ECOSOC Chair Report

Topic 1: Addressing Global Wealth Inequality Through the Taxation of High Net Worth Individuals in Developed Countries

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Personal Statements

Chair – Celina Kraushaar

Hi, my name is Celina, I am 18 years old and currently in 12th grade. My MUN experience started at MUNISS 4 years ago and now it is my second time chairing and my 9th conference in general. Without MUNISS I would not be the person I am today and I want to make the conference in April a memorable experience for you, not just academic wise but simply getting to know one another and having a great time. ECOSOC is an advanced committee that will challenge you to engage in high-level policymaking and finding a balance between national interests and global sustainability. A difficult task, but I am sure you will exceed all of our expectations!

Deputy Chair – Amélie Jacob

Honorable Delegates,

My name is Amélie Jacob and I am currently 17 years old, attending 11th grade. It is my pleasure to be your deputy chair of the economic and social council (ECOSOC) at the 2025 edition of the annual MUNISS conference. The forthcoming conference will be my first time as a chair at MUNISS, however I have attended MUNISS twice as a delegate in the World Health Organisation (WHO) and the Security Council (SC) before. Alongside the lovely head chair Celina Kraushaar, we will ensure a solution-oriented and fruitful debate, to nurture your debating skills and enhance your MUNISS experience. I look forward to meeting you at the conference!

Amélie Jacob

Introduction

In today's world, wealth inequality is one of the foremost economic and social challenges, given how high-net-worth individuals (HNWIs) have further concentrated financial resources while lower- and middle-income groups face stagnant wages and rising costs of living. The disparity between the ultra-rich and the rest of society has increased considerably over the past few decades, mostly due to favorable tax laws on capital accumulation and the free movement of wealth due to globalization. Numerous developed countries grapple with the question of whether raising taxes on the ultra-rich is an appropriate remedy to the imbalance. While some suggest that increased taxation could yield additional revenue for much-needed social programs, others argue that it may result in disinvestment and capital flight if not managed correctly.

The matter spans several aspects of the economy, politics, and society. In the past, inequality was greatly reduced through taxation. A prime example would be in the mid-20th century when high taxes were levied against the rich so that social programs could be funded. From the late 20th century to early 21st century, as the wealthy were given easier tax policies, social imbalances grew. Now, many governments try to find the most effective way to solve wealth imbalance without destroying economic growth. Policies such as global cooperation on taxation, more taxes on capital gains, and even seized property are being considered as potential solutions. The problem with that is political opposition and logistical issues making it tedious.

Glossary

Base Erosion and Profit Shifting (BEPS): BEPS is a strategy used by multinational corporations and rich people to exploit tax friendly countries which leads to lower tax obligations. The OECD has started several initiatives to deal with these loopholes.

Capital Flight: Relocated investments from one location to another in anticipation of unfriendly taxation or intrusive financial inspection. This method is highly detrimental to the efforts towards imposing taxes on the rich.

Common Reporting Standard (CRS): An OECD tax avoidance center operated by member nations through which they share financial intel to discourage tax evasion practices by the wealthy.

Global Minimum Corporate Tax: A minimum tax of 15% agreed upon by 130 nations or more. This is used to stop international companies from taking their profits to places that have no taxes.

High-Net-Worth Individuals (HNWIs): Wealthy individuals with a minimum of $1 million in liquidable assets, while ultra high net worth individuals (UHNWIs) have above $30 million in assets.

Offshore Tax Haven: These regions do not impose any or have low tax regulations, lack stringent financial rules, and have a greater degree of privacy when it comes to finances. This helps evade tax obligations. The Cayman Islands and the Duchy of Luxembourg are examples.

Organization for Economic Cooperation and Development (OECD): An international economic body that advocates and helps formulate policies aimed at enhancing trade relations globally, tax systems, and economic collaboration and also helps in the fight against tax evasion.

Progressive Taxation: It is an approach to public finance where those in the higher-income brackets pay a larger percentage in taxes than those in the lower brackets in order to balance the economic demographics and inequality.

Sustainable Development Goal 10 (SDG 10): UN goal number ten is about eliminating disparities between countries, in particular stressing the importance of implementing progressive taxes and laws regarding minimum wages.

The Addis Ababa Action Agenda (2015): A document published by the UN which in its policy recommendations advanced cooperation between states in taxation, adoption of progressive taxation, and measures against tax evasion and avoidance.

Wealth Tax: It is a tax charged on the total value of net assets owned by a person, not just an individual's income, designed to lessen the concentration of extreme wealth and to provide resources for public amenities.

Issue Explanation

In multiple developed nations, wealth disparity has reached new heights thanks to a worsening concentration of money with high-net-worth individuals (HNWIs) alongside stagnating wages amongst the majority. Top earners, who make up only 1% of the population, in some economies possess more wealth than what is controlled by the bottom 50% combined. This creates economic inefficiencies while further widening the social gap (World Inequality Lab 45). Failure to implement an appropriate wealth tax on ultra-rich individuals has led to insufficient public funds, thereby making it difficult for governments to allocate money for social services such as education, healthcare, and infrastructure. With the accumulation of wealth increasingly favoring the financial elite at the detriment of the general public, the result is a blatant state of political instability, economic stagnation, and a lack of social trust.

The consequences of wealth inequality are deeply entrenched into every layer of a society. Wealth disparity directly results in a huge gap in the quality of education, healthcare, and housing a society can provide. Income inequality makes it nearly impossible for low and middle class families to enhance their living standards ("UNDP.",17) The most affluent citizens in America, on average, live over a decade longer than the most impoverished due solely to factors such as access to affordable healthcare service. This gap has only worsened in the last couple of decades. (Chetty et al., 241) The rest of the world, particularly the EU, is also suffering consequences. Major cities have begun witnessing a housing crisis, making it harder for younger people to own their homes. ("OECD," 102)

The impact of increased inequality is just as worrying for a country's economy. There is a significant drop in demand when wealth is held within the hands of a few since a majority of low-income families don't have any money to spend. As Stiglitz claims, an economy that is based on human capital investment and productive infrastructure suffers from over concentration of wealth. Furthermore, high-net-worth individuals (HNWIs) can easily avoid paying taxes through the extensive use of offshore tax havens and legal loopholes, denying governments the much needed revenue. Gabriel Zucman studied this phenomenon and concluded that the ultra-wealthy are costing the global economy around $427 billion due to tax evasion on which a significant portion of that is public spending that investment on healthcare and education suffers (Zucman 53). In the absence of effective taxation, public resources have to be limited or directly taken from lower class citizens, intensifying the issue of inequality.

At a societal level, the impacts of extreme concentration of wealth are decreased trust in institutions, increased crime levels, and heightened political volatility. Research indicates that public dissatisfaction with democracy rises as inequality progresses, further causing increased support for populist and extreme political movements (Piketty 211). The growing discontent with economic inequality is evident in the 2011 Occupy Wall Street protests, the Yellow Vest movement in France in 2018, and in the recent wide-scale labor strikes in the UK and the USA. If left unregulated, a growing gap between the rich and poor could lead to increased polarization, civil unrest, and the risk of democratic instability becomes much more imminent.

Wealth inequality is an existing problem that needs to be resolved, otherwise, it could greatly harm society in the future. The economy will be inefficient as these assets will be stuck in the financial system instead of being reinvested into job sources and innovation. Young adults and lower/middle class families are heavily impacted by this issue, along with small businesses that have to face competitive corporate giants. Though middle class families are more likely to suffer from the social unrest, this will also have adverse effects on wealthy individuals. However, economic fairness is not the only aspect that needs to be addressed, rather legislation needs to be created so that there is social and economic balance in the future.

Perspectives of Parties Involved

The taxation of high-net-worth individuals (HNWIs) for the purpose of alleviating wealth disparity continues to receive attention from various stakeholders globally, and the debate stems from imbalance in their economic resources and power. Some developed nations, especially those with sizable welfare programs, defend ultra-high taxation on the upper class as a necessary to subsidize public goods, while others focus on attracting investment that encompasses low tax regimes.

As a whole, the European Union (EU) has been in support of progressive taxation. For example, France, Germany, and Sweden have pushed for the introduction of wealth tax and taxation in general. France created the wealth tax called Impôt de Solidarité sur la Fortune (ISF) on those whose assets were greater than €1.3 million, but it was later modified due to fears of capital flight disorder (Piketty 215). Germany has been actively supporting stronger global tax rules including regard to the Impôt de Solidarité sur la Fortune. Germany, for example, has been supportive of the Organization for Economic Cooperation and Development (OECD) proposed 15% worldwide corporate minimum tax because it helps reduce tax evasion by large partnerships. The situation in the United States is less settled. Progressive leaders, such as Senator Elizabeth Warren and Bernie Sanders, have suggested imposing a tax on wealth exceeding 50 million dollars, with claims that “a minor tax on extreme wealth can help benefit the economy by generating billions to invest in mitigating economic disparity” (Warren). On the contrary, conservative policymakers as well as business representatives claim that these actions could stifle investment and innovation, infusing capital flight and stagnated productivity growth (Saez and Zucman 157).

Meanwhile, developing economies and tax havens like the Cayman Islands and Luxembourg are often against enforcement of global taxation, since these regions thrive economically from receiving foreign investments stimulated by low tax rates. In the words of Gabriel Zucman, offshore tax havens "cost over $427 billion for governments every year due to SLT, and enable the super wealthy to protect their assets from being taxed" (Zucman 53). Furthermore, international organizations, such as the OECD and the United Nations, are proactive and publish documents outlining policies and issues that support a more equitable global tax distribution with putative measures against tax avoidance. As stated by an NGO Oxfam, "the richest 1% have accumulated nearly twice as much wealth as the rest of the world combined over the past decade." They and other NGOs believe that the gap between the rich and poor can have a cataclysmic effect on overall social progression and economic expansion. This serves the concern of having to employ wealth taxation policies. This is because countries have to balance economic, political, and social variables with international cooperation.

History of the Topic

Throughout history the distribution of wealth among people has always led to conflicts, which got worse when industrial capitalism emerged in the 19th century due to the Industrial Revolution (1760–1840). This era of economic expansion caused wealth to concentrate mainly in the hands of a small group of rich individuals while widening the gap between them and the working class members of society. Governments during that time mainly depended on tariffs and indirect taxes, for revenue generation, which ended up hurting the lower income groups compared to the wealthy elite. The idea of high net worth taxation, by which higher incomes are taxed at higher rates, originated in the late 19th and early 20th centuries. Germany was among the first to adopt this system in 1891 under Chancellor Otto von Bismarck, followed by the United Kingdom's introduction of an income tax in 1909. In the United States the federal income tax was established through the Sixteenth Amendment in 1913 allowing for the taxation of income including that of the wealthiest individuals (based on Piketty).

Despite taking these actions in the early 20th century there was still a significant concentration of wealth seen in the Gilded Age (1870-1900) in the US and the Belle Époque era in Europe. Where industrial giants such as John D.Rockefeller and Andrew Carnegie built massive fortunes while facing relatively low tax rates as no redistribution measures were enforced. Hence, wealth continued to gather among a few elites widening economic inequalities(Saez and Zucman 45).

Between the 1940s and 1970s, during the post-World War II era, an economic expansion resulted in significant redistribution of wealth. Highlight developed countries introduced social welfare programs and policies, which significantly narrowed the wealth gap and helped create a large middle-class. The United States, United Kingdom, and France raised high income tax rates during this period, transforming their economies, as a significant amount of wealth from the richest 1% was removed, contributing to declining inequalities. Following the introduction of these taxes, many developed nations started imposing a top global tax rate where the US went over 70%, surpassing other developed nations, while the UK and France levied over 80%. This revenue was put to use through welfare programs which were highly efficient in addressing inequality (Piketty 134, Saez and Zucman 89). Additionally, during the Great Depression and in the years leading up to it, many Western nations raised taxation on the rich to help fund Reconstruction efforts, which included prominent nations like Germany, France, and the UK. The US introduced a top marginal tax rate of 63% which was later raised to 94% during World War II under President Roosevelt. (Saez and Zucman 89).

Nonetheless, between the late 1970s onward, there was a profound change in many developed economies, reversing the redistribution patterns of the mid-century. The period of stagflation during the 1970s created a lot of economic uncertainty, which led many countries to adopt free-market policies that emphasized economic growth at the expense of wealth redistribution. The United Kingdom and the United States shifted toward neoliberalism which preferred low taxation on high-income earners. Resulting in deregulation and decreasing government spending on welfare. Especially during Margret Thatcher's term in the UK and Ronald Reagans in the US, this shift in economic policies was propelled. Reagan greatly lowered taxes in 1981 and 1986 by decreasing the top marginal tax rate from 70% to 28%, while Thatcher’s government decreased it from 83% to 60%, and subsequently to 40%. Many European countries, like Germany, France, and The Netherlands, did the same by reducing their high income tax rates in order to entice foreign investment and curb capital outflows. These developments fueled wealth inequality as the reduction of tax burdens on the rich, alongside stagnant wages and government benefits for the middle and lower-class, increased disparity.

The late 1990s and early 2000s represent another episode of low redistributive activity. Some social welfare initiatives did exist, but they paled in relation to taxation for wealthy individuals, which was still far lower than pre mid-century figures. This period also saw accelerated globalisation and significance, which enabled the rich to make even more money through investments, stock growth, and offshore tax havens. In the US, policies such as the Bush tax cuts in 2001 and 2003 decreased the upper decile's tax rate, which in turn intensified income and wealth inequality. Many European countries did the same, when it came to estate taxes and wealth taxes (World Inequality Lab 34).

Recently, developed economies made efforts to reinstate wealth taxes to combat the increased economic inequalities. For instance, in the United States, Senators Elizabeth Warren and Bernie Sanders suggested implementing a wealth tax on individuals who possessed assets higher than 50 million dollars in 2019 and 2020. These proposals, however, faced fierce opposition in the political arena and did not materialize. In 2021, more than 130 nations, including the ones that proposed the taxes, came to an agreement using the Organization for Economic Cooperation and Development (OECD) as a platform to introduce a universal minimum tax rate of 15% to try and reduce tax evasion by multinational companies and billionaires (OECD). Moreover, other policymakers in the European Union have proposed multinational taxation on ultra-high net worth individuals in order to finance social programs, although the policies are still debated (Piketty 201).

Unlike the mid-20th century where inequalities were dealt with using progressive taxation policies, financial deregulation, globalization, and tax skimming, the upper-class wealth accumulations have exacerbated wealth inequalities from the 1980s onwards, after changes in economic policies. As reported on Oxfam as well as the World Inequality Lab, the upper-most 1% possess more capital as compared to the lower half 50% of the developed nations combined (World Inequality Report 2022). While the public has become more vocal regarding this issue, ultra-wealth individuals and bodies remain fiercely opposed. Some states have started to renew resource taxes but most remain skeptical because of fears around emigration of funds and slower economic activity. In the long run, addressing global wealth inequality will rely on reigniting conversations around closing gaps in tax regulations, enforcing global tax treaties, and introducing higher taxation on wealth

Potential Solutions for the issue:

Numerous international organizations, governments, and economic institutions have tried to mitigate global wealth differences by introducing taxes for high-net-worth individuals (HNWIs). Some initiatives have succeeded in achieving their set goals, but many others have faced a lack of political will, as well as tax evasion.

The UN considers economic inequality one of the most prominent problems in the world today. This is shown in the Sustainable Development Goal (SDG) 10, which focuses on addressing inequality on a national and international scale, including via fiscal measures such as progressive taxation (United Nations). The Universal Social Protection Initiative (USP2030), launched by the ILO and the World Bank, is an initiative aiming to achieve SDG 10 that aims at ensuring that all individuals have access to social protection such as health care, pensions and unemployment benefits. Thailand and Brazil for instance have successfully expanded their social safety nets and reduced poverty and inequality. But there are still many barriers which include; shortage of funds and political influence which have been a major challenge to the implementation of the program in most of the countries particularly the low income countries. Although there are no wealth tax resolutions in the UN, there has been a call by the body for countries to fairer tax systems and address the issue of avoidance. The Addis Ababa Action Agenda (2015), which emerged from the Third International Conference on Financing for Development, emphasized the need for international cooperation for taxation and the employing of progressive tax systems for funding development (United Nations 22). The lack of enforcement power renders many of the suggestions non-binding, however, so real action is still slow to materialize.

Multiple global treaties and associations have tried to reduce tax evasion and enable better taxation procedures. Organization for Economic Cooperation and Development (OECD) has spearheaded initiatives to address tax avoidance via the Base Erosion and Profit Shifting (BEPS) program, which aims to close gaps troubling multinational companies and High-Net-Worth Individuals (HNWIs) as they attempt to move profits into low taxation municipalities (OECD). Furthermore, in 2021, over 130 countries adopted an agreement on OECD's proposed minimum corporate tax of 15% in an effort to curb tax havens' abuse of sovereignty (OECD). While this initiative aims at corporations, it opens the door for further policies regarding taxation of ultra high net worth individuals, which is believed is needed at a sustained level. The opposition believes that a 15% tax is simply not enough to avoid the accumulation of wealth in America (Saez and Zucman 109).

There are other approaches to the problem that are still being discussed. The creation of a global wealth tax, as proposed by Thomas Piketty and Gabriel Zucman, is one of the most well-known suggestions. As Piketty explains "only a coordinated international wealth tax can prevent tax evasion and reduce inequality on a global scale." He recommends a progressive tax on the total asset value held by multi-millionaires and billionaires in the form of an annual tax (Piketty 312). Still, such a tax would be extremely difficult to implement given the need for unprecedented international collaboration to control capital flight. Some countries, like Argentina, have piloted temporary taxation on wealth. Argentina's one-time "millionaire tax" in 2020, for instance, provided nearly $2.4 Billion for relief against the pandemic (The Guardian). Such arrangements are usually effective for short periods but face legal hurdles and opposition from the elites.

One other option would be to enhance tax compliance and transparency measures such as the offshore tax avoidance and the nondisclosure of financial assets possessed by the HNWIs. The Common Reporting Standard (CRS) developed by OECD is a framework which obliges countries to automatically share specified financial account information to combat tax evasion (OECD). Regrettably, some countries continue to provide clients with adequate anonymity. Protracting the CRS and stiffening noncompliance penalties would make it more effective.

Some experts suggest that reallocating tax revenues from the ultra-rich into social programs like universal healthcare, education, and housing is an ideal way to utilize the funds. For instance, the wealth tax advocates within the U.S argue that reducing economic inequality is possible by using the tax revenues to cover public healthcare and free college tuition (Warren). Countries in Europe, like Sweden and Denmark, have increased taxation for the wealthy and used the funds to enhance social welfare programs. They demonstrate how their improved competitiveness in the global economy was achieved alongside broad public services.

Despite the obstacles presented by political opposition, mobility of capital, and enforcement issues, there has been some effort in trying to tax HNWIs. A feasible solution may require a combination of stronger international agreements, increased wealth taxes, tighter enforcement, and funding into social programs.

Media Contribution

Reality is shaped through discourse presented by the media in terms of taxation and wealth inequality. Investigative journalism has shown that loopholes, as well as offshore tax havens, are exploited by billionaires and major corporations to minimize their contributions (Eisinger et al.). Reports by The New York Times and ProPublica show that some of the wealthiest people in the world have virtually no income tax obligations, ironically, owing to their impressive net worth (Johnston). These challenges give further momentum to debates pertaining to wealth taxes, capital gains, and international taxation policies.

Piketty’s point of view suggests seizing value to which high-net worth individuals have grown accustomed will provide sufficient funds for social and economic development (Piketty). These reportable figures are reported in global media with an intention of motivating further, more prevasive action on poverty and underdevelopment in the world's poorest regions (“Inequality Report”).

Nevertheless, political campaigns and corporate influence affect drastically how the media chooses to tell the story. Influences like these resulted in a logic where, on the one hand, journalist attribute such policies to stagnant economic growth from investment by high net individuals. This split has further consequences for public perceptions and government attitudes to policy. Despite these obstacles, the media has an obligation to overcome in aframing tax evasion as offshoring economic assets and exposing white collar crime, and taxation as a form of justice.

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