Tax saves wealthy from themselves

When the Founders decided it was in the nation’s interests to educate, protect and facilitate the commercial prospects of ordinary citizens, the genesis of American wealth was born. As a result, entrepreneurs are indebted to a society that has fostered the conditions under which wealth is created.

This explains why the U.S. government has a legitimate claim to tax the estates of those who die. This is the theme of William H. Gates Sr. and Chuck Collins’ book, “Wealth and Our Commonwealth: Why Americans Should Tax Accumulated Fortunes.”

Gates and Collins argue that America is a success because of “the things we have done to strengthen equality of opportunity” dating back to this nation’s birth. Among those “things” was putting “a brake on the accumulation of hereditary wealth.” To guard against perpetuating a gilded aristocracy, a premium was placed on promoting liberty and free enterprise, which created a system that rewarded the most diligent and talented.

As believers in the maxim “To whom much is given, much is expected,” the authors argue the wealthy should support state institutions that foster wealth creation. Adam Smith, capitalism’s intellectual godfather, would agree that those who benefited most from the system should contribute more. He even recommended higher road tolls on luxury carriages so “the indolence and vanity of the rich” could contribute to larger societal goals.

Many ignore this and argue the estate tax is really a “death tax” that represents an unwarranted government taking — as if the Paris Hiltons of the world deserve all the money that falls into their laps, simply because they came out of the right womb.

Gates and Collins take on other key “Abolish the Estate Tax” storylines:

- Destroys family farms? The American Farm Bureau Federation couldn’t produce one example of a family farm lost to estate tax.
- Family businesses sold to pay taxes? The majority of family businesses fail because of poor management by children who inherit companies, but don’t understand the industry.
- Unfairly punishes success? Top income earners often pay an effective tax rate below those in middle- and lower-income tiers. The estate tax creates a fairer code of distributive justice.
- Double taxation? The bulk of assets taxed in an estate represent appreciated property — e.g. real estate, stocks, art, etc. — that weren’t properly taxed as their value increased. “Double-taxation” is also a red herring because 98 percent of Americans are exempt from capital gains taxes.
- Violates capitalist principles? Nations tax transactions. This allows them to track, understand and pay for activities government is called upon to monitor.

The authors are also concerned that inherited wealth has created a deluded elite culture, and point to evidence showing two out of every three legacies who receive significant inheritances view themselves as members of the “I did it on my own” club. This is incredible, as almost 60 percent of America’s moneyed aristocracy was born into money.

The authors discuss the corrosive effect this has on elites, and contend that most end up “ill-prepared to earn their own way in the world.” This helps explain why they become “fearful of losing even part of their inheritance” and fund think tanks and initiatives that both support their cause and become purveyors of misinformation.

Gates’ and Collins’ argument is well-documented and compelling. You might not agree with their positions, but it is difficult to ignore their arguments — or their conclusions.

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