“In the United States, the Democrats are reviving the idea of a wealth tax... for the very wealthy”

Eric Pichet, a KEDGE Business School professor and tax expert

Whilst over the last 25 years Europe has been phasing out wealth tax, with most notably the abolition in 2018 of the ISF (impôt de solidarité sur la fortune), the French wealth tax, which was replaced by the IFI (impôt sur la fortune immobilière), a wealth tax based solely on real estate, there has been growing debate in the United States over excessive social and financial inequalities. Eric Pichet, a KEDGE Business School professor and tax expert, gives us his analysis.

“Elizabeth Warren, Democrat Senator of Massachusetts, puts forward a plan to levy a 2% tax on fortunes worth more than $50 million and even a 3% rate on fortunes worth more than $1 billion. It would tax the very wealthy (the “Ultra High Net Worth Individuals”), a far cry from the French wealth tax on real estate with its €1.3 million ($1.5 million) threshold,” said Eric Pichet.

“However, this initiative, which would affect 75,000 households (compared with the 150,000 households liable for the IFI in France), has enflamed the American media fearing a billionaire exodus,” continued the KEDGE Business School professor.

Recent articles in Bloomberg and National Review were based on professor Eric Pichet’s research in “The Economic Consequences of the Wealth Tax (Les Conséquences économiques de l’ISF)” in which he points out that the ISF caused the legalised expatriation of over €200 billion and cost the nation €7.5 billion per year in tax revenue, way more than the abolished ISF brought in its final year (€5 billion in 2017).

He added that “this capital outflow deprived the French economy of tens of thousands of jobs and reduced GDP growth by around 0.2% each year”.

Therefore, according to Eric Pichet, President Macron’s abolition of the ISF in 2017 “was an economic necessity... despite it being an unpopular measure by the fact that it affects only 1% of households”.

Note:
The 20th edition of Eric Pichet’s book “L’impôt sur la fortune théorie et pratiques” (Wealth tax, in theory and in practice) was published on 8 April. He will be available for articles and interviews on this highly topical issue.


More about Eric Pichet:
Eric Pichet, Professor, Director of the Specialised Masters Programme in Wealth Management & Real Estate Management (IMPI) has a doctorate and an HDR (Research Authorisation) in Management Sciences (2008, Université du Littoral Côte d’Opale) and a doctorate in law from Panthéon-ASSAS. His teaching and his research
chiefly concern the global macroeconomic environment, monetary policy, alternative assets (including real estate) corporate governance, private taxation, public finances and fiscal economics. Among other things, he has published a methodological guide, L’Art de l’HDR, intended for doctors in social sciences, La Théorie actionnariale éclairée (Enlightened Shareholders Theory: Whose Interest Should be Served by the Supporters of Corporate Governance) and in 2016, La Théorie générale des dépenses socio-fiscales.

About KEDGE Business School:
KEDGE is a leading French business school with four campuses in France (Paris, Bordeaux, Marseilles and Toulon), three abroad (Shanghai, Suzhou and Dakar) and three partner campuses (Avignon, Bastia and Bayonne). The KEDGE community is made up of 12,600 students (including 25% coming from abroad), 183 professors (including 44% coming from abroad), 275 international academic partners and 60,150 alumni around the world. KEDGE offers 36 programmes in management, designed for students and industry professionals. It also provides tailor-made educational programmes for businesses at national and international levels. KEDGE Business School is AACSB, EQUIS and AMBA-accredited, and is a member of the Conférence des Grandes Ecoles. It is also recognised by the French government, with labelised programmes, and has obtained the EESPIG label. KEDGE was ranked 35th by the Financial Times in the European Business School ranking and 36th globally in its Executive MBA ranking.

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