

Tax Policy through Economic Lenses: Perspectives from Nobel Prize Laureates Philippe Aghion and Joseph Stiglitz

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The 2026 EU Tax Symposium held in Brussels on 16 and 17 March 2026 featured leading speakers discussing the link between tax, prosperity and fairness. The event's highlight was a Nobel Prize conversation on the future of taxation, moderated by Pasquale Tridico MEP with Philippe Aghion (2025 Nobel laureate) and Joseph Stiglitz (2001 Nobel laureate). This note summarizes the main points of [their discussion](#) and presents brief backgrounds on both economists' views on tax policy.

1. Joseph Stiglitz

[Joseph Stiglitz](#) is an American economist who was awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2001, alongside [George A. Akerlof](#) and [A. Michael Spence](#), for their [analyses of markets with asymmetric information](#).

Throughout his long and productive career, Stiglitz has examined progressive taxation as an instrument for reducing social and economic inequalities, the role of fair taxation in sustaining democratic legitimacy, and the ways in which globalization has undermined inter-nation equity. In the discussion at the EU Tax Symposium, he offered the audience a brilliantly compact but compelling summary of his views.

He places the climate crisis at the centre of today's economic challenges, alongside inequality and democratic erosion. He is critical of Europe's response to the energy shock following Russia's invasion of Ukraine, arguing that turning towards [building LNG infrastructure](#) has created new vulnerabilities instead of accelerating the transition to renewables. Europe, in his view, has failed to exploit this opportunity, and taxes would have made a difference at that point in time.

He presents carbon taxation as a key structural tool: Europe should apply a carbon price that reflects the real cost of carbon. Such a tax would both reallocate investment towards renewables and provide fiscal revenues, delivering a "double dividend" of climate mitigation and economic efficiency. In his assessment, Europe's underuse of tax policy in this area has left it exposed to repeated energy and geopolitical shocks.

A core element of Stiglitz's intervention is the enormous rise of inequality and its implications for democracy. He argues that market power concentration at the top translates into democratic erosion and, over the last 25 years, more than 40% of aggregate wealth gains have accrued to the top 1%, while the bottom half of the population has

captured only around 1%. This concentration of wealth translates into political power, undermining democratic institutions and public trust.

Stiglitz supports implementing wealth taxes to address increasing inequality and foster economic fairness. In his view, the ultra-wealthy should pay at least a modest wealth tax, noting that many currently pay a “smaller percentage of their income in taxes” than ordinary workers. This is especially true if unrealized capital gains are taken into account.

He rejects claims that such taxes would discourage work, entrepreneurship or innovation. In his view, modest minimum taxes would help restore fairness and democratic legitimacy (through the contribution of a fair share) without undermining economic dynamism, and would contribute notably to the funding of public infrastructure and education systems.

Stiglitz links progressive taxation to long-term growth. He argues that innovation depends critically on public goods – education, health, infrastructure, and especially research – all of which require public funding. He stresses that many transformative innovations have been made possible by public investment, citing the development of COVID-19 mRNA vaccines as an example: both the underlying platform and its rapid deployment were over 90% funded with public money. As wealth and profits become increasingly concentrated at the top, Stiglitz argues that progressive taxation is essential to finance innovation itself.

Societies marked by excessive inequality suffer from excessive division, weaker trust, less social solidarity and cohesion, and ultimately lower growth potential.

Regarding the interaction between globalization and taxation, Stiglitz is very critical of the existing international framework.

One of the downsides of globalisation, he argues, is the facilitation of tax avoidance and evasion, which distorts trade patterns away from genuine comparative advantage. Instead, in sectors such as pharmaceuticals and digital services, corporate structuring is largely driven by tax considerations. Consequently, these larger corporate groups are not contributing to public welfare or to global growth.

He considers the cooperation at the OECD/G20 Inclusive Framework level inadequate:

- Pillar Two (minimum corporate tax) is weakened by carve-outs, resulting in effective rates closer to 12–13%, far below what is needed to curb avoidance (which he considers closer to 25%). Additionally, in reference to the Side-by-Side Agreement, Stiglitz argues that it advantages US companies over European companies, describing it as “Europe’s capitulation” in both trade and sovereignty.
- Pillar One (reallocation of taxing rights), in his view, was narrow in terms of scope (only very large multinationals), economically incoherent, and ultimately ineffective, leaving developing countries worse off, while requiring them to give up on the “right to digital taxation”.

He supports the ongoing shift of international tax negotiations to the United Nations and suggests that, in a time when the United States is undermining the international rule of law, Europe should be in a coalition with the rest of the world: what Stiglitz calls “G-1”.

Further, he advocates strengthening EU-level competence in taxation, particularly to allow intervention in areas such as corporate and wealth taxation.

2. Designing Tax Policy to Foster Innovation

The French economist [Philippe Aghion](#) was awarded, along with [Peter Wilkinson Howitt](#), half of the [Nobel Memorial Prize in Economic Sciences](#) in 2025 for *the theory of sustained growth through creative destruction*. According to their mathematical model for creative destruction, when a new and better product enters the market, the companies selling the older products lose out. The resulting conflicts must be managed in a constructive manner so that innovation (which is at the heart of growth) will not be blocked (see [here](#) for more details).

In his 2016 article on [Taxation, corruption, and growth](#), Philippe Aghion argues that excessive taxation can discourage innovation and consequently inhibit growth:

“Taxation reduces the reward to entrepreneurial innovation and therefore discourages investments that are important for growth. This perspective emphasizes minimizing the tax burden on successful innovators to encourage more people to try to become successful innovators.”

He recommends that tax policy should be designed to foster innovation and not just to maximize revenue (see [The Impact of Regulation on Innovation](#) and his recent book [The Power of Creative Destruction](#)). Philippe Aghion further sees competition as an important driver of innovation and is of the opinion that monopolistic market positions reduce innovation.

At the EU Tax Symposium, Philippe Aghion noted that the European Union has a disadvantage in innovation compared with other major global economies. He mentioned that the five most innovative companies in the European Union are the same as twenty years ago and pointed out that the IT revolution has not been fully leveraged in the European Union. Philippe Aghion cautioned that without greater innovation, the European Union risks decline.

Philippe Aghion believes that the European Union has a better [social model](#), better commitments to climate goals, and higher levels of democracy and freedom as compared with other major economies. However, he warned that a decline in the European Union would also diminish these values. He therefore urged that the European Union must become more innovative without renouncing its social model (i.e. be more innovative but also more inclusive and protective). He suggested creating a framework to support startups, noting that one of the challenges for innovation is that EU startups that do not grow in the European Union choose to relocate elsewhere.

Philippe Aghion sees artificial intelligence as holding enormous growth potential but worries that limited competition can restrict its developments in the European Union. He opposes monopolies and advised on ensuring opportunities for new entrants. With regard to the minimum tax on high-net-worth individuals proposed by Gabriel Zucman (see [The Elephant in the Room: A Minimum Tax on Billionaires](#)), Philippe Aghion believes that it may risk startups’ ability to compete in areas such as artificial intelligence. If such a tax would apply to founders of startups, it would discourage business expansion and ultimately drive the companies outside of the European Union (more on Philippe Aghion’s warnings about stifling innovation and forcing AI champions abroad – [Wealth Tax Smackdown: Zucman vs. Aghion Sparks Fireworks at FDday](#)). According to Philippe Aghion, the European Union tax policy should help foster quality innovation startups, particularly in the area of artificial intelligence.

In conclusion, Pasquale Tridico MEP, Chair of the Subcommittee on Tax Matters, and moderator of the conversation, highlighted the importance of preserving the unique EU social model by promoting sustained economic growth and encouraging innovation within the European Union.