approach, a wealth tax should be implemented, as wealth gaps are incompatible with the core liberal value of equality. That is, according to the outcome-based approach, taxes would be justified insofar as they are instrumental to achieving or realizing the principle of equality. In other words, the wealth tax would *not* be implemented because there is something intrinsically wrong with being

15. This would be true regardless of how we define distributive equality (i.e. strict equality, Rawlsian equality, etc.) as any of these definitions would count as outcomes or results.

very wealthy, but because extreme wealth disparities should not exist.

This justification sounds fair and logical, but it has clear flaws. In some cases, agents own wealth that has been generated by clearly engaging in unfair practices, by taking advatange of loopholes in the laws, or simply by having been lucky enough to inherit it. In others, agents own wealth because there is some kind of effort, innovation or contribution that has generated it this wealth. However, and despite the obvious asymmetry in moral value between the two groups, under the outcome-based justification, they should both be burdened equally. Ignoring the justice of past transaction leads to the unintuitive practical implication that any kind of wealth is taxed equally, regardless of its origin. This seems unjust.

Rainer Forst noticed that ignoring the story that led to a certain outcome or pattern is a problem with political philosophy in general. In his own words,

> "And still, even if the human rights issue is defined as a justice issue (say with the help of the capabilities approach) *it does not necessarily include the full causal, structural story of injustice, which I at least think should be part of the picture*. You could have a justice argument about human rights, for example that each person is owed certain resources by all those who are capable of securing them, in order to realize a certain status of basic needs fulfilment. And for that you do not need a comprehensive causal story about injustice. So I think there are a number of moves within philosophy as well as in the wider public to deflect from understanding global injustice as a complex of structures of domination, especially economic and political domination." (Forst. Rainer. 2013)

The main point here is clear: we can understand human rights as simply an entitlement that members of a society have in a certain point in time. However, if we do this, the story of injustice and domination that generated the human rights deficit in the first place would be totally ignored. A full understanding of human rights might therefore also incorporate the historical dimension.

Racism, for example, can be considered a human rights issue if blacks are excluded from certain institutions (from universities, for example). But this approach seems narrow, as it ignores the fact that racism also involves a historical dimension—a dimension that includes exclusion and oppression for many centuries.

We can extend this point to taxation. Taxation can be considered an issue of justice if some people are not contributing their share to society. But, as in racism, this approach seems narrow, as it ignores the fact that taxation also involves a historical dimension. If we look at the historical dimension, we will almost certainly identify patterns of exploitation, oppression and structural injustice that led to economic inequalities.

In other words, we might know how much each of us have to pay in taxes, according to the current taxing scheme. But this information would render invisible the full causal, structural story of injustice that led to creation of wealth in the first place. And, as Forst says, this structural story of injustice should be part of the picture.

The outcome-based justification of the wealth tax ignores the history of wealth creation. For this kind of justification, the only relevant issue is how much money citizen X has. If his wealth exceeds a certain threshold, he should be burdened with the tax. But ignoring the history of wealth creation leads to two different problems.

The first one is that it generates unfair results. If the only criteria to establish the obligation to pay the wealth tax is to have too much money, then all wealthy taxpayers who exceed that threshold will be treated equally, regardless of how wealth was created.

So, for example, someone who inherits a large amount of money would have to contribute, through taxes, the same amount as someone who generated the money with big effort. This seems intuitively unfair, as it ignores considerations of merit. That is, it fails to distinguish wealth that results from sheer luck, or even illict funds; from wealth that results from effort or innovation, and therefore burdens equally agents who should be burdened unequally.

In making this point, I follow Rawls. For him, the case for taxing outcomes that reflect arbitrary factors, such as talent, or inherited goods, is stronger than the case for taxing outcomes that reflect effort. This is because what society values about these agents does not reflect something that they *did,* but rather something that they had by sheer luck. Therefore, they have no right to complain if the taxing system burdens them to fund public goods. It follows from this view that the case for taxing wealth that results from arbitrary factors, or even illicit funds, is stronger than the case for taxing wealth.

Someone might argue here (and Rawls himself has received such criticisims) that effort and merit also depend on arbitrary circumstances, as people who are able to put an effort on something are usually people who have benefitted from arbitrary circumstances in the first place, or are usually people who have beneffitted from the natural lottery by inheriting talent. However, even if this is correct, it would be a mistake to conclude that merit does not exist at all. We can conclude, simply, that it is hard, in practice, to single out or isolate merit from arbitray factors, rather than concluding that merit does not exist at all[16]. In fact, if we compare wealth generated out of inheritance,or exploitation, with wealth generated out of innovation for vaccines (for example), there

16. Rawls clearly supports meritocracy, although under the constraints of the difference principle. A just society, according to Rawls, will respond to merit only insofar as that benefits the worst-off members of society. By allowing meritorious citizens to earn more than non-meritorious ones, more wealth will be generated and, therefore (under the difference principle) the worse-off will benefit.

will hardly be a discussion about the fact that the fomer is *less deserved* than the latter.

To illustrate, consider the following cases. An individual who has benefitted for years from a company that has been paying below-standard wages abroad would contribute the same taxes as someone who has benefitted from a company that has created new vaccines that benefit millions of people. Or an individual who has benefitted from a company that received preferential fiscal treatment (bailouts, or the possibility of sending profits to tax heavens), would be treated the same way as someone who has benefitted from a company that designes new technology that protects the environment. The direct application of the outcome-approach is obvious: the burden of paying the tax will be unfairly distributed among taxpayers[17].

The underlying problem is that the outcome-approach is not sensitive to *how* wealth is created in the first place. Wealth can result from a simple exchange of goods. But it can also result from domination, exploitation or unfair structural market condition[18].

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17. This situation resembles the famous case of Wilt Chamberlain mentioned by Nozick (insert reference), where the talented basketball player is taxed as a means to realize an ideal of equality in the society where he lives. In this example, there is not anything obviously wrong about how Chamberlain obtained his wealth (in fact, his fans had voluntarily and happily contributed to his personal wealth). However, Chamberlain is still taxed, as this is the only way to achieve what Nozick calls “patterned principles of just distribution”. See Robert Nozick. 1974.

18. The outcome-approach has a similar problem when applied to sovereign debts, or other kinds of injustices at the global level. The outcome-approach considers unjust that poor countries are burdened with debts; not because there was something unjust about how the debt was created and originated in the first place, but because of the fact that it is incompatible with distributive ideals of equality. A prominent defender of the outcome approach is Pogge. See for example Pogge, Thomas. 2005.

The second consequence of ignoring the history of wealth creation is that applying the outcome-based conception to real life will create additional and unjust tax burdens on the taxpayers who have *not* benefitted from unfair structural conditions. In other words, agents who have benefitted from injustice and agents who have not will all be burdened equally. Consider two different companies: A and B. A has benefitted from structural injustice for decades, and B is simply a new company that is trying to develop a new vaccine. The outcome-based conception of taxes will force both companies to contribute the same amount. This kind of injustice is similar to the kind of injustice that we see when taxpayers compensate for the fact that others evade. Since some people find a smart way not to pay, those who are honestly paying end up paying more.

The underlying moral concept that seems to underly both consequences is the concept of "desert". The outcome-based approach is unjust because it burdens agents who do not *deserve* to be burdened.

The procedural justification of a wealth tax

These kinds of problems can be avoided by adding a procedural dimension to the Outcome-based approach. The main intuition of this approach is that wealth that results from unjust transactions has a different moral status that wealth that results from just transactions, and therefore those who benefit from these kinds of transactions should not be taxed the same way as those who obtained their wealth through just transactions. The procedural approach does not replace the outcome-based approach. Rather, the outcome-based justification of the wealth tax should incorporate the procedural justification. The correct question should not be "why should wealthy citizens pay a wealth tax?". The correct question should rather be "why should (some) citizens pay an additional wealth tax?”. The answer to this question would appeal to two different answers: first, the fact that a wealth tax will be effective to realize the egalitarian ideal that structures liberal societies. Second, that a wealth tax will compensate for the fact that some agents have historically beneffited from unjust transactions. So the wealth tax that I defend would be a revised version of the wealth tax—a version that would incorporate a procedural dimension. Instead of the well-known principle that “those who can contribute equally, should pay equally”; the new version of the principle would realize the principle that “those who can contribute equally, and whose wealth have the same origin, should pay equally”.

An important point to be made here is that the there is no obstacle to extend the procedural approach to other kinds of taxes, such as the income tax, which also involve a history of transactions. Doing this is an interesting project that I will not pursue in this paper. But, in principle, the conclusions that I reach at here seem to apply to these taxes as well.

In order to defend the procedural version of the tax I will follow these steps: **first**, I will propose a tentative list of “unfair” transactions, as those are the kind of transactions that will generate the burden of paying an additional wealth tax. **Second**, I will explain how the procedural approach will be combined with the outcome-based approach. **Third**, I will discuss the feasibility of my mixed approach in public policy.

Fair transactions can be defined as “fair” by understanding what an unfair transaction is. Transactions that can be considered unfair are transactions that clearly involve *domination*, *exploitation* or *biased* market rules. The procedural version of the tax should target people who benefitted from these kinds of transactions, and should be impemented in a way that will prevent these kinds of transactions in the future. The notions of ‘domination’, ‘exploitation’ and ‘biased market rules’ are, of course highly contested. It will not be possible to develop in this paper the exact definition of each of these terms. A more promising strategy, rather, is to establish a minimal threshold, and claim that transactions that fall below this threshold cannot be considered acceptable. Whenever wealth is generated as a result of transactions that fall below this threshold, wealth be subject to the wealth tax.

We can understand the content of this minimal threshold by looking at some examples. Consider the following cases.

- A big corporation that hires children in sweatshops.
- A big pharmaceutical company that profited from unethical research standards abroad.
- A corporation that does not respect basic workers´ rights (such as rights to create unions—which gives them an additional profit margin), and pay low wages even for US standards (for example seasonal workers, or illegal immigrants, typically get paid less than legal workers).
- A company that profits by selling products that do not meet minimal environmental standards
- A tourist agency that takes advantage of extreme poverty abroad and promotes sexual tourism.

What all these cases have in common is that there is not disagreement about the fact that profit was generated from morally unacceptable sources. The definition of “exploitation” or “domination” might be highly contested. But this specific list is not, as it mentions situations that almost everybody would condemn.

We can add to the list structural market failures. As Dean Baker noted[19], the market is structured in such a way that creates unjust “before-tax” income that goes to the top. Baker mentions the patent and copyright monopolies, which benefit “overwhelmingly those at the top of the income distribution”. Bill Gates would likely be working for a living if these monopolies did not exist, he says. He also mentions the financial sector,

19. “Forum, Taxing the Superrich”, *Boston Review.* 2020.

which pays less taxes than the other sectors of the economy. The financial sector has also benfitted from bailouts.

The general point Baker makes, in a nutshell, is that inequality is not just the result of how the markets work, but also the result of specific kinds of transactions that could have been avoided. In his own words, "the market is structured in ways that have caused an enormous share of national income to be diverted to those at the top. There was nothing about the intrinsic workings of the market that led to an increased share of income to the top one percent; it was the result of a set of deliberate policies".

The argument that these kinds of transactions generate unjust wealth becomes even more compelling when we see that they accumulate over time. If one single transaction generates unust wealth, several different transactions over time will generate even more unjust wealth. According to the procedural approach I am defending, wealth that resulted from these kinds of transactions, especially if they happen repeatedly, should be treated differently.

How would the mix approach look in real world? The mixed, or combined, approach that I propose should not only be instrumental to an outcome. It should also be instrumental to a process. This means that it should aim at realizing the ideal of equality. But it should also aim at realizing or protecting certain standards for transactions. The approach requires some clarifications.

First, the approach I propose would be an *ex post* approach, and not an *ex ante approach*. The transactions that matter, and that generate an additional tax burden, are those that happened *before* the tax is enforced. If a company has no history of transactions, or has no history of questionable transactions, that specific company will not bear any additional burden. Transactions that will occur in the future are not relevant, exactly as income that will be generated in the future does not really matter for taxing purposes. This is because a taxing agency can simply not collect taxes on future income.

Second, not all transactions that one might consider dubious will be candidates for transactions that qualify as tax-generators. The transactions that are relevant are those that are incompatible with some pattern of exchange that societies would condemn.

After clarifying these points, we can imagine a possible institutional design for the mixed approach. First, the relevant collecting agency will have to classify contributors according to some general principle of merit. This might sound implausible. But many taxing systems in the world already classify agents according to many criteria. They classify agents according to income, they generate special benefits for agents that the government considers high priority as a means to achieve some kind of national interest (for example, the government of Argentina reduced the taxing obligation of wheat exporters recently, as they were considered essential for national development), or they punish agents that have acted against the national interest (for example, the government of Argentina forces taxpayers who have chosen to save and invest their wealth abroad to pay a higher wealth tax than those who decided to leave their wealth in Argentina). So adding an additional classification criteria seems feasible. On this new classification criteria, agents who will bear an additional burden would be: (i) those who had inherited their wealth, (ii) those who had generated wealth by taking advantage of low standards abroad (for example, companies that have paid wages that are lower than the legal minimum wage in their home country), (iii) companies that have benefitted from tax heavens in the past, (iv) companies that have benefitted from lower environmental standards abroad, and (v) companies that beneffited from preferential tax treatments in the past. This list is of course tentative. What these five different groups have in common is that identifying the potential contributing agents is relatively easy. Legislators do not need to engage in sophisticated philosophical discussions to determine who exactly will be a member of one of these five categories. There can be clear guidelines about how to generate them.

The second step in the implementation process would be to create a special wealth tax for those who belong to categories i-v. The exact rate of the special wealth tax will not be discussed in this paper but, clearly, it will be a higher rate than the general wealth tax. Since the framework I propose is not exclusively procedural, but combines the procedural and the outcome based approach, the special wealth tax will be combined with the general wealth tax. Thus, agents who are burdened with the wealth tax will have to pay the general wealth tax and, additionally, the procedural tax.

Just to clarify: the procedural justification of the wealth tax will not improve the economic practices in the future. The main idea underlying this justification, simply, is to propose that tax systems reflect and realize a conception of a just society; and a conception of a just society is precisely a conception that incorporates both outcomes and processess. If this mixed conception is implemented, the result, in practice, will be that the taxing laws will be designed in such a way that different agents will be taxed differently. The spirit at the heart of this proposal was expressed by Artistotle, when he explained what justice is: “Equals should be treated equally, and unequals unequally”.

Possible objection to the procedural approach

A possible objection to the procedural approach I am proposing is that it is *unfeasible*. It is not exactly clear what exploitation, domination, merit and other relevant normative concepts are, so there will be no consensus on how to implement the procedural conception of taxation. The definition of these terms is subject to endless philosophical debates, and the legislative power will not be able to settle these debates in their deliberations. A proposal to tax X or Y agent on the ground that she has benefitted from, say, structural exploitation, will always be challenged with the argument that the actions of X and Y should not count as exploitative, with the argument that we do not know exactly what exploitation is; or with the argument that rather than exploiting people agents were creating jobs, and should therefore be rewarded. Thus, a government that needs to implement a tax on the basis of the fact that that there has been exploitation would not be able to generate a general rule or law that defines and enforces a procedural wealth tax. The practical consequences of this are clear: it will be almost impossible for governments to ever create a procedural wealth tax.

But this objection assumes that governments and taxing agencies should do things that they are not supposed to do. A government that generates and implements a procedural wealth tax would have no need to clarify highly abstract philosophical theories of exploitation or domination; or of solving the well-known philosophical dispute on whether or not capitalism creates wealth, or takes it away from workers. A government can probably deliberate for a certain period of time on these issues but, eventually, at some point, will decide on what counts as a non-acceptable practice for generating wealth, and what counts as an acceptable one. So, for example, the legislative power can propose clear thresholds on what counts as non-acceptable practices for generating wealth, without even solving the philosophical disputes.

This might seem as I am dodging in a tricky way the unavoidable and difficult task of clarifying the hard philosophical questions. But practice shows that it is possible to make decisions with respect to other kinds of taxes, without even attempting to solve these questions. Take, for example, the traditional income tax. The normative-philosophical notion of "equality" lies at the heart of this concept. It is almost impossible to establish an income tax without making reference, at least indirectly, to the concept of equality. An income tax is typically defined as a tax that is meant to compensate for the fact that the distribution of incomes is unequal. However, the fact that there is no clear agreement on the exact definition of this concept has not been an obstacle to pass laws regarding income taxes, and to enforce those taxes. In fact, there are clear laws and norms regulating the general income tax. If it is possible to "dodge" the philosophical question for the income tax, why can't we also dodge it for the wealth tax?

Another possible objection to the procedural approach is that it looks like a fine or punishment for doing business in an illicit way, rather than a taxing policy. On this objection, illicit funds (such as those that originated from child labor, or slavery, for example) are regrettable situations that fall under the umbrella of retributive, or corrective, justice. Instead of creating a new tax, societies could simply identify companies who violated the law, or acted in questionable ways, fine them, and then, separately, apply a general wealth tax as proposed by the outcome-based approach. In practical terms, this would be easier to implement than a tax.

But there is a clear difference between a fine, or a crime committed against someone, and a *general taxing* policy. A fine is a one-time action, imposed as a consequence of the violating of certain law. A fine can be imposed for violating labor laws, or for committing fraud, for example. Taxes, on the other hand, are a general and ongoing policy, and apply to all relevant agents equally. Also, the duties of the state are effectively achieved if fair background conditions exist, which is precisely what a procedural tax would aim at achieving. In practical terms, this means that instead of identifying isolated cases where companies X or Y have violated the law, on the procedural approach that I am defending there would be a general structural policy, where some companies would be subject to the tax, and this tax will, in turn, reinforce fair general background conditions[20].

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20. Someone might argue here that a fine is also a general policy, so it would be no different from a procedural wealth tax. But this is a flawed

Conclusion

In this paper, I have defended a novel justification for the wealth tax. I have called the traditional justification "outcome-based", and the one I propose "procedural". The procedural approach that I propose does not reject the outcome-based approach—it rather complements it.

The outcome-based justification aims at realizing preexisting ideals of distributive justice, and it leads to the intuitevely unfair consequence that it ends up burdening all agents equally. This is because the approach is indifferent to how wealth was created. The procedural approach incorporates a new dimension to the justification of a wealth tax. It not only aims at realizing equality, but it is also sensitive to the moral notion of merit. In other words, it looks at how wealth was created, and allocates burdens accordingly.

My procedural justification for the wealth tax does not solve the endless dispute around the notions of exploitation, structural unjustice and domination. That is, it does not find a definite and final answer to the question of what these concepts mean. Its aim is more modest: it suggests criteria to define transactions that clearly and definitely fall below the threshold of acceptable transactions. These transactions will be the ones that are subject to an additional wealth tax. The correct question we should pose is not "why should wealthy citizens pay a wealth tax?". The correct question should rather be "Why should some citizens pay an additional wealth tax?".

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analogy. A citizen pays a fine only once, or perhaps a couple of times. Corporation that pays the wealth tax would do this repeatedly, and consistently, in response to the fact that it has benefitted for a long time from unjust structural conditions.

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