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‘This is a problem with a solution’

The super-rich often escape taxation. Economist Gabriel Zucman explains why and how a minimum tax could fix it

How is it possible that the richest people in our society often pay less tax than those who earn their income through regular work?

It’s possible because we collectively accept it. I wouldn’t say this choice has been made through a fully transparent or democratic debate, but it is the outcome we live with. In practice, we allow the super-rich to avoid income tax by structuring their wealth so that it generates very little taxable income. The important point is that this is a problem with a solution. That solution is a minimum tax: if you are super-rich, regardless of how your wealth is structured, you must pay a minimum amount every year. For this to work, the tax cannot be based on income, because the problem is precisely that reported income is very low. Instead, it must be based on wealth itself – the value of what you own – which is much harder to manipulate.

We’ve seen attempts at fairer taxation in the past, but many wealth taxes were abolished — Finland in 2006, Sweden in 2007, Denmark in 1997, Austria in 1994. What happened during that period that led governments to give up?

Several factors came together. There was an ideological shift, including the rise of anti-tax movements and the idea of tax competition. But there was also a practical issue: those wealth taxes didn’t work very well. They raised little revenue, and the super-rich were often largely exempt. As a result, people began to question their usefulness. We’ve studied those failures carefully to understand what went wrong and to design a proposal that avoids repeating those mistakes.

The dominant narrative today is that if wealth taxes are imposed, wealthy people will simply leave. But your analysis seems to suggest a different story.

Yes. What we actually observe is that revenues were low mainly

because the taxes were poorly designed. Wealth taxes often started applying at relatively low levels of wealth, which meant they affected primary homeowners or small business owners rather than the very wealthy. Policymakers responded by introducing many exemptions and carve-outs, especially for business and financial assets. As a result, the tax base was narrowed significantly. The assets most heavily held by the very wealthy were barely taxed, which led to low revenues and limited impact on the rich.

The key lesson that can be drawn from this is the need for a very broad tax base with virtually no exceptions. As soon as you introduce exemptions, you open the door to avoidance and wealth restructuring, especially at the top. That's why we also argue for high thresholds: they avoid liquidity problems and focus the tax on those who are demonstrably paying less today. This is also why we favor a minimum tax approach. Any taxes already paid can be credited toward the minimum, with a top-up applied if necessary. This design also addresses concerns about double taxation.

Mobility is often raised as an objection, but the research shows it is limited. And even where it exists, policy design, such as anti-exile rules, can make relocation a much less attractive option. Importantly, when earlier wealth taxes were introduced, governments lacked the transparency tools we now have, such as automatic exchange of information and beneficial ownership registers. These tools allow wealth to be identified and taxed far more effectively today.

Public opinion seems broadly supportive of wealth taxes. Yet in Switzerland, a recent referendum proposing a 50 per cent inheritance tax on assets above 50 million Swiss francs was rejected by 78 per cent of voters. How do you explain this contrast?

There's nothing surprising about that outcome. A modest wealth tax, around two per cent, is generally popular, not only in the EU but worldwide. A 50 per cent inheritance tax, by contrast, is very unpopular. Inheritance touches on family transfers, and many people dislike state interference within families. People also value the ability to leave something to their children, especially in a context of rising inequality and declining public services. There are also real liquidity problems with a 50 per cent inheritance tax, since people may be forced to sell assets to pay it. A two per cent wealth tax, by contrast, rarely creates liquidity issues for the super-rich, who usually have ample resources.

The failure of the Swiss referendum was entirely predictable and predicted. But if there were a referendum on a two per cent minimum tax on billionaires, I'm confident it would pass, even in Switzerland.

Polls in countries like France, Germany and Italy show strong support for a two per cent minimum tax, even across political parties.

A two per cent rate sounds modest. Statistically, the wealth of billionaires grows by around seven per cent per year, so a two per cent tax feels like a drop on a hot stone. Given that, should policymakers be fighting for more than two per cent, or is this meant as a compromise?

Personally, if I were a member of parliament in France, I would fight for more than two per cent. The arithmetic is straightforward. Over the past decades, the wealth of the super-rich in France has grown by about 10 per cent per year, while average wealth has grown by around four per cent. If you want to reduce wealth concentration and given the really extreme levels of wealth reached by French millionaires, there might be good reasons for trying to work actively at reducing their wealth and their power. You need more than six per cent. Bernie Sanders, for example, proposed an eight per cent tax on wealth above $10 billion in the United States.

That said, a two per cent minimum tax still matters. It will slow the pace of wealth concentration and cancel out regressivity at the top. Moving from zero to a positive number is a major step. It brings the super-rich into the realm of national solidarity and democratic responsibility. At the moment, they largely exist outside that sphere, which is shocking. Asking them to contribute, like everyone else, is already a profound change and that's why they resist it so fiercely.

How do you deal with resistance from the ultra-rich, especially those who actively oppose these measures and wield significant political influence?

It's not a problem that they oppose it. In fact, it's a good sign. It shows that the policy would make a real difference. Progress comes from building a shared understanding of the problem, of the available solutions, and of the strengths and trade-offs of proposals like the two per cent minimum tax. History teaches us not to underestimate the power of ideas or of democracy. These forces can take time, but they are powerful. The billionaires have enormous influence today and are using it to fight back. Still, I'm convinced that, in the end, democratic forces will prevail.

This interview was conducted by Valentina Berndt.



Gabriel Zucman

Berkeley, CA

Gabriel Zucman is an economist and assistant professor at the University of California.He has published numerous scientific articles on tax issues and wealth inequality.Zucman is also the author of the 2013 book *La richesse cachée des nations / The hidden wealth of nations* and publisher and co-founder of the semi-annual *Regards croisés sur l'economy.*He is a member of the Independent Commission for the Reform of International Corporate Taxation (ICRICT).