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The myth of the deserving billionaire

While the rich get the benefit of every doubt, the poor are viewed as requiring discipline. Why?

In 1981, President Ronald Reagan wanted to cut funding for children's nutrition programs as part of broader spending cuts that were billed to balance the budget while slashing taxes, particularly on the wealthy. School administrators suddenly needed to cut corners on federally subsidised school lunches, so the United States Department of Agriculture (USDA) proposed allowing them to classify condiments like ketchup and pickle relish as vegetables.

The public howled, and the rule was withdrawn. Nevertheless, the episode lodged itself in America's political memory as a manifestation of a bleak reality: when the rich get tax cuts, it is often the poor who pay.

US policymakers, however, never really learned their lesson. Reagan's 1981 tax legislation slashed the top marginal rate from 70 per cent to 50 per cent and cut capital-gains taxes from 28 per cent to 20 per cent, while delivering only modest relief to those in lower income brackets. Because the lost revenue had to come from somewhere, services for the poor were targeted.

While the reclassification of condiments as vegetables did not survive, other changes to the National School Lunch Program — reduced subsidies and tightened eligibility — have persisted. Other programs supporting lower-income households, from food stamps to Medicaid, were also scaled back.

The (un)deserving

The One Big Beautiful Bill Act, which President Donald Trump signed into law on 4 July, 2025, replicates this dynamic, but on a larger scale. The OBBBA extends and expands tax breaks, especially for the wealthiest households, while delivering the largest-ever cuts to programs serving low-income households. The Congressional Budget Office (CBO) estimates that the income of the bottom 10 per cent of US households

will fall by 3.1 per cent by 2034 as a result of the legislation, while that of the top 10 per cent will increase by 2.7 per cent.

Among the cuts included in the OBBBA are $863 billion in federal funding for Medicaid and $295 billion in funding for the Supplemental Nutrition Assistance Program over ten years. As a result of the legislation, the CBO expects 10.9 million Americans to lose their health insurance by 2034, and the USDA reports that SNAP benefits for some four million people have already been reduced or ended. Even more households will suffer if states reduce or end their participation in response to the legislation's requirement that they pay a share of SNAP's costs.

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And what does all this cruelty achieve? Fiscal consolidation certainly cannot be the goal: The CBO expects the OBBBA to increase the federal deficit by $2.8 trillion by 2034.

But a backlash is brewing, and it is increasingly taking the form of calls for wealth taxes. The California 2026 Billionaire Tax Act, which would impose a one-time 5 per cent wealth tax on the state's roughly 200 billionaires, gathered almost 1.6 million signatures by April 2026 — nearly double the number required to qualify for the ballot. It is explicitly framed as a response to OBBBA-driven cuts to California's Medicaid program (Medi-Cal) and food assistance.

Not everyone is on board with the idea, to say the least. Steven Roth, the billionaire chairman and CEO of Vornado Realty Trust, used his company's 5 May earnings call to complain that criticism of high earners unfairly portrays the wealthy as 'evil' or 'suckers,' when they 'should be praised and thanked.' He even compared the phrase 'tax the rich' to 'racial slurs.'

The economist Michael R. Strain of the conservative American Enterprise Institute has offered a more considered case against taxing the ultra-wealthy. He argues that wealthy people become so not by taking from others, but by 'generat[ing] new wealth'—and keeping a 'small slice for themselves.' However much they are worth, they have created far more than that in 'value for the rest of society.'

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Strain's argument, like Reagan's tax cuts and the OBBBA, reflects a durable belief: the wealthy are fundamentally deserving — smarter than average, creators of jobs, and, often, generous. Research consistently finds that the wealthy are assumed to be hard workers, even though, as Paul Johnson and Howard Reed showed three decades ago, the best predictor of wealth is the economic standing of one's parents. Even when the wealthy engage in tax avoidance, studies find that the public tends to blame the government for leaving loopholes open.

While the rich get the benefit of every doubt, the poor are viewed as requiring discipline. When they receive benefits, they face intense scrutiny of their character and choices. SNAP and Medicaid recipients face work-documentation requirements, biannual eligibility re-verification, and the prospect of state-level program collapse. Many states prohibit SNAP benefits from being used for foods deemed unhealthy. Why, then, don't corporations have to prove that accelerated depreciation led to more investment, even as they use it to unlock significant tax savings?

But the US might be approaching a ketchup moment. While 55 per cent of Americans say their financial situation is deteriorating —the highest share in a quarter-century — the wealth of the top 1 per cent is reaching record highs. Against this backdrop, defending billionaires from 'oppressive' taxation is politically convenient nonsense, akin to describing a sugary condiment as a nutritious vegetable.

I agree with the wealth-tax critics on one point: there is, in theory, a tax rate high enough to drive the wealthy from the US. But there is little reason to think that the country is remotely close to hitting it. After all, the US tax-to-GDP ratio is about 25 per cent, compared to an OECD average of around 34 per cent.

A study conducted by US President Joe Biden's administration found that, when unrealised gains are included, the top 400 billionaire families paid an effective federal tax rate of just 8.2 per cent between 2010 and 2018, compared to 13 per cent for the average American taxpayer. Nearly every developed country taxes its citizens at a higher rate. So, where would billionaires go?

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