

The Economist is wrong on the Robin Hood state

The rich, argues [The Economist](#), are already paying more than their fair share, and any attempt to tax them more would be both futile and harmful to the economy. When it comes to America, however, this argument is built on premises that don't hold up.

Whereas this publication describes current taxation of the rich as the “Robin Hood state”, in America a more apt analogy would be the Second Estate. The Second Estate was the aristocracy of pre-revolutionary France, who were exempt from paying almost all taxes. Because aristocratic status could be achieved by purchase as well as birth, one contemporary economist described the arrangement as follows: in order to become noble, it is sufficient to become rich; and to cease paying taxes, it is sufficient to become noble; so there is only one way of escaping taxation, and that is to make a fortune.

So it is in America today. Whereas workers—especially high-paid workers—pay significant taxes on their earnings, those who have made a fortune can live a largely tax-free existence. This is the result of a fundamental failure of the American tax system to impose taxes on the most common sources of money for the very rich: investment gains and inherited wealth.

How can this be true in the face of the statistic, offered by *The Economist*, that “America's top 1% enjoy a fifth of the economy's income and pay nearly a third of its federal taxes”? The answer lies in that ambiguous term “top 1%”. Those with the most income and those with the most wealth are not always the same people. The top 1% of income-earners—highly paid businesspeople, lawyers, doctors and others—do indeed pay the most income tax. But this says nothing about the top 1% of wealth-holders, who can arrange their affairs to legally pay nothing.

This is not just theoretical. Although an individual's tax liability is generally protected by strict privacy rules, a leak of Internal Revenue Service data revealed that many of

America's richest people—including Jeff Bezos, Elon Musk and Michael Bloomberg—have been able to pay little or no income taxes in certain years. They break no laws to do so. Rather, they simply use the tried-and-tested tactics of the tax-avoidance playbook: avoid salaries, avoid selling and inherit wealth.

Start with salaries. They face the most burdensome taxation in America, as they are subject to both income and payroll taxes. That is why the first step in tax avoidance for the very rich is to avoid them. Mr Bezos regularly caps his salary and bonus at around \$80,000, low enough to make him eligible for the child tax credit (which he claimed). Meanwhile, Mark Zuckerberg and others are dollar-a-year men.

They can afford to give up traditional salaries because they are richly compensated by the growing value of their shareholdings. According to *Forbes*, since 2020 alone Mr Zuckerberg's wealth has increased by about \$170bn. Mr Musk's has swollen by over \$800bn. Yet because little of this growth takes the form of a salary or a realised gain, it is unlikely to appear on their tax returns.

Which brings us to the second chapter of the playbook: [selling](#). Some might think that these gains will eventually be subject to tax when the stock is sold. But there is no certainty that sales will ever occur. By using their stock as collateral for loans, the very rich can free up capital to support lavish lifestyles without triggering a taxable event or surrendering control of their businesses. In addition, because heirs can borrow as well, no income taxes need ever be paid on this growing wealth as it passes through the generations.

That leaves the third part of the playbook: inheritance. Almost a third of the Forbes 400 list of the richest Americans are there because of inherited wealth. Yet this, too, is unlikely to appear on a tax return because money received by gift, inheritance or life insurance (a popular tax-advantaged tool for passing wealth across generations) is excluded from the definition of income under American law. Thus someone who receives \$100bn by gift, inheritance or life insurance is indistinguishable on a tax return from someone who receives nothing at all.

These exclusions exist on the assumption that federal estate and gift taxes will do the necessary work. But owing to a decades-long campaign by some of the country's

richest families to turn public opinion against the estate tax, lawmakers have been unwilling to do even the most basic maintenance work to keep the statutes functioning. Indeed, the last time Congress closed any loopholes was in 1990. As a result, the estate tax is a tax in name only, providing cover for the rich while raising only around half of one percent of total federal revenue.

Even if the very rich are paying little in taxes, would changing that actually make a meaningful difference to the budget? Or is it the case, as *The Economist* argues, that “there are simply not enough fat cats to fund welfare states by themselves”?

A look at the numbers in America suggests that *The Economist* is too pessimistic about the money that could be raised by taxing their wealth. In 2025 the federal government raised \$5.2trn from all sources—including corporate, income, payroll, estate and gift taxes, as well as tariffs—and spent about \$7trn, creating a \$1.8trn shortfall that was added to the national debt. At the same time, the amount of wealth owned by the richest 1% stood at a whopping \$55trn. Although we can't know the exact figures it is likely that a significant portion of that wealth represents investment gains and inheritances that have never been subject to American taxes. Requiring gains to be recognised whenever property is transferred (whether by sale, gift or at death), like in Canada, and bringing inheritances into the income-tax system, would probably make a big difference in covering this \$1.8trn shortfall.

There is, moreover, a reason to reform these rules that goes beyond revenue. To quote *The Economist* itself: “Broad-based taxes do not only raise much more money. They are also politically healthier.” The same is true here. A tax system that treats its richest citizens like the Second Estate of yore is not just bad for the public purse. It is bad for democracy.