



Should billionaires exist?

How wealth inequality harms societies and how we can fix it

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February 2026

A few notes before we start

- Personal synthesis after some years of reading in my free time
- This is political and polarizing - you're welcome to disagree
- Clarifying questions during, discussion after

Who am I?

- Economist by training
- Global health and development researcher at Rethink Priorities
- In practice, I'm more of a consultant

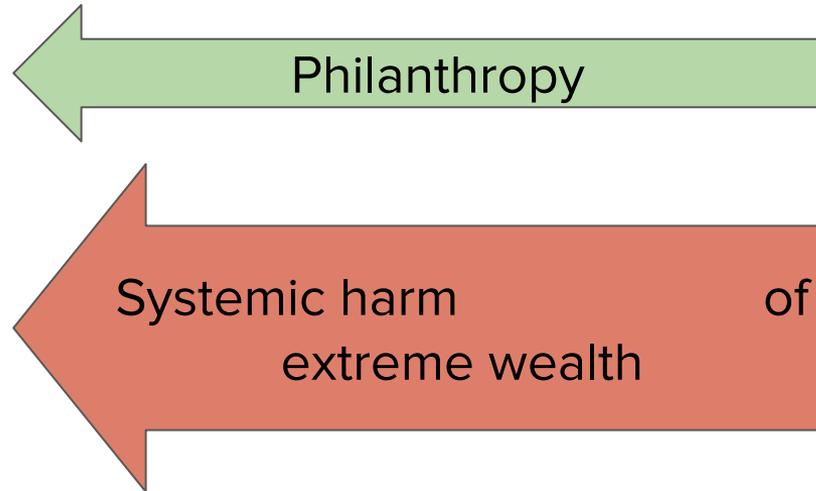


What do I do?

- I help extremely rich people (like this guy) → do good with their money
- I investigate interventions to reduce poverty or improve health
- We use effective altruism principles to maximize impact/\$ spent
- This usually benefits extremely poor people (like this girl) →

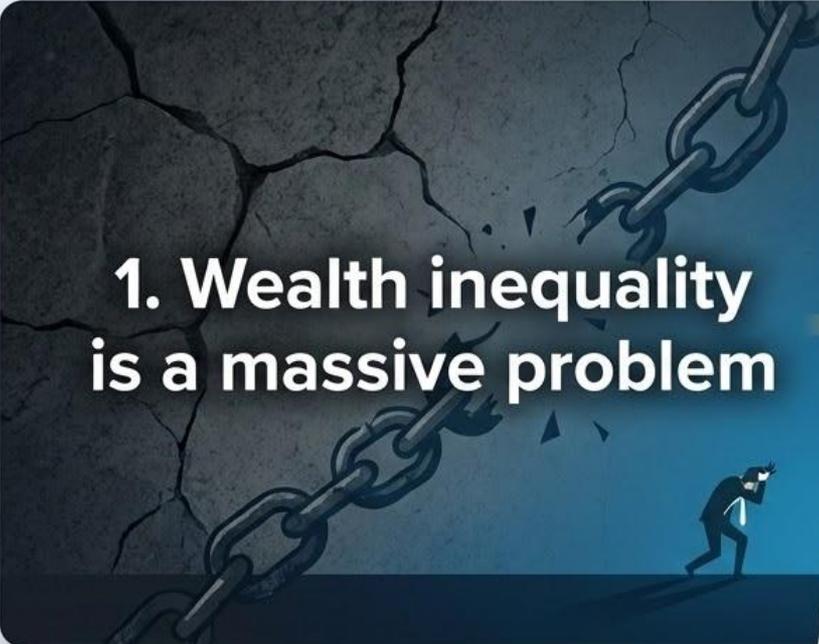


We optimize the **green arrow** and ignore the **red one**



(Arrow sizes are illustrative, not to scale)

My two core claims for today



**1. Wealth inequality
is a massive problem**

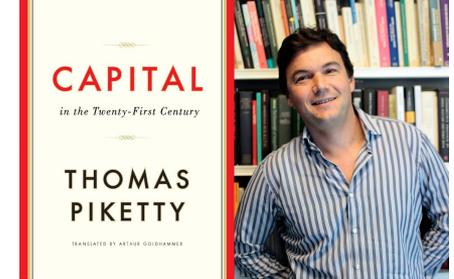


**2. We can and
should solve it**

Income inequality is bad, but wealth inequality is worse

Income gets more attention as it's easier to measure, but:

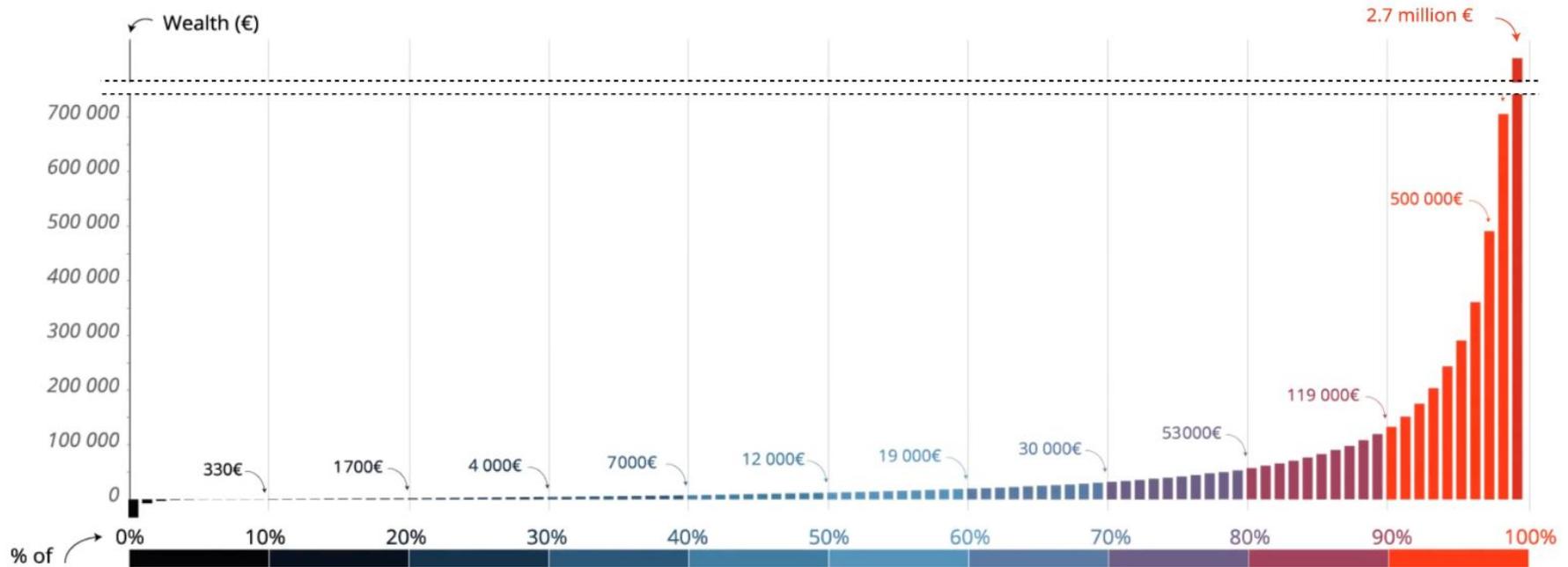
- Wealth inequality is **much bigger** than income inequality
 - In Germany: income Gini \approx 0.3, wealth Gini \approx 0.75
- Wealth inequality is **self-amplifying**
 - Wealth compounds and is inherited
- We finally have much better wealth data!



⇒ **Focus on wealth inequality; income used where data is better**

Wealth inequality is probably bigger than you think

Elon Musk's wealth pillar is ~800 km tall – twice the height of ISS

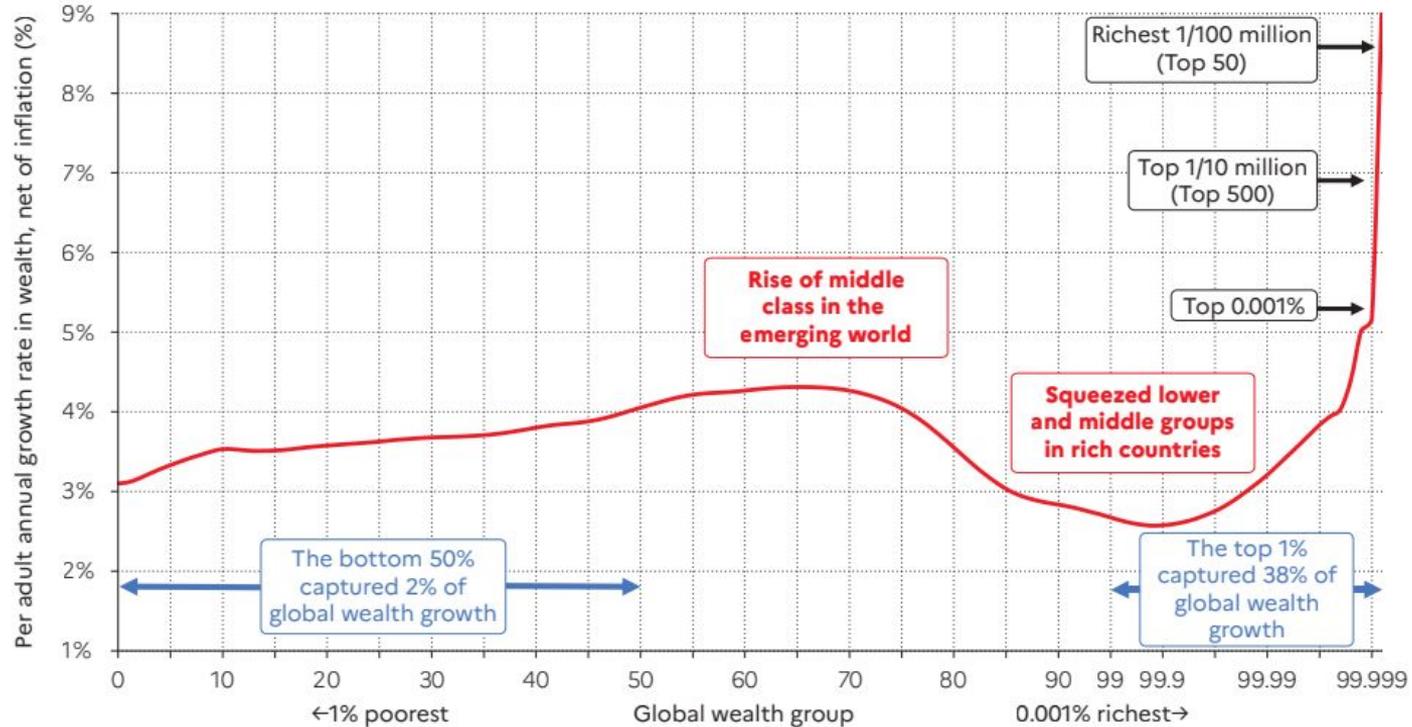


It's hard to grasp just how rich some people are

When additional \$ stops making you happier

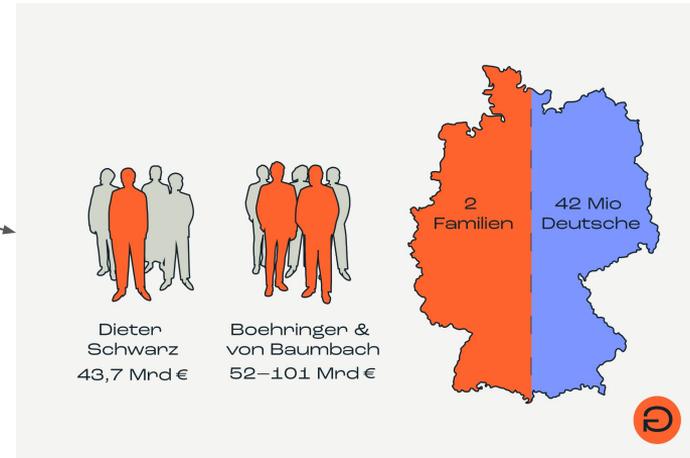


And inequality keeps growing... (“The Elephant Curve”)

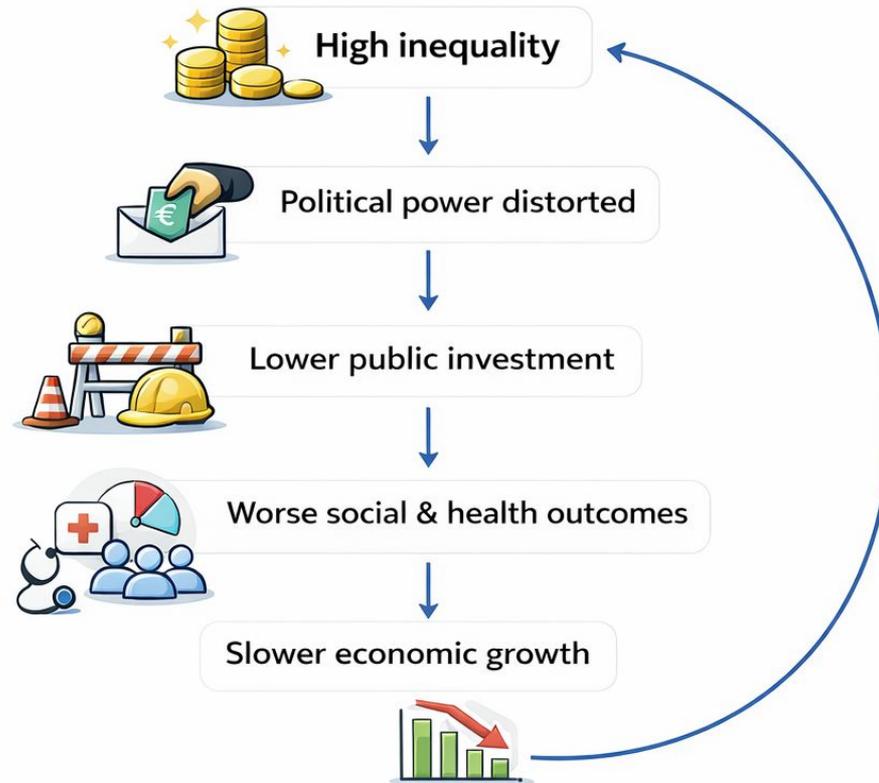


Is inequality also an issue in Germany?

- Inequality in Germany roughly in the middle globally, but high relative to other European countries
- Richest 1% have 13% of income, but 28% of wealth
- Two families have as much wealth as the poorest 50%



So what's the big deal with inequality?



A self-reinforcing feedback loop

Inequality weakens democracies

Wealth buys political influence

Politics increasingly serve the rich

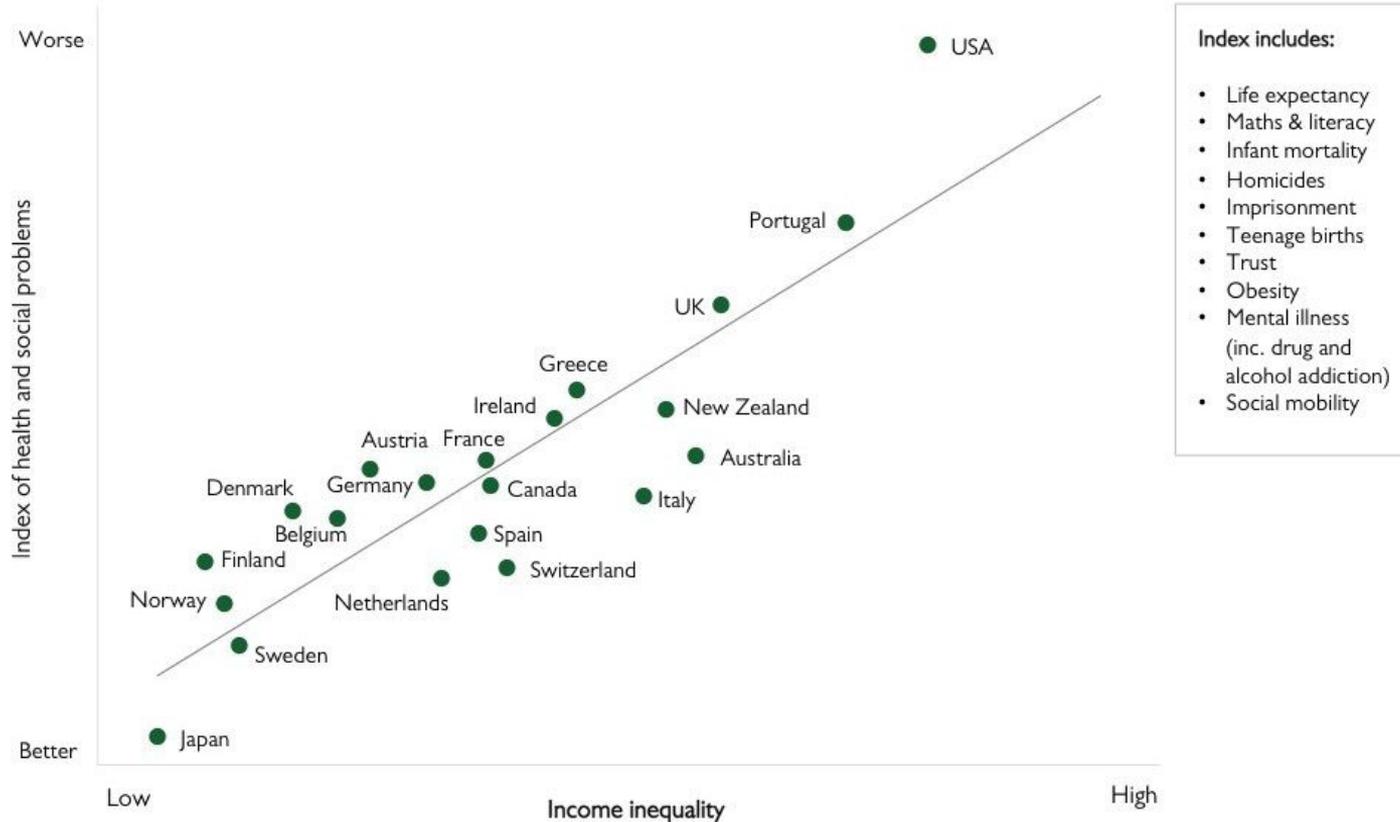
Public goods erode as the rich opt out and defund them

Polarization rises and democratic institutions weaken

Inequality increases further

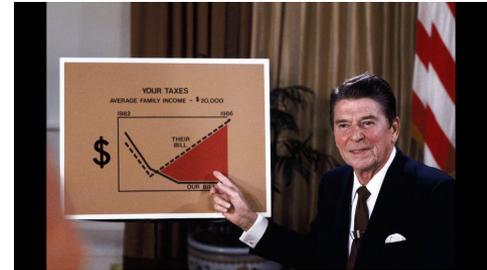


Almost everything is worse in more unequal societies

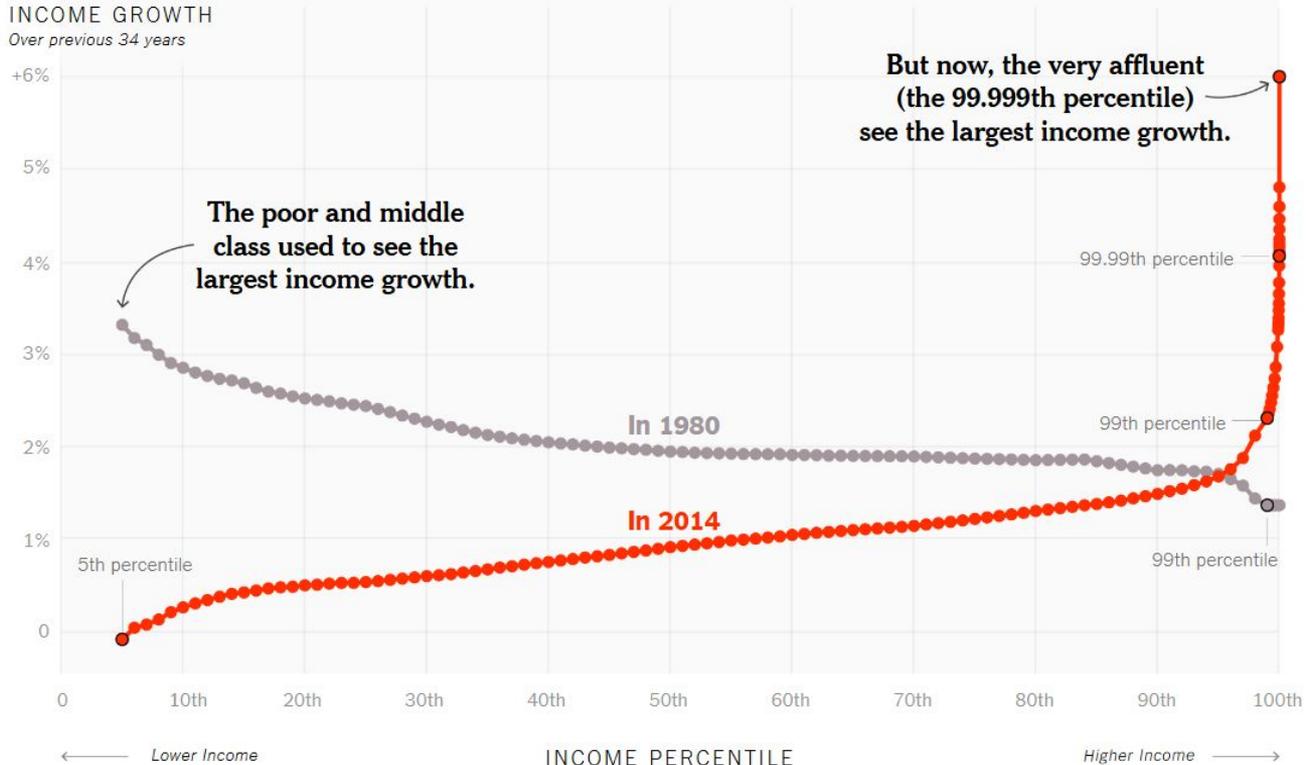


And it doesn't help with economic growth either

- For four decades, many countries increasingly cut taxes on the rich to boost economic growth
 - ⇒ “Trickle-down economics”
- Research shows that **this never worked**:
 - ⇒ No meaningful effects on economic growth or unemployment, but clear increase in inequality
 - ⇒ Consensus among IMF, OECD, World Bank, academics



Growth still happens — but it goes to the top



Note: Inflation-adjusted annual average growth using income after taxes, transfers and non-cash benefits.

But isn't that just an inevitable consequence of capitalism?

- Some inequality is unavoidable and good, but not to this extent.
- Inequality varies hugely across countries and over time.
- That variation is largely driven by policy choices (e.g., taxes, unions, public services).

⇒ **We can fix it!**

What people think helps with inequality — but does little



Education



Minimum
wages



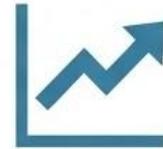
Worker
protection



Social
benefits



Housing
supply



Economic
growth

Why these solutions fall short

Piketty's formula (2013): $r > g$

- Returns on wealth grow faster than incomes
- The top pulls faster away than others catch up
- But the aforementioned solutions only target incomes and focus on the bottom and middle

⇒ **Reducing inequality means targeting wealth at the top**

What actually works: Taxes!

Progressive wealth and inheritance taxes

- They target wealth and at the top
- Widely supported among inequality researchers (with disagreement on specifics)
- The optimal tax mix differs across countries
- Best paired with complementary measures
 - e.g., public goods, basic endowment

In Germany: Inheritance tax reform as a starting point

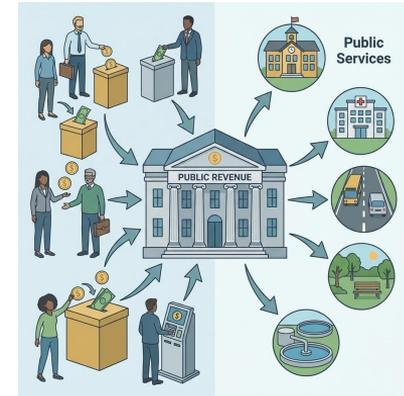
- Inheritance is a major driver of inequality in Germany
 - > 50% of wealth is inherited, not earned
- Inheritance tax exists already, but with huge loopholes:
 - \geq €26M inheritances pay $\frac{1}{3}$ effective tax rate of smaller ones
 - \sim €10B/year in foregone revenue
- Politically and administratively feasible

The scale of foregone public revenue

What could we do if we taxed wealth above €100 million at 1%?

⇒ €30 billion revenue would allow us to:

- Build 150,000 additional apartments
- Make all kitas free nationwide
- Cover 60% of all Bürgergeld expenses
- Make all public transport free nationwide
- More than double Baden-Württemberg's education budget



Two core concerns about inheritance and wealth taxes

Political tractability:

Can it be introduced at all?

- Strong opposition from the wealthy
- Difficulty building broad political support

Technical tractability:

Can it work in practice?

- Enforcement, avoidance, and administrative complexity
- Effects on incentives and economic behavior

Is taxing the rich politically feasible in Germany?

Pros:

- Broad political support
- Historical and international precedents
- Growing scientific evidence

Cons:

- Persistent “trickle-down” myths
- Fears of harming growth and jobs
- Strong elite resistance



Can it work in practice?

My own take: Yes, it can – if it's carefully designed.

- Among tax experts, the debate is about design, not feasibility
- Other countries already tax wealth and inheritances successfully (France, Spain, Norway, Switzerland, South Korea)
- Public debate is dominated by myths, but evidence paints a different picture

Why people think it won't work and what the data says

1. “The rich will just leave the country.”

- Germany has an exit tax on unrealized capital gains
- Tax-related migration among millionaires is rare (<1% / year)

2. “It's too hard / expensive to administer to be worth it.”

- Collection costs are around 4-8%, similar to income tax
- Focusing on the very top further reduces administrative costs

Why people think it won't work and what the data says

3. “It will hurt economic growth and employment.”

- Studies find little to no negative effect on growth or jobs
- Many tax cuts for the rich over the last 40 years have not created any growth whatsoever

Three key points of this talk

1. Wealth inequality is extremely large and growing
2. It has wide-ranging negative effects (e.g., on health, wellbeing, crime, democracy, economic growth)
3. Progressive inheritance and wealth taxes can reduce inequality

Discussion prompts

1. At what level of wealth (if any) does accumulation become socially problematic?
2. Can billionaire philanthropy compensate for the harms of wealth concentration?
3. What's your strongest objection to wealth taxes (if any)?
4. Should we focus on preventing wealth accumulation or redistributing it after the fact?