

Extreme Inequality Presages The Revolt Against It

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Credits

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When inequality is too vast to last, it doesn't. The skyrocketing valuations of Big Tech and the staggering concentration of wealth accruing to its titans only presage a revolt against the depredations of disparity.

The advent of our new Gilded Age of silicon plutocrats will be remembered as the moment when the Daoist principle of "the reverse movement of history" was set in motion. That principle holds that strengthening an ascending tendency also strengthens the opposition to it, laying the seeds of its own unraveling.

Even before the innovations of digital capitalism thoroughly divorce productivity growth and wealth creation from employment and income, the chasm of wealth inequality in America today is already driven primarily by the gap between those who own the technology of the future through financial investments and those who labor for a living. The top 10% own 93% of all equities.

A similar gap in wealth ownership exists elsewhere. In Europe, the top 10% own nearly 60% of all wealth, while the bottom 50% own 5%. In Latin America, the richest 10% own 77% of all wealth while the bottom 50% own 1%.

As a result, an upswelling reaction is taking hold from below. Famously, Zohran Mamdani was catapulted to the mayorship of America's biggest city by calling for a tax on the richest to pay for free childcare and transportation to make living in New York more affordable. In California, the most powerful union of service-sector employees is gathering signatures to qualify a ballot measure that would impose a retroactive 5% tax on the net wealth of billionaires to subsidize the federal healthcare cuts that have impacted millions of Californians. Another proposal for America's second-largest city would increase taxes on Los Angeles businesses whose executives earn more than 50 times the median pay of its workers.

In France, the parliament hotly debated a 2% direct wealth tax on those with assets over 100 million euros, or nearly \$120 million, which was [watered down](#) to a tax on non-business assets held within holding companies. The list goes on.

Even the Davos elites can't help but read the tea leaves. In January, the co-chair of the conclave, BlackRock's Larry Fink, [jettisoned](#) the World Economic Forum's long-standing mantra of "stakeholder capitalism" as a responsible form of commerce in which shareholders take into account not only their interests, but those of their employees, the community and the environment. In its stead, the head of the world's largest asset management fund introduced the notion of a broader *ownership* stake for all.

“Prosperity isn’t just growth in the aggregate,” Fink said. “It can’t be measured by GDP or the market caps of the world’s largest companies alone. It has to be judged by how many people can see it, touch it, and build a future on it.

“That, in my view, is the strongest critique of the last economic era. Since the fall of the Berlin Wall, more wealth has been created than in all prior human history combined. But in advanced economies, that wealth accrued to a far narrower share of people than any healthy society can sustain.

“Now AI threatens to replay the same pattern. Early gains are flowing to the owners of models, data, and infrastructure. The open question is what happens to everyone else.

If AI does to white-collar work what globalization did to blue-collar, we need to confront that directly. Not with abstractions about ‘the jobs of tomorrow,’ but with a credible plan for broad participation in the gains.

“This is the test: Whether capitalism can evolve to turn more people into owners of growth — instead of spectators watching it happen.”

Extreme Begets Extreme

The lesson from history is that the more extreme and long-lasting the corrosive concentration of wealth in any society, the more extreme the reactive remedy. In that situation, the well-warranted quest for fairness can become counterproductive if it not only constrains the rich but also shrinks the pie, rather than enlarges it so that wealth can be shared more broadly.

There is not much evidence that even those who voted for an avowed “socialist” like Mamdani embrace that ideology. What is clear, though, is that more and more people these days, especially among youth who see little chance of upward mobility, have come to the realization that capitalism is not working for them.

The key to effective change is aligning hearts in the right place with a sober assessment of reality that isn’t clouded by magical thinking.

Take the California case.

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On the face of it, taxing the astronomical wealth of billionaires in that state is broadly appealing when they are scooping up \$60 million homes while the median house price of \$1 million is beyond the reach of most people. And while the state’s 200 or so billionaires benefit from the Trump tax cuts, millions of the state’s residents are facing a doubling of their health insurance costs because lawmakers slashed the federal budget to pay for those cuts.

The sense of unfairness is so widespread in California that there is every chance the measure will obtain the qualifying signatures and pass at the ballot box when put to a popular vote.

Yet there is a complication. California already has the most progressive income and capital gains taxes in the nation, which account for two-thirds of general fund budget revenue. And

because the state has more resident billionaires than anywhere else, the top 1% account for 50% of that revenue.

If the top 1% flee the state in any substantial number for the income tax havens of Florida or Texas — as the likes of Elon Musk and the iconic founders of Google, Sergey Brin and Larry Page, already have — who will be left to pay for public schools and higher education, police, fire, infrastructure, and health and human services? Such an eventuality will entail either steep budget cuts or a broadening of the tax base downward to make it less progressive and less reliant on the rich at the top.

Here, Gov. Gavin Newsom is right that the proposed wealth tax on billionaires “makes no sense” in the context of the state’s current financial setup because “we live in a competitive reality with 49 other states.” He is also right that what we need instead is a “national conversation.”

Especially at this moment when the U.S., as a matter of policy, has gone all out to gestate the AI industries of the future, the national level is the appropriate place to address the associated leap in inequality. This can be done in a way that doesn’t punish wealth but helps build it from below by enhancing the assets of the less well-off so that they, too, can climb the ladder of prosperity.

The aim is not so much to redistribute the accumulated wealth of billionaires as to widely distribute the wealth created through productivity gains of the AI economy in the first place, which, after all, are generated by exploiting the information of the general populace. In an AI economy, the wealth created by improved productivity flows more to those who own the intelligent machines and increasingly less to labor, as its value in production diminishes.

As we have [written in Noema](#), one idea for pursuing this aim recently emerged during a brainstorming session with some of Silicon Valley’s more socially aware Big Tech titans. In this plan, all publicly traded companies with a market valuation above a certain threshold could be required to pay 2% of their value in shares each year as a “productivity and wealth-sharing levy” to a sovereign wealth fund that supplements Social Security.

From those holdings, every adult American — on the condition that they actively vote in elections — would receive a [synthetic security](#), essentially an account indexed across the stock market, that must be vested for at least 20 years to allow the compounded returns to grow. Capital gains would be tax-exempt upon withdrawal. The idea, in line with Fink’s comments, is to provide citizens with a literal ownership stake in the economy linked to the obligation of civic engagement.

Critically, such an approach at the national level avoids the state competition that Newsom pointed out. The usual argument against such a levy in a globalized economy has been that companies will leave for greener pastures. But, given the enormous investments and political will to make the U.S. the dominant AI player, companies that succeed on that basis are unlikely to bolt for either anti-tech Europe or America’s strategic rival, China.

All that, of course, requires political power at the national level to implement it. It remains to be seen whether the swelling sense of unfairness among the body politic can congeal into an electoral mandate to take up the challenge.

A California Compromise

For California, there could be an intermediate solution. Since 2014, the legislature has been able to negotiate with ballot sponsors to resolve issues with more nuance and address them legislatively.

Instead of a one-time tax on the wealth of individual billionaires, a modest ongoing annual tax on the market valuations of the largest tech companies, designed to capture the productivity increases generated by AI, could be negotiated.

This would create a steady stream of revenues over the years that could be divided between defraying health insurance costs and piggybacking on the federal government's "Money Accounts for Growth and Advancement," doubling the initial \$1,000 deposits into a savings/investment account for every California child 8 years and under who is a citizen. This would accomplish two ends: helping to plug the gap left by federal budget cuts while building wealth from below by broadening capital ownership.

The challenge is to align incentives in a way that works for all. Although some big-name billionaires have abandoned the state, or threaten to, the reality is that California-based tech companies would prefer to stay because of the thriving and robust innovation ecosystem decades in the making that is absent in Florida and Texas.

It should not be beyond the political imagination to arrive at a solution where Californians want Silicon Valley to do well because they, too, will share in the gains.