# MASTERARBEIT | MASTER'S THESIS

Titel | Title

Someone's Gotta Give: A Critical Examination of Arguments Against Inheritance Taxes

verfasst von | submitted by

Jens Marinus Kuppers BSc

angestrebter akademischer Grad | in partial fulfilment of the requirements for the degree of

Master of Arts (MA)

Wien | Vienna, 2025

| | |
|---|---|
| Studienkennzahl lt. Studienblatt \| Degree programme code as it appears on the student record sheet: | UA 066 642 |
| Studienrichtung lt. Studienblatt \| Degree programme as it appears on the student record sheet: | Masterstudium Philosophy and Economics |
| Betreut von \| Supervisor: | Univ.-Prof. Dr. Hans Bernhard Schmid |

# Table of Contents

CHAPTER 1: INTRODUCTION

## 1.1 Background and Context

Inheritance taxation has long been a focal point of debate within both philosophical and economic circles, frequently sparking discussions on wealth distribution, social justice, and individual liberty. In many jurisdictions, inheritance or estate taxes serve dual purposes: raising public revenue and redistributing wealth to mitigate economic inequalities (Murphy and Nagel, 2002). Proponents of inheritance taxation argue that it can curb intergenerational wealth concentration, promote social mobility, and increase overall fairness in the distribution of resources (Repetti and Caron, 2013). Critics, however, maintain that inheritance taxes can create economic disincentives, infringe on personal freedoms, and disrupt family and community bonds.

This thesis proposes three self-defined categories of arguments against inheritance taxation: Pragmatic, Will-based, and Communitarian. Drawing on a comprehensive review of existing literature, I have synthesized the debates into these three distinct categories to capture the breadth of objections. The Pragmatic argument highlights the economic impact of inheritance taxes, contending that they stifle entrepreneurship, influence labor supply, and discourage saving (Holtz-Eakin, Joulfaian, and Rosen, 1993, 1994a, 1994b; McCaffery, 1994). The Will-based argument emphasizes autonomy and ownership, alleging that inheritance taxes infringe on individual freedom and impose involuntary resource redistribution (Rothbard, 2006; Vallentyne, 2007). Finally, the Communitarian argument underscores the importance of family and community, asserting that inheritance helps preserve continuity in family businesses, farms, and legacies (Bracewell-Milnes, 1997; Nagel, 2009; Neuhäuser, 2022).

Situated at the intersection of philosophical and economic thought, this thesis offers a systematic assessment of the primary arguments opposing inheritance taxation. It concentrates on anti-tax positions precisely because of their intellectual nuance; by contrast, arguments favoring inheritance taxes often appear almost self-evident — heirs receive unearned advantages from wealth they did not create (Atkinson, 2015). Despite this intuitive rationale, inheritance taxes remain controversial, especially in policy contexts (Neuhäuser, 2022, p. 198). By synthesizing insights from multiple theoretical perspectives, this study explains how these anti-tax arguments intersect, reinforce, or conflict with one another — revealing why they persist despite the seemingly straightforward case for taxing bequests. Ultimately, the thesis does not seek to definitively endorse or reject inheritance taxation; rather, it provides a balanced evaluation of the most prominent objections raised by its critics.

## 1.2 Purpose and Objectives

The central purpose of this thesis is to synthesize the major strands of anti-inheritance tax literature into three core arguments — Pragmatic, Will-based, and Communitarian — and to evaluate each by presenting its key points and exploring potential counterarguments or avenues for reconciliation. In order to achieve this aim, the following objectives guide the research:

1. **Identify and characterize key objections** to inheritance taxation across the three categories: Pragmatic (micro- and macro-economic), Will-based (autonomy), and Communitarian (family and legacy).
2. **Assess the philosophical underpinnings** of each objection by drawing on relevant theories of property, justice, and distributive ethics (including, but not limited to, Locke, Rawls, and Nozick).
3. **Investigate possible reconciliations or hybrid views**, such as Pedersen's (2018) "Just Inheritance Taxation" framework or the concept of "limiting lifetime inheritances" (Robeyns, 2024), which seek to preserve autonomy and community while reducing harmful wealth concentration.
4. **Determine the broader implications** of these arguments for contemporary taxation policy, economic equity, and moral philosophy.

Ultimately, the thesis will evaluate the collective persuasiveness of these anti-inheritance tax arguments and discuss whether and how policymakers might integrate these insights into their legislation.

## 1.3 Significance of the Study

Inheritance taxation remains a contentious issue in many developed economies, shaping public discourse and influencing political agendas. Debates about estate or inheritance taxes often serve as proxy battles over meritocracy, social justice, and individual liberty (Murphy and

Nagel, 2002). Meanwhile, growing wealth inequalities have renewed the urgency of assessing inheritance taxes, both in scholarship and in policymaking (Piketty, 2014; Robeyns, 2024).

From a philosophical perspective, the tension between individual autonomy and collective responsibility lies at the core of inheritance tax debates (Rawls, 1971; Nozick, 1974). Understanding how critics conceptualize this tension, and determining whether their arguments are internally consistent or empirically grounded, is essential for well-informed policy deliberation. By systematically examining the Pragmatic, Will-based, and Communitarian objections, and situating them within broader theories of justice and economic welfare, this thesis contributes to both normative and practical discussions on the ethically contested boundaries of state intervention.

In practical terms, analyzing these objections carries direct significance for policymakers who seek to design or refine inheritance tax frameworks. Highlighting the complexities of each argument — including its philosophical underpinnings and empirical claims — can guide lawmakers in striking a careful balance between personal freedom, economic considerations, and communal interest. Consequently, this study not only broadens academic understanding of why inheritance taxation remains controversial, but also offers a foundation for more effective, equitable policy solutions in the face of ever evolving socioeconomic realities.

## 1.4 Research Questions

To fulfill the above mentioned aims and objectives, this thesis is guided by the following research questions:

1. What are the central economic, moral, and social critiques advanced by those who oppose inheritance taxation?
2. How do these critiques interact with leading philosophical frameworks on property, autonomy, and justice?
3. What counter-arguments or reconciliations have been proposed by proponents of inheritance taxation or moderate perspectives, and are they convincing in light of the evidence presented?

4. What are the implications of these debates for contemporary tax policy and broader economic and social structures?

Addressing these questions requires an interdisciplinary approach that integrates philosophical argumentation with economic data and policy discussions.

CHAPTER 2: THEORETICAL FRAMEWORK

## 2.1 Philosophical Foundations of Taxation

Discussions about inheritance taxation operate within broader philosophical and economic debates on the legitimacy and purpose of taxation. While inheritance tax critics and proponents may differ in emphasis, most draw on enduring questions: *What justifies state authority to collect taxes? Do individuals have a right to dispose of property as they wish without government interference? How should society reconcile notions of individual freedom and collective welfare?*

This chapter will discuss the relevant philosophical foundations behind these questions on taxation. Foundations like the classical and social contract perspectives of Jean-Jacques Rousseau (1987), and the libertarian perspectives on taxation of Robert Nozick (1974), will demonstrate how these philosophical foundations are used to either support or oppose inheritance taxes. Through understanding the foundations surrounding the philosophical debates on taxation the three anti-inheritance tax perspectives — Pragmatic, Will-Based, and Communitarian — can be better understood.

### 2.1.1 Classical and Social Contract Perspectives

John Locke (1689/1980) is frequently invoked as a foundational figure in property rights debates. In his "*Second Treatise of Government*", Locke argues that individuals hold natural rights to the fruits of their labor, with only minimal intrusion allowed by the state to preserve life, liberty, and property. A Lockean framework often underlies objections to inheritance taxation, as it emphasizes the moral primacy of private property and the limited right of the state to interfere in voluntary bequests.

Conversely, social contract theorists like Jean-Jacques Rousseau (1987) and John Rawls (1971) present a framework that justifies taxation if it serves to protect fair equality of opportunity or promote the well-being of the least advantaged. In "*A Theory of Justice*", Rawls's (1971) "difference principle" allows for redistributive policies if they benefit the worst-off members of society. Inheritance taxation can thus be construed as an instrument of fairness, preventing the consolidation of wealth in a small segment of the population. Critics of inheritance taxes, however, often counter that even if a degree of redistribution is necessary, inheritance taxes still violate familial autonomy and personal freedom, often more so than income or consumption taxes — as former President of the United States George W. Bush put it, "I just don't think it's fair to tax people's assets twice" (Murphy and Nagel, 2002, p. 143). Critics thus argue that the costs of violating familial autonomy and personal freedom are not worth the rewards of equal wealth distribution. This normative superiority of freedom over fairness is a theme that will come across quite frequently in the opposition camp of inheritance taxes, as well as in libertarian philosophy.

### 2.1.2 Libertarian and Minimal State Arguments

Libertarian philosophers such as Robert Nozick (1974) and Murray Rothbard (2006) offer some of the more extreme conceptual foundations for objections to inheritance taxation. Building on Locke, Nozick’s (1974) "*Anarchy, State, and Utopia*" posits that any form of forced redistribution violates individual rights unless it results from consensual transactions. Rothbard (2006) similarly defends a non-compromising view of personal liberty — arguing that property rights are sacrosanct and the state’s only legitimate function is to protect individual freedoms. Within these perspectives, inheritance taxation is often viewed as a coercive intrusion upon the freedom to allocate one’s resources according to personal choice or family preference. Therefore, it is a philosophy that is often supported by opponents of inheritance taxes, as will become evident throughout this thesis.

### 2.1.3 Utilitarian Considerations

From a utilitarian perspective, championed by philosophers like Jeremy Bentham (1970) and John Stuart Mill (1848), taxation should maximize overall social welfare. While utilitarians differ on how best to measure “the greatest good,” it is possible to justify certain inheritance taxes if they can be shown to increase total welfare — particularly by funding public goods or ensuring broader access to opportunities. Nevertheless, if inheritance taxation undermines economic productivity or disproportionately affects familial stability, utilitarian theorists may question its net benefits. Such tensions underscore the competing values, like efficiency and equity, that are often at play in debates on taxation (Mirrlees, 1971).

### 2.1.4 Contemporary Ethical Theories of Taxation

In more recent scholarship, philosophers and economists alike grapple with the complexities of modern tax systems. Murphy and Nagel (2002), for instance, contend that tax policies cannot be disentangled from broader questions of social cooperation: taxation shapes property rights as much as it reflects them. Thomas Piketty (2014) highlights how inheritance tax debates have renewed relevance in an era of growing wealth inequality, positing that unchecked capital accumulation can threaten democratic ideals like equal opportunity. At the same time, scholars like Pedersen (2018) and Robeyns (2024) propose that inheritance taxes — if carefully structured — could balance individual rights with collective needs — thereby responding to the concerns raised by the opponents of inheritance taxes.

A key takeaway is that the philosophical foundations of taxation are diverse, drawing on Lockean property rights, Rawlsian justice-based arguments, libertarian minimal-state theories, and utilitarian approaches. These viewpoints frame the debates around inheritance taxes, setting the stage for analyzing the three categories of anti-inheritance tax arguments presented in this thesis — Pragmatic, Will-based, and Communitarian — each of which, as will become evident, is inspired in some way by these philosophical foundations.

## 2.2 Key Concepts: Pragmatic, Will-Based, and Communitarian Perspectives

The literature against inheritance taxation in this thesis are categorized into three broad perspectives that frequently intersect: Pragmatic, Will-based, and Communitarian. Each perspective highlights distinct concerns, whether focused on economic efficiency, individual autonomy, or social and familial values. Although these viewpoints present different critiques, they are not always mutually exclusive; one can advocate for reduced inheritance taxes on both (Pragmatic) economic and (Will-based) autonomy grounds, for example.

### 2.2.1 Pragmatic Perspective

The Pragmatic argument is a synthesis of existing literature that focuses on the adverse real-world economic outcomes of inheritance taxes. Hence, this argument asserts that inheritance taxation can create economic distortions that harm society at large. Scholars such as Holtz-Eakin, Joulfaian, and Rosen (1993, 1994a, 1994b) and McCaffery (1994) demonstrate that high inheritance taxes:

1. **Influence Labor Supply and Savings**: Heirs may feel disincentivized to work, and testators (those who pass on wealth) may reduce savings if they anticipate large portions being taxed away (McCaffery, 1994; Holtz-Eakin, Joulfaian, and Rosen, 1993).

2. **Hinder Entrepreneurial Activity**: Heavy taxes can disrupt family businesses or farms, limiting investment and innovation (Holtz-Eakin, Joulfaian, and Rosen, 1994b).
3. **Exacerbate Consumption Inequalities**: McCaffery (1994) posits that inheritance taxes can paradoxically increase consumption-based disparities — as testators will spend more of their wealth in their lifetime — if the tax pushes heirs to liquidate assets prematurely or inflate certain expenditures.

Pragmatic concerns often coincide with broader neo-liberal economic arguments that warn against heavy-handed government intervention (Friedman, 1962). If higher inheritance taxes compromise economic growth, job creation, or capital formation, critics claim these negative outcomes may outweigh the potential benefits of these taxes — like revenue generation for social services and equal wealth redistribution.

### 2.2.2 Will-Based Perspective

The Will-based perspective synthesizes a body of literature contending that inheritance taxes infringe upon individual freedom. In this view, such taxes violate personal autonomy and property rights — values grounded in libertarian and rights-based philosophies (Vallentyne, 2007; Rothbard, 2006). Specifically, the act of bequeathing property is regarded as a natural extension of personal liberty, rendering state-imposed levies on bequests an undue restriction on one's right to dispose of property. Robert Nozick (1974) similarly criticizes redistributive taxation for intruding on individual freedom and effectively using people as a means to others' ends. Consequently, counter-arguments from this perspective emphasize:

1. **Autonomy and Freedom**: Deciding how to distribute one's property and wealth — whether during life or after death — is inherently linked to individual agency (Rothbard, 2006).
2. **Ethical Intrusion**: Critics contend that any tax that directly restricts this disposition, rather than merely taxing income or consumption, constitutes a greater intrusion on liberty (Rothbard, 2006).
3. **Compromising Individual Autonomy for Collective Welfare**: Some scholars have proposed compromises or design features (such as exemptions for small estates or a progressive rate structure) that mitigate — but do not completely

eliminate — concerns about intrusion on personal will (Vallentyne, 2007; Pedersen, 2018).

The Will-based critique overlaps with the Pragmatic perspective when individuals contend that inheritance taxation could reduce personal incentives for wealth creation. However, Will-based arguments are distinct in grounding objections primarily in moral and normative claims about personal freedom, rather than the practical and empirical perspective of the Pragmatic argument.

### 2.2.3 Communitarian Perspective

Although communitarian theories do not always address inheritance taxes explicitly, critics of inheritance taxation sometimes draw on communitarian insights to emphasize the importance of family and communal ties. Nagel (2009), for instance, discusses how minimal taxation of inherited wealth might preserve parental capacity to support children; while Bracewell-Milnes (1997) and Neuhäuser (2022) highlight the crucial role of inheritance in sustaining family-owned businesses — like family farms — and communal identity. Therefore, the Communitarian argument against inheritance taxation is a synthesis of existing literature that emphasizes:

1. **Family Bonds and Legacy**: Inheritors are not merely individual beneficiaries; they are part of a broader network of relationships. High inheritance taxes might disrupt these ties by forcing the liquidation of land or businesses (Nagel, 2009; Neuhäuser, 2022).
2. **Social Continuity and Cultural Transmission**: Communitarian arguments frame inheritance as part of a cultural heritage, transmitted across generations in ways that enrich collective identity (Walzer, 1983; MacIntyre, 1981).
3. **Moral Significance of Personal and Collective Narratives**: Rather than treating inheritance purely as a transfer of capital, communitarians emphasize shared stories, lineage, and social obligations that unify communities over time (Bracewell-Milnes, 1997; MacIntyre, 1983).

Communitarian opponents of inheritance taxation claim that by undervaluing the significance of family bonds, society risks eroding the social fabric that is woven by intergenerational support. This approach can also intersect with Will-based arguments to the extent that it sees the individual right to bequeath as integral to broader communal flourishing.

## 2.3 Integrating the Three Perspectives

Although each perspective — Pragmatic, Will-based, and Communitarian — focuses on different objections to inheritance taxation, they often inform and interact with one another in policy and research debates. For example, a family business owner might argue from a Pragmatic standpoint that inheritance taxation undermines investment capacity, but also appeal to a Communitarian principle that emphasizes generational continuity and moral obligations within the family. Meanwhile, a libertarian viewpoint might blend both Pragmatic and Will-based concerns: not only do inheritance taxes discourage wealth accumulation, they also violate fundamental liberties.

### 2.3.1 Overlaps and Tensions

Hence, there are clear overlaps:

- Economic efficiency (Pragmatic) can reinforce autonomy (Will-based) by suggesting that taxes not only harm markets but also unjustly infringe personal property rights.
- Autonomy (Will-based) can complement family and community values (Communitarian), underscoring the importance of private decision-making in nurturing relationships and legacies.

However, tensions can arise between these possible overlapping viewpoints as well. Certain communitarians might support inheritance taxation if it fosters broader community well-being, thereby clashing with a non-compromising Will-based viewpoint on taxation. And some economists prioritize revenue efficiency and social welfare objectives, thereby opposing the Pragmatic stance if conflicting data indicates that well-calibrated inheritance taxes do not, in fact, stifle growth (Repetti and Caron, 2013).

### 2.3.2 Relevance to Policy and Design

Understanding the interplay of these three perspectives is key to designing or critiquing inheritance tax policies. For instance, Pedersen (2018) and Robeyns (2024) suggest specific policy proposals — like a bequest cap or lifetime gift limits — that aim to satisfy autonomy and communitarian values while also redistributing excessive concentrations of wealth. Such frameworks highlight possible middle grounds, like:

1. Exemptions or thresholds to protect smaller estates, businesses, and farms — thereby, addressing communitarian and pragmatic concerns.
2. Progressive rates so that only large fortunes are heavily taxed — aiming to balance pragmatic worries about economic growth with broader egalitarian goals.
3. Transparent, earmarked revenues from inheritance taxes for social investments (e.g., education), which can speak to a Rawlsian or utilitarian emphasis on equal opportunity — and possibly address Will-based concerns.

Critics, however, may still dispute the justifiability of any inheritance tax, arguing that even nuanced policies infringe too deeply on personal liberty or disrupt communal relationships. This underscores that while theoretical frameworks offer routes toward reconciliation, the anti-inheritance tax arguments remain robust and multifaceted.

## 2.4 Chapter Summary

This chapter has traced the philosophical foundations of taxation, revealing how different theories — Lockean, Rawlsian, libertarian, and utilitarian — offer varying degrees of justification or critique for taxes in general, and inheritance taxes in particular. These theoretical underpinnings set the stage for understanding why inheritance taxation is so controversial: it uniquely touches on property, autonomy, and community in ways that other taxes, like income and consumption taxes, may not. Thereby challenging the apparent self-evident rationale behind taxing bequests.

The synthesis of existing literature into Pragmatic, Will-based, and Communitarian perspectives capture the major lines of objection to inheritance taxation:

1. **Pragmatic** arguments raise concerns about economic incentives, savings, and growth.
2. **Will-based** arguments emphasize individual autonomy and property rights.
3. **Communitarian** arguments spotlight familial and social bonds, stressing the moral importance of generational continuity.

The next chapters will delve deeper into each perspective, beginning with a thorough exploration of the Pragmatic argument in Chapter 3. By examining economic theory, empirical research, and counterpoints, this thesis will evaluate the viability of each anti-inheritance tax argument and suggest possible policy frameworks that address these legitimate concerns.

CHAPTER 3: THE PRAGMATIC ARGUMENT AGAINST INHERITANCE TAXES

## 3.1 Economic Disincentives: Reduced Labor, Savings and Innovation

The Pragmatic argument against inheritance taxation broadly contends that such **taxes can generate adverse economic consequences**, both at the micro (individual or firm) and macro (aggregate economy) levels. The extensive literature representing this argument emphasize that taxing bequests may:

1. **Influence Labor Supply**: Anticipation of an inheritance can dampen heirs' motivation to work, thereby affecting overall productivity (Holtz-Eakin, Joulfaian, and Rosen, 1993).
2. **Diminish Savings and Capital Accumulation**: Testators may respond to anticipated taxation by saving less, which, in turn, depresses the availability of investable funds in the broader economy (McCaffery, 1994).
3. **Hinder Entrepreneurship and Innovation**: Family-owned businesses and farms may face liquidity pressures when forced to pay large tax bills, reducing their capacity to reinvest in growth and stifling innovation (Holtz-Eakin, Joulfaian, and Rosen, 1994a, 1994b).

The literature that best represent the Pragmatic tradition are the work by Edward J. McCaffery (1994) and Douglas Holtz-Eakin, David Joulfaian, and Harvey S. Rosen (1993, 1994a, 1994b). Both sets of authors put forth compelling cases — McCaffery (predominantly) theoretical, and Holtz-Eakin et al. empirically — that illustrate how inheritance taxes, especially when rates are high, can produce unintended yet significant economic distortions. Their research informs much of the contemporary debate around whether the costs of inheritance taxes may, at times, outweigh the social benefits of wealth redistribution and revenue generation (Pederson, 2018).

The following chapter will provide a detailed examination of each author's primary contentions and discuss why their work is central to the Pragmatic argument against inheritance taxation.

## 3.2 The Paradoxical Benefits of Inheritance Taxes

In his work titled, "*The Political Liberal Case Against the Estate Tax*", Professor Edward J. McCaffery (1994) explores how higher inheritance taxes, or estate taxes as he calls them, can inadvertently exacerbate economic and social inequalities. While McCaffery draws on liberal political theory to frame his critique, he is primarily concerned with the practical, real-world economic effects that estate taxes can create. He observes that they — paradoxically — contradict the very egalitarian goals they are meant to serve. Although McCaffery writes from a standpoint that is broadly sympathetic to liberal values, such as fairness, social cooperation, and equal opportunity, he questions whether inheritance taxes can effectively promote these values. His work points to the possibility that such taxes may impose costs on exactly the communities that liberals seek to help.

McCaffery's (1994, p. 288) central claim is that inheritance/estate taxes influence the behavior of individuals in such a way that it will increase certain forms of inequality, and hence backfire on the social benefits these taxes aim to generate. According to McCaffery (1994, p. 313) if citizens, typically wealthy individuals, anticipate high inheritance taxes, testators may choose to consume more of their wealth during their lifetime to avoid posthumous taxation. This can lead to increased short-term spending sprees on luxury goods or other extravagances, rather than long-term savings or investments. This reduced incentive to save and invest will hinder capital accumulation and, in turn, broader economic growth. What's more, if testators are driven to consume most of their wealth during their lifetime then it will leave little capital for the government to allocate to different socially beneficial organizations (like education, technology, or philanthropic/innovative businesses).

McCaffery (1994, p. 324) also posits that forcing families to deplete wealth in anticipation of taxation can shift inequalities from the realm of capital (long-term assets, investments) to *consumption-based inequalities*, wherein wealthier individuals will shield their assets through alternative tax avoidance measures or lifestyle spending. Thus, ironically, McCaffery (1994, p. 364) contends that a seemingly egalitarian policy may not redistribute resources to the extent proponents hope. Instead, it can prompt behavioral changes that reduce the overall pool of capital that might otherwise be taxed or invested in socially beneficial ways.

According to McCaffery (1994, p. 319), these behavioral effects that inheritance taxes can have leads to important implications for policymakers. For one, policymakers must now carefully design inheritance taxes so that they consider the adverse effects on behavior these taxes can generate. This will ensure that policymakers design taxes that minimize the aforementioned large-scale spending sprees of testators. Otherwise, inheritance taxes might garner fewer revenues than anticipated and, in turn, lead to the paradoxical backfiring of social benefits that McCaffery mentioned.

McCaffery (1994, p. 287) further emphasizes the critical role of public perception in shaping inheritance tax policy. If the public views the tax as fair, policymakers may find it easier to introduce amendments that help realize the social benefits that inheritance taxes can create. Conversely, if high-profile examples of spending sprees — used by wealthier individuals to avoid future taxation — fuel consumption-based inequalities, public skepticism about the tax's fairness and effectiveness could grow. Consequently, legislators must carefully design inheritance taxes to mitigate these adverse effects and maintain public confidence in the system.

Finally, McCaffery's (1994, p. 325) critique also paves the way for considering alternative forms of taxation (e.g. higher capital gains or income taxes) that might be more transparent and less distortionary in terms of consumption and savings. He argues that such taxes avoid the practical inconveniences higher inheritance taxes might create due to inheritance tax's unique effects on behavior and, subsequently, their effects on the economy at large.

Through bridging liberal political theory with economic analysis, McCaffery (1994) brings a unique perspective that warns of the possible behavioral consequences that can arise with increased inheritance taxes. He does not simply champion laissez-faire principles but rather notes the internal contradictions that arise when inheritance taxes are implemented under the banner of egalitarianism without due attention to their real world-effects. Hence, opponents of inheritance taxes, like McCaffery, caution of the pragmatic limitations that come with inheritance taxes, and suggest policy makers should look beyond the social benefits they might, one day, generate and instead focus on analyzing the effects they currently have on behavior.

## 3.3 The Empirical Reflecting the Theoretical

In 1993 and 1994, Holtz-Eakin, Joulfaian, and Rosen published three papers that set out to test the so-called "Carnegie Conjecture". That idea, inspired by Andrew Carnegie's own philanthropic commitments, being that large inheritances discourage heirs from productive labor and, therefore, from contributing to economic growth. While the authors investigate multiple dimensions of this conjecture, the part of their research most relevant to inheritance taxation concerns how high tax liabilities on bequests might alter the entrepreneurial and savings behavior of would-be heirs and testators. Like McCaffery (1994), Holtz-Eakin, Joulfaian, and Rosen (1993, 1994a, 1994b) focus on the behavioral effects inheritance might elicit and thus also the larger economic consequences caused by these behavioral changes.

Building on their empirical investigations, Holtz-Eakin et al. (1994a, p. 69) highlight several key findings. First, they observe that entrepreneurial investment is highly responsive to taxation: when individuals receive significant inheritances, they are more likely to remain entrepreneurs and reinvest those funds into their businesses. If a large portion of that inheritance is then taxed away, however, the resulting reduction in capital can discourage further investment in smaller ventures. Moreover, smaller businesses and family farms, in particular, may encounter liquidity shortfalls when heirs must liquidate core assets to cover substantial tax bills (Holtz-Eakin et al., 1994b, p. 20). According to the authors, these factors diminish the prevalence of small enterprises, thereby undermining economic dynamism and innovation. Notably, some of the world's most influential corporations — like Google, Tesla, and Facebook/Meta — began as small businesses supported by early-stage investments — serving as an important reminder that robust entrepreneurial activity can eventually spur far-reaching economic growth and innovation (Bluehost.com, 2016).

Another key insight concerns the effect of inheritances on labor supply. Holtz-Eakin et al. (1993, p. 420) find that large inheritances — especially if they face limited taxation — can reduce heirs' labor participation; thereby supporting the Carnegie Conjecture. However, the authors also note that how inheritances are taxed can influence whether heirs devote their resources to entrepreneurial activities or simply exit the workforce altogether. Some may launch new ventures, leveraging their capital, whereas others follow the Carnegie Conjecture's prediction and leave the labor market due to a diminished need to earn income. Consequently, lower inheritance taxes could have the unintended side effect of shrinking the overall labor force — an outcome that is definitively problematic for long-lasting economic vitality.

Holtz-Eakin, Joulfaian, and Rosen (1994b) additionally show that high inheritance taxes can create liquidity constraints, compelling heirs to liquidate or downsize business operations to meet their tax obligations. Such constraints can lead to suboptimal decisions — postponing profitable projects, reducing research and development, or even selling the firm to external buyers (Holtz-Eakin et al., 1994a, 1994b). In turn, this diminishes innovation and hinders ventures from refining new products. Collectively, these findings support the broader claim, as advanced by McCaffery (1994), that inheritance taxes do more than redistribute wealth: they actively distort economic choices in ways that could undermine both productivity and innovation.

In line with McCaffery's (1994) critique, the empirical work of Holtz-Eakin, Joulfaian, and Rosen (1993, 1994a, 1994b) carries critical policy implications. For instance, to minimize detrimental effects on small businesses, policymakers might establish higher exemption thresholds or incorporate targeted provisions for certain business assets — ensuring that smaller firms can continue growing and innovating without being constrained by regulations designed for larger enterprises. Additionally, policymakers could permit heirs to spread out inheritance tax payments over longer periods (e.g., through installment plans), thereby mitigating the liquidity shortfalls that can arise when large tax liabilities come due all at once. From a purely Pragmatic standpoint, if the priority is to foster entrepreneurial activity, these findings suggest that inheritance taxes, as currently administered in some nations, may be counterproductive. Adopting a more nuanced approach could help sustain a vibrant small-business culture — and thus requires a reexamination of how inheritance taxes are structured and enforced.

Since the authors employed a rigorous empirical methodology which combined econometric data analysis with case studies of entrepreneurial decision-making, their work has proven influential among economists and policymakers — evident by the 1993 paper's 400 plus citations and the 1994 papers' combined 1700 plus citations. The work by Holtz-Eakin, Joulfaian, and Rosen (1993, 1994a, 1994b) is therefore highly influential, and, for the purposes of this thesis, provides relevant empirical backing for those who have Pragmatic concerns with the unintended economic fallout that inheritance taxes might cause.

## 3.4 Situating the Pragmatic Literature in the Broader Debate

Despite approaching the subject from slightly different angles — McCaffery (1994) with a focus on consumption behaviors and Holtz-Eakin et al. (1993, 1994a, 1994b) with a focus on entrepreneurship and liquidity — the two works share core concerns that represent the Pragmatic argument against inheritance taxes. For one, they both suggest that inheritance taxes can trigger behavioral changes (whether increased consumption or reduced investment) that can undercut the intended policy goals of these taxes. McCaffery suggested this theoretically while Holtz-Eakin et al. supported McCaffery's concerns with actual empirical data. Secondly, they both expressed concerns regarding the adverse effects these taxes can have on economic dynamism. With McCaffery emphasizing macro-level shifts (reduced savings and capital formation), whereas Holtz-Eakin et al. highlight micro-level disruptions to entrepreneurship. Thirdly, central to both analyses is the claim that inheritance taxes, if poorly designed, might yield perverse incentives leading to lower-than-expected tax revenues, weaker economic growth, and potentially higher consumption-based inequalities (McCaffery, 1994; Holtz-Eakin et al., 1994a).

These shared concerns raised by these key studies have had a huge influence on the academic discourse surrounding inheritance taxes. For example, subsequent research (Kopczuk and Slemrod, 2003; Gentry and Hubbard, 2004) has expanded on the notion that the wealthy, anticipating heavy taxes, engage in avoidance strategies, or 'tax shelters' as Holtz-Eakin et al. (1994a, p. 73) calls them, that may involve shifting assets abroad or setting up complex trusts. These behavioral distortions also resonate with the concerns McCaffery (1994) had raised. Furthermore, these concerns in the Pragmatic viewpoint have had relevance in the contemporary discussions of wealth inequality — which often return to the question of whether inheritance taxes truly reduce intergenerational disparities (Piketty, 2014). By underscoring the potential for negative economic effects, McCaffery (1994) and Holtz-Eakin et al. (1993, 1994a, 1994b) provide a compelling case for policymakers and academics to find a way to balance equity goals against potential harm to economic vitality. Hence, I have chosen these two studies to represent the Pragmatic argument against inheritance tax — not only because of their well-argued concerns but also because of their influence on the academic discourse surrounding inheritance taxes at large.

## 3.5 Responses to the Pragmatic Argument

Despite the robust claims advanced by McCaffery (1994) and Holtz-Eakin et al. (1993, 1994a, 1994b), a number of scholars contest the validity of their predicted negative outcomes. For one, critics of the Pragmatic position maintain — despite the evidence presented by the opposing side — that inheritance taxes can promote social welfare by curbing massive intergenerational wealth transfers and funding public goods. Therefore, over the long term, systematic taxation of accumulated wealth could produce a more dynamic economy, thanks to the government's role in dispersing capital more equitably and promoting social mobility more than a tax-free society could (Repetti and Caron, 2013). Such organized distribution of wealth — an advantage a tax-free or low-tax system cannot claim — has the potential to allocate capital to areas of need, thereby fostering long-range economic vitality.

Another counterpoint that economists note is that moderate inheritance taxes with carefully designed exemptions, possibly for small businesses, do not necessarily depress growth or entrepreneurship (Murphy and Nagel, 2002). They emphasize that the devil is in the details of how inheritance tax policy is structured and enforced, and how this structure and enforcement can differ per country or even per state. Hence, it is difficult to claim that inheritance taxes will always have the same negative effects mentioned by McCaffery (1994) and Holtz-Eakin et al. (1993, 1994a, 1994b) as these taxes vary case by case, country by country, culture, by culture, in how they are applied.

As a result, debates remain polarized, with the Pragmatic argument continuing to serve as a prevalent critique of inheritance taxation in policy circles and academic discourse. The tension between these counterarguments and the claims of McCaffery, Holtz-Eakin et al., and their successors underscores why there is no simple consensus on the subject.

## 3.6 Chapter Summary

In this chapter, I examined the body of literature which coalesced into the Pragmatic argument against inheritance taxation, focusing in particular on the influential works of Edward J. McCaffery (1994) and Douglas Holtz-Eakin, David Joulfaian, and Harvey S. Rosen (1993, 1994a, 1994b). Both sets of authors highlight how inheritance taxes may distort economic behavior — be it through increased consumption and reduced saving (McCaffery) or constraints on entrepreneurship and liquidity (Holtz-Eakin et al.). Their findings should play a pivotal role in shaping policy debates, in order to safeguard economic growth and entrepreneurial vigor through well-crafted inheritance taxes that curb the negative behavioral effects these studies highlight.

Nevertheless, these arguments face substantial counterpoints. Proponents of inheritance taxation argue that more equitable distributions of wealth and better-funded public services can, in fact, fuel long-term economic dynamism and social mobility. The question of whether — and to what extent — inheritance taxes hinder economic performance thus remains contested; hinging on factors such as tax design, exemptions, and broader market conditions (like inheritance tax policies differing across the world).

In Chapter 4, the thesis transitions to the Will-based argument, which critiques inheritance taxation from a normative perspective, emphasizing autonomy and property rights. While Pragmatic objections center on economic implications, Will-based critiques pose deeper questions about individual liberty and the rightful scope of state intervention in personal affairs.

CHAPTER 4: THE WILL-BASED ARGUMENT AGAINST INHERITANCE TAXES

## 4.1 Autonomy and the Importance of Individual Freedom

The Will-based argument against inheritance taxation is a synthesis of anti-inheritance tax literature that underscores **individual autonomy** as the **key moral principle that should guide policy on wealth transfers**. Within this perspective, the fundamental right to control one's property — both during life and after death — supersedes considerations of social utility or redistribution. Scholars in this tradition often invoke self-ownership, suggesting that any interference with how one chooses to dispose of legitimately acquired resources constitutes an involuntary infringement on personal freedom (Vallentyne, 2007; Rothbard, 2006). The key components of the Will-based argument are:

1. **Property as an Extension of Self:** Will-based theorists maintain that if individuals truly own themselves, they also hold a robust claim to the fruits of their labor and have the right to transfer those fruits as they see fit, whether by sale, gift, or inheritance (Vallentyne, 2007; Nozick, 1989).
2. **Posthumous Autonomy:** Unlike typical autonomy arguments, Will-based critiques on inheritance taxes emphasize posthumous decision-making. Meaning that individuals can only be considered truly free if they have a say in the fate of their property and wealth after death (Vallentyne, 2007; Rothbard, 2006).
3. **Balancing Individual Autonomy with Collective Welfare**: Some scholars in the Will-based camp offer solutions to balancing legitimate property rights with collective welfare (Vallentyne, 2007; Pedersen, 2018). Hence, there is a "Will-based spectrum" with one side absolutely rejecting any state interference in regards to property allocation (Rothbard, 2006) and the others side allowing for some interreference if it genuinely promotes societal welfare (Vallentyne, 2007).

The argument has a clear Lockean backbone. Though John Locke (1689/1980) never addressed inheritance laws directly, his notion that "mixing one's labor" makes ownership morally legitimate suggests that the state's interference, particularly at the moment of bequest, requires serious justification. Locke's influence is evident in later libertarian philosophers like Robert Nozick (1989, p. 292) who argues for the creator's unlimited right to transfer one's assets if this asset is their creation. He also specifies — and cautions — that redistributive taxation may amount to using some people's assets to serve ends that the individual does not share. Inheritance taxation, from this standpoint, appears especially invasive, since it overrides the decedent's final wishes at a uniquely personal juncture (death) — thus undermining autonomy precisely when its exercise may be deemed most significant.

It is a perspective on inheritance taxation that is arguably shared in the liberal tradition as well. For example, Friedrich Hayek (2020, p. 78) defined Freedom as the ability to express one's will, and Coercion as being led to follow the will of another (Hayek 2020, p. 200). Hence, if redistributive taxation leads people to serve the will of the government — and if the people do not want to follow this will —then their freedom can be seen as coerced. Thus, while many Will-based theorists are libertarian, versions of this argument can also arise in broadly liberal traditions that stress individual freedom and the moral significance of property rights. In all cases, the crux of the Will-based perspective is that inheritance taxation unjustifiably *intrudes* on a deeply personal act of property allocation and thus violates a core human right, namely that of freedom — which voluntary property allocation is an element of.

To represent the Will-based argument against inheritance taxation, I have selected two papers that stand out among the rest which are the work by Peter Vallentyne (2007) and Murray Rothbard (2006). While each offers a distinct take on bequest freedom, both regard inheritance taxation as a direct violation of individual rights and liberties. They also illustrate two ends of what I will deem the "Will-based spectrum": Vallentyne (2007) provides a more Lockean or liberal perspective, accommodating limited constraints on posthumous autonomy, whereas Rothbard (2006) embodies a radical-right libertarian stance that deems all taxation as a form of theft and insists that transfer rights are absolute.

Together, these authors' arguments have profoundly shaped discussions about ownership, autonomy, and state interference in the context of inheritance. With a combined citation count surpassing 1,900, they are uniquely suited to represent the Will-based argument against inheritance taxes. Hence, the following chapter will provide a detailed examination of each author's primary contentions and discuss why their work ultimately represents a Will-based critique of inheritance taxation.

## 4.2 Equal share Left-Libertarianism on Inheritance Taxes

Among scholars who represent the notions of a Will-based critique of inheritance taxes, Peter Vallentyne (2007) provides a noteworthy, left-libertarian viewpoint that represents the more compromising side of the "Will-based spectrum". In his 2007 article titled "*Libertarianism and* *the State*", Vallentyne defends robust self-ownership while also considering how far this principle can be stretched so that some necessary state involvement can be justified under a libertarian order. One of the principles he explores is distributive justice and how state involvement can appease both egalitarian and libertarian ideals. Although he does not dedicate the essay solely to inheritance taxes, the conceptual framework he outlines can be readily applied to debates over justifying posthumous wealth transfers, as will be demonstrated in this sub-chapter.

Vallentyne (2007, p. 199) introduces his argument by presenting first a radical right-libertarianism perspective on robust self-ownership: the principle that individuals possess extensive rights to control themselves and the fruits of their labor. This commitment also encompasses robust transfer rights, meaning that under libertarian principles, assets (or rights) transferred with mutual consent between individuals must be upheld. These rights can therefore not be infringed upon by the state to, for example, redistribute one's inheritance to finance welfare aims — especially if these aims go against the mutual agreement between testator and beneficiary (Vallentyne, 2007, p. 199). Consequently, under this right-libertarian view, property, once justly acquired through labor, must remain at the owner's discretion — naturally, including the decision about its allocation after death. From a Will-based perspective, then, inheritance emerges as a crucial expression of self-ownership precisely because it hinges on these transfer rights. By imposing taxes on bequests, the state effectively disrupts a voluntary transfer between individuals, restricting the owner's final choices regarding property allocation — which then infringes on the individual's right to self-ownership — and ultimately limits their freedom.

Vallentyne (2007, p. 200) then proceeds to acknowledge other libertarian perspectives, like "Nozickian right-libertarianism" and "Equal share left-libertarianism". These perspectives allow for some infringements on self-ownership by the libertarian state, particularly to address unjust acquisitions or to ensure equal opportunities. He does underscore, however, that the state's involvement under these perspectives — and its accompanying infringement of self-ownership — must remain strictly limited to these concerns, in order to avoid legitimate coercion. He nonetheless maintains that the state's primary role is to protect individual rights and to uphold an equitable distribution of property, therefore some state intervention will always be necessary and justified, even in a libertarian state (Vallentyne, 2007, p. 194). Nevertheless, if the state uncritically pursues expansive redistributive or paternalistic objectives — even if these are under the guise of promoting social welfare — inheritance taxation could become a method of redistribution that exceeds the aforementioned permissible bounds. Since they then force individuals (or their estates) to relinquish a portion of their assets against explicitly stated wishes (Vallentyne, 2007, p. 201). Consequently, while allowing some role for state involvement, the Will-based view from Vallentyne's perspective still remains wary of government overreach in matters of redistribution.

Unlike the principles that many "right-libertarians" share, the “Equal opportunity left-libertarianism” presented by Vallentyne (2007, pp. 200-201) acknowledges that certain forms of redistribution may be defensible if they address historically unjust resource appropriation or ensure a baseline level of equal opportunity. Vallentyne (2007, pp. 200-201) even suggests that legitimate taxation could, in theory, mitigate severe initial inequalities — an opinion not typically shared with other libertarians, as will become evident in the subsequent sub-chapter on Rothbard (2006). However, on a day-to-day basis, taxing wealth transfers beyond the required amount necessary to promote equal opportunities, to possibly fund other, broader social programs, stretches beyond the minimal state intrusion of property rights that Vallentyne (2007, p. 201) views as justified. The crucial distinction, he (2007, p. 202) argues, is whether the tax addresses equal opportunity concerns (meaning equality-promoting duties are upheld and no one has more natural resources than needed) or merely reallocates resources for social policy reasons and ambitions.

Taken together, Vallentyne's reasoning suggests that heavy inheritance taxation is difficult to reconcile with the (right) libertarian core principle of robust self-ownership — unless one can show that the specific resources being taxed stem from unjust acquisition or that the tax corrects a violation of initial equality conditions. As a result, Will-based critics of inheritance taxation can appeal to Vallentyne's work to illustrate how posthumous control of one’s assets forms an integral part of self-ownership and, hence, freedom. Although he stops short of outright rejecting all taxes on bequests, Vallentyne, again, insists that any such policy must clear a high justificatory threshold by demonstrating either (1) a pressing rectificatory need (like addressing equal opportunity violations) or (2) an important, targeted social purpose — if these taxes wish to avoid possible autonomy infringements.

Vallentyne's work is therefore a succinct representation for one side of the "Will-based spectrum". It provides a template for how libertarian thinkers may permit (some) state authority and acknowledge that certain redistributive efforts might be warranted in exceptional contexts.

For Will-based critiques of inheritance taxation, the most significant takeaway is his commitment to self-ownership, which naturally extends to decisions about one's estate and one’s ability to express their freedom. While he carves out limited room for justified taxation, he nonetheless warns against conflating genuine rectificatory measures with ongoing, large-scale wealth transfers that effectively override owners' choices. This caution underscores why many who favor the Will-based position find inheritance taxation, especially in extreme forms, fundamentally coercive to individual freedom.

By referencing Vallentyne (2007), those in the Will-based camp stress that posthumous property rights cannot be lightly dismissed. Unless an inheritance tax can be justified on narrow grounds (e.g. addressing historical injustices in property acquisition or resolving concerning equality imbalances) it appears inconsistent with a vision of self-ownership that must persist beyond death for freedom to exist.

## 4.3 Murray Rothbard and the Uncompromising Critique on Inheritance Taxes

Murray Rothbard (1978/2006), in his book “*For a New Liberty: The Libertarian Manifesto*”, provides a controversial contribution to the Will-based critique of inheritance taxation. His argument represents the other-side of the "Will-based spectrum", with an uncompromising perspective on state power, aimed at taxation in all its forms. Although inheritance taxes are not the book’s sole focus, Rothbard’s conceptual framework — rooted in the belief that taxation is tantamount to theft — applies directly to posthumous property transfers. Through this lens, Rothbard illustrates how far libertarian values — like freedom and independence — can be stretched to argue against inheritance taxation.

Rothbard (2006, pp. 33–34) opens his manifesto by asserting that genuine liberty, or personal autonomy, requires absolute respect for property rights, which he believes involves original appropriation and voluntary exchange. He (2006, p. 49) maintains that the rightful owner of property holds total discretion over its use, sale, or transfer — even after death. Consequently, inheritance constitutes another form of voluntary transfer — albeit a posthumous one between a testator’s will and the inheritors — that should lie entirely outside the state’s jurisdiction. Since the individual has earned their wealth and property through voluntary means, they have the right to voluntarily allocate it as they wish (Rothbard, 2006, pp. 49–50). Accordingly, any tax that overrides this voluntary transfer of property rights would undermine that key pillar of liberty. Hence, according to Rothbard and the Will-based argument, individuals cannot live freely under a state that administers inheritance taxes as it breaches voluntary property rights.

Central to Rothbard's thesis is the view that all compulsory taxation represents a type of "organized theft" or coercion by the state (Rothbard, 2006, p. 57). In his account, the state, unlike individuals, obtains its revenue not through free exchange but through forced payments under threat of confiscation or imprisonment. Therefore, with inheritance taxes, if heirs do not consent to relinquish a portion of their inherited wealth, an inheritance tax compels them — through fear of, or actual imprisonment and confiscation — to do so involuntarily (Rothbard, 2006, p. 69). From a Will-based standpoint, this interference violates the deceased owner's autonomy — whose final instructions were to transfer property to heirs rather than to the state — and also forces heirs to submit to governmental demands under threat of force.

Following logically from his condemnation of taxation as state-sponsored theft, Rothbard (2006, p. 177) explicitly challenges the notion that taxes can be justified on redistributive or social welfare grounds. He uses the example that from the 1960s to the 1970s, welfare spending rose, yet poverty rates failed to decline appreciably — an outcome he interprets to mean that taxation not only constitutes theft but also does little to achieve the social welfare goals it purports to serve. Moreover, Rothbard (2006, p. 28) posits that using another's property for collective ends without consent subordinates the individual to the state. Inheritance taxes, therefore, exemplify this problem: they conscript private wealth for governmental use despite minimal social welfare gain, thereby subverting the free choices of both the testator and the heir for little gain.

Although Rothbard's primary concern is philosophical, as he applies libertarian principles consistently to critique the state, he also addresses the moral significance of family bonds and posthumous autonomy. He (2006, p. 53) links property rights to human rights, implying that many people work, save, and invest at least partly to provide for loved ones. When a tax disrupts this "final gift," it not only disrespects the decedent's autonomy but also prevents heirs from receiving a voluntary bequest. Thus, while Rothbard's stance is predominantly Will-based, it briefly acknowledges the communal or familial dimension of inheritance, suggesting that inheritance taxes challenge both individual liberty and the fabric of personal relationships. This line of reasoning will be expanded upon later in the subsequent chapter that presents the Communal-argument against inheritance taxes.

Thus, based on the arguments presented by Rothbard (2006), a Will-based critique of inheritance taxation would involve the notions that it goes against property rights (a core component of true freedom), has little positive influence on social welfare, and has negative effects on family bonds and human rights.

## 4.4 Situating the Will-Based Literature in the Broader Debate

Both Vallentyne (2007) and Rothbard (2006) significantly shape libertarian discourse on inheritance. While Vallentyne's argument is sometimes seen as more philosophically nuanced, Rothbard's approach is rather uncompromising, as he nearly rejects all state intervention. This uncompromising viewpoint is more acceptable from a normative standpoint, which is inherently what the Will-based argument is, than it is from a Pragmatic perspective, like the one presented in the previous chapter. This is because the Pragmatic argument derives its merit from empirical evidence — if inheritance taxes are shown to have economic disadvantages then it can be understood from a Pragmatic perspective why some scholars have issues with these taxes. This is not the case for the Will-based argument whose merit is mainly derived by appealing to the normative superiority of certain values. As it is for Rothbard (2006), whose uncompromising perspective holds merit due to his perceived normative superiority of the values he idolizes like freedom and self-ownership. Hence, Rothbard is able to appeal to these values and through them find justifications of his argument, without having to continually back them with empirical evidence. While Rothbard’s claims are sometimes supported by empirical evidence — like the example he used of 1960s and 1970s welfare spending — it is not required for him to consistently do so in order for his normative argument to be justified. Vallentyne (2007) also appeals to these values but relies on them less since his argument is more philosophically nuanced and not an extreme, uncompromising rejection of taxation in all its forms.

The texts by Vallentyne (2007) and Rothbard (2006) also resonate with the world of policy. Policymakers who lean toward libertarian ideals often cite Vallentyne and Rothbard to argue for exemptions and low-rate structures in inheritance tax regimes (Block and Rockwell, 1988). Some countries have partially adopted policies that reflect these libertarian concerns, such as allowing a high threshold below which inheritance is not taxed, or providing special protection for small family businesses (e.g. Germany and the United Kingdom) (BDO Germany, 2025).

Vallentyne and Rothbard's ideas continue to shape contemporary inheritance tax debates. Critics of the Will-based stance often question how far "self-ownership" should extend beyond death, given the complexities surrounding posthumous rights (Lam, 2019). Although both Vallentyne and Rothbard contend that bequest instructions made while alive should remain binding, skeptics argue that once a person dies, their interests technically cease to exist. This objection also raises the question of how long inheritance rights should endure and whether entire generations of a family can claim the same property indefinitely. At this juncture, social contract theories come into play. Communitarians and Rawlsian liberals regard property rights as partially constructed by communal institutions, thus challenging the notion of absolute freedom over voluntary property transfers (Rawls, 1971; Murphy and Nagel, 2002). If the community itself facilitates or defines property rights, then continuous self-ownership might be more limited than Vallentyne and Rothbard suggest. Empirical research adds another layer to this debate, with some studies indicating that well-calibrated inheritance taxes may prove "socially beneficial," calling Rothbard's emphatic rejection of inheritance taxation into question (Pederson, 2018; Neuhäuser, 2022). Nonetheless, Rothbard — and arguably Vallentyne — would likely remain unconvinced, since they prioritize moral principles above empirical findings, maintaining that any inheritance tax unduly interferes with fundamental self-ownership and hence freedom.

## 4.5 Responses to the Will-Based Argument

As made clear by positioning Vallentyne and Rothbard in the broader debate, their defenses of will-based freedom, while potent, have elicited various counterarguments and middle-ground positions from scholars. For one, there is the Rawlsian critique which emphasizes equality of opportunity, hence they see large inheritances as problematic as they have the potential to perpetuate inequality (Rawls, 1971). Rawlsians also reject the absolute status of posthumous autonomy, noting that social institutions funded by taxation structure property rights in the first place — hence, without them a supposed self-ownership of property cannot exist. This line of reasoning is further supported by the study of Murphy and Nagel (2002) who argue that taxation is not a secondary intrusion but a constitutive element of how society distributes property rights. On this view, bequest freedom is not absolute but arises within a tax-structured environment. So, without taxes, including taxes on inheritance, society cannot distribute properties to its citizens and so no self-ownership claims can be made on properties either.

Another response to the Will-based argument is known as the Rignano Principle. First proposed by Eugene Rignano (1924) in the beginning of the 20th century, his proposal aims to find a middle ground between (right) libertarians and Rawlsians who champion equal opportunity. According to Rignano, the right to bequeath depends on the origins of the asset that is being bequeathed. Meaning if one's assets are attained through one's own work, then this individual has the full right to dispose of this asset as they see fit and bequeath this amount tax free (Pedersen, 2018, p. 6). But if one's assets are attained through gifts or inheritance, then certain restrictions, like taxes, are to be applied to these gifts. Then, a person's property would have to be divided (quantitatively/monetarily) on the basis of whether it was inherited or created. Rigano (1924, p. 22) believed that this scheme would improve inheritance tax incentives as it justifiably pursues those who inherit a fortune to work on it if they too want to pass this fortune on to their descendants.

The Rigano Principle has been supported by some in the libertarian tradition. For example, renowned libertarian Robert Nozick claimed that a creator of an asset has unlimited right to transfer this asset, whereas wealth that is not created should be taxed in order to avoid inequalities (Vallentyne and Steiner, 2000, p. 292). This claim echoes the Rignano principle, indicating that not all libertarians are as uncompromising as Rothbard's claims are. Furthermore, Vallentyne also partially endorsed the Rignano principle by claiming that an unrestricted right to transfer wealth could create wealth dynasties that further undermine equal opportunities (Vallentyne and Steiner, 2000). He also echoes Rigano's sentiments by claiming that wealth and gifts inherited through pure luck are not earned by those who inherit them, and should thus also be taxed (Vallentyne and Steiner, 2000). Overall, there is little support for the uncompromising side of the "Will-based spectrum" as presented by Rothbard, as critics and libertarians too often point out the necessity of finding a middle ground for inheritance taxes to prevent inequalities — a value many hold to the same esteem as freedom.

## 4.6 Emerging Directions of the Will-Based Discourse

The contemporary conversation about inheritance taxation and the Will-based argument against them thus appear to be far from settled. But based on the groundwork presented by Vallentyne (2007) and Rothbard (2006), there are a few interesting directions this ongoing discussion could take. For example, it could traverse into the realm of bioethics, where there are currently some interesting discussions on the question of personal autonomy meaningfully persisting after death — considering the recent advancements on organ donation and posthumous reproduction (Steinbock, 2011). There is also the discussion on the various interpretations of bequest norms depending on one's culture. Cross-cultural studies have revealed that not all societies hold the same norms as the West (Yan, 2009). Hence, the Will-based argument could find further skepticism in the perspective of other cultures that prioritize communal claims on property.

Ultimately, Vallentyne and Rothbard's frameworks remain influential because they articulate a morally stringent defense of property rights. Even critics concede that these theories illuminate why many individuals intuitively see inheritance as a deeply personal matter. A domain where state intrusion can thus feel especially jarring. Hence, the Will-based argument offers a significant critique of inheritance taxation that, while not entirely convincing, resonates with many individuals' widespread concern that such a tax can intrude and violate one of our most personal freedoms: the right to express our final will.

## 4.7 Chapter Summary

In this chapter, I presented the literature which accumulated into what I deemed the Will-based argument against inheritance taxation — homing in on the seminal contributions of Peter Vallentyne (2007) and Murray Rothbard (2006). Vallentyne contends that within an "equal share left-libertarian" framework, certain forms of state intervention — including inheritance taxes — are permissible in a libertarian state, so long as they only address a rectificatory concern or preserve equal opportunity. Rothbard, in a more radical vein, labels any taxation as a form of theft and views inheritance taxes as a particularly intrusive assault on individual choice. These arguments hold substantial sway in discussions of inheritance policy, pushing lawmakers and academics to consider whether and to what extent bequest freedom should be constrained for the sake of equality or social welfare. Yet, as indicated, this stance is not without robust counterarguments. From Rawlsians (Rawls, 1971) who value equality of opportunity to Murphy and Nagel (2002) who see taxes as constitutive of property rights themselves. Consequently, ongoing debates revolve around whether any middle ground, like the Rigano Principle (Rigano, 1924), can adequately preserve personal liberty while addressing social concerns about wealth concentration.

In Chapter 5, the thesis will address the Communitarian argument, exploring how some opponents of inheritance taxation frame bequests as integral to family and community life. Though this viewpoint shares certain overlaps with Will-based critiques (particularly around familial autonomy), its emphasis on communal ties opens another dimension in the broader debate on inheritance taxation.

CHAPTER 5: THE COMMUNITARIAN ARGUMENT AGAINST INHERITANCE TAX

## 5.1 Inheritance as a Family and Community Value

Having reviewed the Pragmatic and Will-based arguments against inheritance taxes, this chapter turns to the body of work comprising what I call the **Communitarian argument** against the inheritance tax. In contrast to perspectives emphasizing economic incentives (Pragmatic) or autonomy and property rights (Will-based), communitarian scholars underscore the moral and social dimensions of intergenerational wealth transfers. Specifically, **they focus on family bonds, cultural continuity, and how inheritance supports community life**. At the core of this viewpoint lies the concern that inheritance taxes may erode familial ties and local traditions, thereby weakening the social cohesion such transfers are designed to sustain.

From a communitarian standpoint, inheritance is not merely a financial transaction: rather, it serves as a transmission of identity and heritage across generations (MacIntyre, 1981). By passing on property — whether land, a family business, or cherished heirlooms — individuals maintain a tangible link through that property which connects past, present, and future. High or poorly structured inheritance taxes may force heirs to sell or break up family assets, possibly disrupting:

1. **Intergenerational care**: Inheritance often conveys a moral duty or promise of continuity from one generation to the next. Overly burdensome taxes, critics suggest, can undermine these obligations by compelling families to liquidate core assets (Neuhäuser, 2022).
2. **Cultural and Historical Continuity:** Farms, local shops, or other family enterprises can be sites of collective memory and identity. Tax-induced fragmentation risks severing these cultural roots, eroding the sense of belonging vital to communal cohesion (Nagel, 2009).

Communitarians also note that while inheritance includes a private right to distribute wealth, it also carries public or communal implications. The continuity principle — transferring resources so successors can preserve communal values — stands at odds with policies that treat inheritance solely as taxable wealth. By framing inheritance as part of a social or cultural narrative, communitarian theorists critique the notion that property rights are purely individual

(Walzer, 1983). Instead, they underscore that bequests often reflect shared commitments, which heavy taxation might thwart.

Overall, while explicit references to inheritance taxation in communitarian scholarship can be sparse, several notable authors — including Nagel (2009), Bracewell-Milnes (1997), and Neuhäuser (2022) — offer perspectives on why heavy taxation may harm families, small businesses, and the larger community fabric. This chapter surveys that literature, situates it alongside broader communitarian theorists (e.g. Michael Walzer, Alasdair MacIntyre, and Charles Taylor), and addresses how critics respond to this line of reasoning.

## 5.2 Synthesizing Key Literature to form the Communitarian Argument

In contrast to previous chapters, this one will discuss all relevant literature in a single sub-chapter. Because communitarian writings do not explicitly detail inheritance taxes, the argument presented here is derived from broader implications within the literature. As a result, it is more logical to analyze the literature collectively rather than examining each work in isolation. Accordingly, the following section will address the contributions of Nagel (2009), Bracewell-Mines (1997), and Neuhäuser (2022) together, as these texts collectively form the core of the communitarian argument against inheritance taxation.

### 5.2.1 Thomas Nagel on Balancing Familial and Liberal Duties

Although Thomas Nagel is often associated with more liberal or egalitarian frameworks — especially through his collaborations with Liam Murphy (e.g. *The Myth of Ownership* (2002)) — his essay "*Liberal Democracy and Hereditary Inequality*" (2009) underscores why extreme inheritance taxation can disrupt familial continuity. Nagel (2009, p. 120) argues that while some taxation on bequests can be morally and politically justifiable in limiting excessive inequality, it should not be so high as to prohibit parents from providing significant support to their children.

Crucial to his argument, is Nagel's (2009, p. 120) acknowledgement that liberal democracies must reconcile the tension between impartiality (treating citizens equally) and partiality (favoring family members). By labeling the family as a morally legitimate sphere of partiality, he suggests that parental freedom to transfer wealth is not purely an economic matter, but also represents a rightful exercise of care and responsibility. So, while inheritance taxes are necessary to promote equality of opportunity, Nagel holds that careful considerations to this tax should be made to ensure it doesn't discount the moral legitimacy of family as a sphere of partiality.

In order to respect this partiality, Nagel (2009, p. 121) proposes that states adopt thresholds or scaled rates that preserve a baseline of familial autonomy while still preventing wealth from cascading unimpeded across generations. Such thresholds, he argues, foster an environment in which inheritance taxation does not automatically undermine family projects, local traditions, or community-based support systems.

It is also important to note that Nagel (2009, pp. 113-114) does not join those who advocate the outright abolition of inheritance taxes. He envisions a midpoint, balancing parental prerogatives (which support children's development) with the liberal state's pursuit of greater social equity. His perspective thus occupies a hybrid position: attentive to community and familial ties, yet also committed to constraining the entrenchment of hereditary privilege. A compromise that was also presented in the Will-based and Pragmatic-based arguments, where some proponents of those arguments accepted that some inheritance taxes are necessary to promote equality — they just need to be carefully structured (Vallentyne, 2007; Holtz-Eakin, Joulfaian, and Rosen, 1994a).

### 5.2.2 Barry Bracewell-Milnes on the Hidden Costs of Inheritance Taxation

In "*Is Inheritance Legitimate?*" — a volume edited by Erreygers and Vandevelde — Bracewell-Milnes (1997) highlights how inheritance taxation can inadvertently carry "hidden costs" that ripple through families and local communities. For one, Bracewell-Milnes (1997, pp. 191-192) posits that forced sales of assets to cover tax liabilities can hamper the continuity of small- and medium-sized enterprises. This problem is especially pronounced when the inheritance includes farmland, vineyards, or artisanal shops that are otherwise passed down to preserve local craftsmanship and identity (Bracewell-Milnes, 1997, p. 173).

Beyond the direct economic fallout of unmonitored inheritance taxation, Bracewell-Milnes (1997) also identifies a secondary wave of social and charitable effects. When families have less disposable capital due to inheritance taxes, they may reduce their philanthropic efforts or limit sponsorship of community endeavors, such as festivals, museums, or educational initiatives (Bracewell-Milnes, 1997, p. 194). Bracewell-Milnes thus underscores that high taxation not only affects heirs but also weakens the communal social capital.

Like the other authors in the Communitarian tradition, Bracewell-Milnes is critical of inheritance taxes and their far-reaching impacts, but he stops short of outright rejecting them. Instead, Bracewell-Milnes (1997, pp. 199-200) calls for nuanced policies, like exemptions for small businesses, farmland, or family-operated enterprises (suggestions we saw mentioned in the Will-based and Pragmatic-based arguments as well), that mitigate these hidden costs. His stance converges with other communitarian thinkers in noting that inheritance taxation must respect the contextual role that wealth, and the distribution of this wealth, plays in sustaining both families, local networks, and the communal traditions that bond these families and local networks.

### 5.2.3 Christian Neuhäuser on Inheritance Tax, Justice, and Family Businesses

In his chapter from "*Inheritance and the Right to Bequeath*", Neuhäuser (2022) offers a contemporary discussion blending normative ethics with real-world economic concerns. Neuhäuser (2022, p. 200) conceptualizes family businesses as embodying more than just monetary value. They often carry intangible "moral capital", including long-standing customer relations, generational expertise, and a sense of collective identity (Neahäuser, 2022, p. 201). He argues that by forcing heirs to break up such enterprises undermines communal and familial goods that cannot be readily quantified.

Although his work is mainly philosophical, Nauhäuser (2022, p. 210) references empirical studies showing how differing inheritance tax regimes — particularly in Europe — create varied outcomes for small businesses. He highlights countries that exempt or offer reduced rates for intergenerational transfers of farms and closely held firms, observing that these regimes better preserve the "communal core" of such businesses (Neuhäuser, 2022, p. 210).

As should be expected from a proponent of the Communitarian argument against inheritance taxation, Neuhäuser (2022, p. 212) — like Nagel (2009) and Bracewell-Milnes (1997) — does not call for a blanket ban on inheritance taxes. Rather, he advocates "tailored justice", which involves designing taxes so that they address unequal wealth concentration without eroding familial and community ties. This nuanced stance reflects the general, but rather soft communitarian approach to inheritance taxes: acknowledging the legitimacy of partial redistribution while emphasizing the social distinctiveness of family wealth transfers.

## 5.3 Additional Communitarian Perspectives

Although Nagel (2009), Bracewell-Milnes (1997), and Neuhäuser (2022) discuss inheritance taxation somewhat explicitly, other communitarian theorists — despite not always addressing taxation directly — contribute broader insights that deepen the communitarian critique introduced earlier. For example, in "*Spheres of Justice*", Michael Walzer (1983) argues that society consists of multiple spheres, like politics, economics, and family life; each with their own norms of distribution. If we then apply Walzer's reasoning to inheritance it would suggest that it belongs to a "familial sphere", governed by norms of intimacy, partiality, and tradition. Consequently, subjecting such transfers to purely market or fiscal logic (e.g. high taxes) could amount to a category mistake, failing to recognize the special moral language that families adopt in distributing resources. Walzer (1983) does not deny a role for redistributive policies: rather, he implies that each sphere's distribution rules must be appropriate to its internal logic. Therefore, an inheritance tax might be acceptable if it upholds fair political power or supports fundamental well-being, but not if it disregards inheritance's unique moral context within the familial sphere.

Another communitarian philosopher, Alasdair MacIntyre (1981) in his work "*After Virtue*", focuses on virtue ethics and the narratives that shape ethical life. While he rarely addresses tax policy directly, his emphasis on tradition and communal narratives helps to explain why families might see inherited assets as more than exchangeable wealth. For one, MacIntyre (1981) presents this idea of narrative identity, the notion that families and communities inherit stories, shared symbols, and ethos alongside material goods. These stories hold significant sentimental, and hence moral value for these families. Tax policies that then fragment inheritances inadvertently disrupt the narrative threads connecting generations — which possibly generates more adverse effects for a community or a society than the equitable benefits these taxes are meant to promote. MacIntyre (1981) also critiques the modern liberal emphasis on individualism, arguing that humans flourish in communities, partly through intergenerational commitments. Viewing inheritance simply as taxable capital overlooks the interwoven moral practices (e.g. caregiving, mentorship) that give family wealth its deeper meaning.

Another scholar who provides a crucial communitarian lens is Charles Taylor who in his work "*Sources of the Self*" (1989) focuses on the construction of personal identity. By presenting the concept of the "Interpersonal Dimension of the Self" Taylor (1989) posits that one of the ways self-identity is shaped is through dialogue with significant others, like family, neighbors, and broader cultural communities. If an inheritance tax severs these relational underpinnings, it may, in extreme cases, harm the very process by which individuals understand themselves. A society where individuals are not able to understand themselves could breed all sorts of negative behavior like anxiety, suspicion, and loneliness — again making the equitable contributions of taxed wealth unproductive as it'll create a society where everyone is equal but suspicious of one another. Despite these possible hindrances, Taylor (1989) does not reject all forms of equality-seeking policies. Indeed, he suggests that a just community might involve progressive taxation to address glaring inequalities. However, he would stress that lawmakers carefully weigh the risk of undermining familial bonds that are constitutive of personal identity.

**In sum**, sub-chapters 5.2 and 5.3 demonstrate that communitarian and quasi-communitarian voices offer a distinct critique of inheritance taxation, one that highlights how family wealth transfers bolster community identity and continuity. Despite these varying in detail, these scholars generally converge on the need to temper inheritance taxes with policies that respect familial bonds, local traditions, and the symbolic weight of intergenerational bequests. At the same time, they differ on whether moderate inheritance taxation might also enhance the broader community by reducing sharp wealth disparities.

## 5.4 Responses to the Communitarian Argument

Critics of the Communitarian-argument against inheritance taxes, including some communitarian thinkers and Rawlsian liberals, raise several objections. Some communitarian philosophers, for example, argue that truly caring communities can embrace certain redistributive policies, including inheritance taxes, if they uphold communal welfare. Charles Taylor (1989) contends that collective identity may be best served when resources are shared fairly, and Walzer (1983) hints that certain "spheres" (like the political sphere) may require redistributive measures to maintain equal voice among citizens. From this vantage, an inheritance tax could be seen as a tool to foster broader social harmony, rather than purely an intrusion on family continuity.

Scholars like Robeyns (2024) underscore that some form of inheritance tax can be both defensible and constructive if appropriately calibrated. While this idea has recurred throughout the thesis, Robeyns (2024, p. 17) offers additional support, arguing that exempting smaller estates or family businesses below a specified threshold can shield local enterprises while still taxing large-scale transfers that reinforce inequality. Furthermore, Robeyns (2024, p. 18) emphasizes the value of installment-based or deferred payment arrangements to prevent sudden liquidity crises and the ensuing community-level disruptions noted earlier. This approach aligns with Neahäuser (2022), who suggests that extended payment schedules can mitigate disruptions to family operations. There are also hybrid solutions, like the one mentioned by Pedersen (2018) who discusses "just inheritance taxation" designs that combine revenue generation with safeguarding familial integrity, bridging the gap between communitarian and egalitarian aims.

Communitarian claims about inheritance taxes disrupting family businesses are also occasionally met with skepticism in the empirical literature. Some economists point out that well-designed policies and prudent estate planning can significantly reduce forced sales of assets (Kopczuk and Slemrod, 2003). Thus, critics maintain that the Communitarian argument may overstate the severity of business liquidations or the erosion of local heritage, provided the tax regime features adequate carve-outs.

In general, the criticisms posed against the Communitarian argument against inheritance taxation are mentioned by the communitarian philosophers themselves. For example, Neahäuser (2022), Nagel (2009), and Bracewell-Mines (1997) all mention that a carefully structured inheritance tax poses no threat to communitarian values. However, some critics are more extreme than the communitarian scholars as they see no threat whatsoever to an inheritance tax. With Robeyns (2024, p. 17), for example, claiming that an outright rejection of inheritance taxes is simply not possible as it would imply an outright rejection of the values of welfare and wellbeing — which is logically almost impossible to defend. In spite of this difference, there is broad agreement between the critics that properly designed inheritance taxes can foster equitable and communal beneficial outcomes.

## 5.5 Chapter Summary

This chapter has delved into the literature that coalesced into what I deem the Communitarian argument against inheritance taxation. It demonstrated how family bonds, local traditions, and cultural continuity shape critiques that differ markedly from Pragmatic or Will-based objections. Communitarian theorists generally do not reject all forms of inheritance tax; instead, they emphasize moderation or careful structuring to avoid undermining the deeply personal and socially embedded character of bequests. To summarize:

- **Nagel (2009)** underscores minimal taxation to preserve parental support for children, balancing autonomy with societal fairness.
- **Bracewell-Milnes (1997)** demonstrates how hidden costs — particularly for small enterprises — can quietly corrode communal ties.
- **Neuhäuser (2022)** situates family businesses at the nexus of moral and practical concerns, advocating tailored exemptions or flexible payments to protect long-standing communal structures.

Additional voices like Walzer (1983), MacIntyre (1981), and Taylor (1989) — though not explicitly focusing on inheritance taxes — reinforce the notion that property ownership and distribution are bound up in social narratives, cultural and self-identity, and moral commitments extending beyond mere economic transactions. Consequently, inheritance taxes that fail to acknowledge these communal dimensions may yield unintended, detrimental effects on families and local communities.

However, critics maintain that communitarian and social-justice aims can sometimes be furthered by a moderate inheritance tax, provided it spares key family assets and fosters communal well-being. The ongoing challenge is to design an inheritance tax policy that balances the value of communal continuity with the broader goals of fairness and equity — a challenge that sets the stage for the Comparative Evaluation and Final Reflections to come in Chapter 6.

CHAPTER 6: CONCLUSION

## 6.1 Comparative Evaluation of the Pragmatic, Will-Based, and Communitarian Arguments Against Inheritance Taxation

Throughout this thesis, we have analyzed literature that coalesced into three primary critiques of inheritance taxation: Pragmatic, Will-based, and Communitarian. Each perspective presents distinct objections, theoretical underpinnings, and policy implications. This section provides a comparative evaluation, highlighting where the arguments diverge, intersect, and potentially complement one another.

### 6.1.1 Pragmatic vs. Will-Based

The *Pragmatic argument*, epitomized by authors such as McCaffery (1994) and Holtz-Eakin, Joulfaian, and Rosen (1993, 1994a, 1994b), centers on economic consequences — particularly the possibility that inheritance taxes dampen entrepreneurial zeal, influence labor supply, and distort saving behaviors. In contrast, the *Will-based argument*, advanced by Vallentyne (2007) and Rothbard (2006), prioritizes moral/posthumous autonomy and property rights.

When comparing the two arguments a few points of divergence can be examined. For one, the foundational values between the two arguments are different. With the Pragmatic argument emphasizing efficiency and growth, while Will-based theorists uphold autonomy as a moral bedrock. Also, the evidence that both arguments appeal to differs. Pragmatic critiques often rely on empirical evidence to support their arguments (e.g. Holtz-Eakin et al. (1994b) presenting their work on entrepreneurial liquidity constraints); while, Will-based critics appeal to deontological reasoning about individual rights, making them less inclined to accept trade-offs favoring collective welfare over personal freedom.

However, there are also some potential synergies between the two arguments. For one, they both have overlapping concerns about incentives. With Will-based theorists appealing to empirical evidence that heavy taxation can undermine the motivation to accumulate wealth (Rothbard, 2006). Conversely, Pragmatic authors can invoke autonomy when questioning the fairness of inheritance taxes that distort economic activity (McCaffery, 1994). Crucially, and this will become even more apparent throughout the comparisons of the different arguments, both camps — albeit the Will-based more cautiously — support moderate inheritance taxes if they avoid the worst economic distortions (Pragmatic) and respect the autonomy-based thresholds (Will-based).

Thus, while there are clear differences in how the two arguments are presented, with Pragmatic relying more on empirical evidence and the Will-based appealing to certain superiority of values, there are a few instances where the two arguments overlap. Crucially, at the point where they support a restructuring of inheritance taxes that avoid adverse economic effects and respect the autonomy of individuals in a free society.

### 6.1.2 Pragmatic vs. Communitarian

The Communitarian argument, featuring Nagel (2009), Bracewell-Milnes (1997) and Neuhäuser (2022), underscores the relational and cultural aspects of inheritance, focusing on family continuity and communal bonds. While communitarian scholars do not fixate extensively on economic efficiency, certain market-based communitarian concerns resonate with Pragmatic critiques.

For example, both the Pragmatic and Communitarian arguments have shared concerns about small businesses. They both highlight how steep inheritance taxes can trigger forced sales of family-owned enterprises, thereby harming not only the owners but also local economies and community life. However, the two arguments diverge when it comes to their ethical foundations. With the Pragmatic argument primarily questioning the economic utility of inheritance taxes — e.g. decreased investment in (small) ventures, potential decreasing capital for redistribution — while the Communitarian argument stresses the moral and social fabric at stake, beyond purely fiscal considerations. Economic data may be used instrumentally to demonstrate how broken family businesses jeopardize communal identity (Neuhäuser, 2022), but the central emphasis of the Communitarian argument remains on preserving continuity and intergenerational solidarity.

Both arguments also believe that an economically beneficial and familial bond strengthening inheritance tax policy is possible. As demonstrated by Repetti and Caron (2020), who argued that a well-structured inheritance tax can create dynamic economies; and by all the Communitarian proponents as well, like Nagel (2009) and Neuhäuser (2022), who presented an inheritance tax policy that does not intrude on familial continuity and communal bonds. Hence, just like the Pragmatic and Will-based overlap, both the Pragmatic and Communitarian arguments seemingly also come in and support a well-structured inheritance tax over no inheritance tax at all.

### 6.1.3 Will-Based vs. Communitarian

Although both Will-based and Communitarian critics oppose heavy inheritance taxation, their rationales spring from different normative wells, with the primary contention being one between individual autonomy versus collective flourishing. Will-based theorists, for example, often promote a high bar for state intervention, invoking self-ownership and individual rights (Rothbard, 2006). While Communitarian arguments, for example, prioritize family and local communities, positing that bequests are integral to social identity (Bracewell-Milnes, 1997). However, both arguments converge on the importance of respecting bequest decisions within families. With Will-based critics seeing such decisions as an extension of property rights, whereas Communitarian thinkers value them for sustaining communal heritage and parental values (Nagel, 2009).

Another key point of convergence between the two arguments is their shared belief in the feasibility of a fair inheritance tax — one that both honors individual autonomy and acknowledges the familial and communal bonds among individuals. Although the Will-based perspective might impose stricter criteria for what constitutes a well-structured inheritance tax — particularly given that Rothbard (2006) categorically rejects such a tax, while Vallentyne (2007) is at least open to compromise — there remains room for a tax that supports both individual autonomy and communal flourishing. Consequently, comparing Vallentyne's approach with the proposals by Nagel (2009) and Neuhäuser (2022) on refining the inheritance tax could yield valuable insights. Regrettably, such an investigation lies beyond the scope of this thesis but is definitely an interesting avenue for future research.

### 6.1.4 The Three-Argument Synthesis and Dimensions

Overall, the three critiques show that inheritance taxation poses multifaceted questions for policymakers and researchers:

- *The Economic Dimension*: Policies must consider whether inheritance taxation reduces entrepreneurship, particularly for small, family-run enterprises.
- *The Moral Dimension*: Policymakers and researchers must continue to assess whether the autonomy to bequeath is sufficiently protected, especially for familial estates.

- *The Social Dimension*: Legislators should recognize that inheritance sustains familial and communal ties — along with familial knowledge of an industry (e.g. farmland) — which may be difficult to replicate once broken.

In short, no single argument entirely trumps the others nor does one provide a substantial argument to outright reject inheritance taxes; however, each argument instead reveals crucial insights on the effects of these taxes. Together, Pragmatic, Will-based, and Communitarian critiques caution against an overly burdensome inheritance tax that disregards either economic realities, individual autonomy, or community well-being.

## 6.2 Implications for Policy and Research

Having compared the three lines of critique, several policy implications emerge. For one, there is the discussion of whether a flexible or tiered inheritance tax should be constructed and then invoked. Both Pragmatic (Holtz-Eakin et al., 1993, 1994a, 1994b) and Communitarian (Bracewell-Milnes, 1997; Neuhäuser, 2022) critiques imply that a one-size-fits-all tax may be counterproductive. A progressive schedule with payment instalments could spare smaller estates and local businesses while taxing extremely large bequests more significantly. Policymakers could also allow deferrals or partial exemptions for closely held family businesses, mitigating forced liquidation that can disrupt local communities (Nagel, 2009). Although this approach would demand more effort — since each case would need individual assessment — it would better preserve familial bonds and avert harmful economic effects, proving more beneficial in the long-run than a hastily implemented tax that treats all estates equally (Repetti and Caron, 2013).

Another important implication for policymakers is to find the balance between individual autonomy and different social goals. The Rigano Principle, as presented by Pedersen (2018), demonstrated that it is possible to create a partial or moderate inheritance tax that protects both fundamental autonomy and redistribution efforts to avoid extreme concentrations of wealth. The application of inheritance taxes is also very context-specific. There are cultural and jurisdictional nuances when it comes to inheritance taxation as countries differ greatly in their cultural attitudes toward family wealth, as well as in the role of extended kin networks (Robeyns, 2024; Yan, 2020). Policymakers must therefore tailor inheritance taxes to local norms and economic structures, all the while finding a way to balance individual autonomy with the social goals of these different economic structures. A tall task for policymakers, but one that is arguably necessary if they want to avoid the critiques and adverse effects presented throughout this thesis.

Perhaps most importantly, policymakers must aim to improve their public communication efforts and increase the transparency of inheritance taxes. As demonstrated in chapter 3 of this thesis, if the public perceives inheritance taxes as arbitrary or destructive, compliance and trust for this tax will only continue to erode (McCaffery, 1994; Kopczuk and Slemrod, 2003). Transparent guidelines and earmarking tax revenues for visible community benefits (like education or healthcare) can bolster legitimacy and acceptance. It could also motivate individuals to accumulate wealth if they are aware that their taxed wealth will eventually contribute to their community. Many of the adverse effects mentioned in the Pragmatic, Will-Based, and Communitarian arguments are based on the fact that there is a lack of communication and transparency on the actual benefits these taxes can generate. Hence, improving this factor will contribute greatly to the effectiveness of inheritance taxes and in settling the arguments against it.

## 6.3 Limitations of this Study

Despite its comprehensive approach, this thesis faces several limitations. First of all, the literature scope of this analysis was primarily focused on philosophical and economic works that challenge inheritance taxation. There exist other perspectives, such as behavioral studies, political sciences, and sociological analyses, that could further illuminate how families actually plan estates. Furthermore, much of the referenced literature originates in Anglo-American or Western European contexts, potentially overlooking how other legal and cultural systems (e.g. in East Asia, Africa, or Latin America) approach inheritance taxes.

Another limitation of this thesis is its normative emphasis. By prioritizing moral and economic arguments, legal technicalities and detailed policy designs are ignored. While the normative lens has been valuable for highlighting some unique aspects on the negative sides of inheritance taxes, it is not able to question tax administration, enforcement, and cross-border inheritance (especially relevant in a globalized world). Further studies on inheritance taxes could use the normative arguments mentioned above to give more context to other anti-inheritance arguments that focus on tax administration or enforcement.

There is also the issue of the empirical data being uncertain. Empirical data on inheritance taxation's real-world effects remains mixed (Repetti and Caron, 2013). Causality can be difficult to establish definitively, given overlapping factors like national saving rates, capital mobility, and broader economic cycles. Consequently, the Pragmatic argument's predictions and Communitarian concerns about community destabilization may vary substantially across different settings. This also influenced the thesis' ability to analyze tax policy. Inheritance taxation is dynamically evolving, with emerging issues — like digital assets, transnational inheritances, and philanthropic trusts — that may alter the debate. This thesis therefore presents a snapshot of current literature, which is then synthesized into three distinct arguments against inheritance taxes, rather than a definitive final word on whether inheritance taxes are indeed good or bad.

## 6.4 Areas for Future Research

Given these limitations, there is ample room for further investigation. For example, cross-cultural studies could explore how inheritance taxation affects non-Western contexts, and how they would enrich our understanding of whether family businesses and communal traditions are similarly challenged, or if distinct cultural norms dampen or amplify the concerns raised (Yan, 2020). More longitudinal empirical work in general would greatly contribute to the arguments presented in this thesis. Longitudinal data is crucial for discerning whether inheritance taxation truly hinders innovation or simply redistributes assets without causing major inefficiencies. While this thesis explored some research which presented the empirical data for and against inheritance taxes, expanding such studies to more countries and over longer periods could yield clearer and more significant insights. Hence, spreading future research out to non-Western domains and increasing the amount of empirical research on inheritance taxes would really help in discerning the merit behind the Pragmatic, Will-based, and Communitarian arguments against inheritance taxes.

Another interesting direction future research on the (adverse) effects of inheritance taxes could take is in the realm of behavioral and psychological studies. For example, future research could examine the psychological dimensions of bequeathing. Are individuals driven primarily by altruism toward heirs, by a desire for posthumous control, or by other motives? Understanding these motivations could inform tax policy in ways that mitigate negative behaviors, such as tax avoidance. Especially for the Communitarian argument, research in psychology can yield interesting insights. Understanding the psychology behind familial ties and the communal significance of certain homes or items that are inherited could help policy makers in crafting a tax policy that understands the value of items that are inherited.

Finally, future research could explore the intersection of inheritance taxes with other taxes and social policies. Inheritance taxes seldom operate in isolation; they interact with capital gains taxes, real estate taxes, and broader welfare policies. Investigating these interactions could reveal synergies or contradictions, particularly for communitarian priorities like preserving family assets while ensuring broader social justice.

Overall, the debate on inheritance taxes is not settled. There are arguments on both sides, for and against, that suggest an ideal inheritance tax policy. Future research can therefore help policymakers in crafting a tax policy that takes into account all of its positive and adverse effects.

## 6.5 Concluding Remarks

This thesis has advanced an integrated evaluation of literature on inheritance taxes. Coalescing them into three major lines of critique — Pragmatic, Will-based, and Communitarian — each offering a detailed look at how they conceptualize the moral, economic, and social dimensions of bequests. While these arguments differ in focus, they collectively warn that inheritance taxes, if poorly structured, risk disincentivizing entrepreneurship, infringing personal autonomy, and undermining familial and communal bonds.

Nevertheless, the research also uncovers possibilities for nuanced policy solutions, such as tiered rates, exemptions for small estates, or installment payment schemes, that might reconcile competing objectives. Moving forward, the debate should continue to bridge normative theory with empirical inquiry ensuring that inheritance taxation — where adopted — reflects a careful balance among efficiency, equity, autonomy, and communal flourishing. Such an ongoing conversation will likely prove pivotal in shaping the future role and design of inheritance taxes worldwide.

## References


BDO Germany. (2025). *Annual Tax Act 2024 and Exemption of the Existence Minimum 2024*. Retrieved from: https://www.bdo.de/en-gb/insights/updates/tax-legal/annual-tax-act-2024

Becker, G. S., and Tomes, N. (1979). An equilibrium theory of the distribution of income and intergenerational mobility. *Journal of Political Economy, 87*(6), 1153–1189.

Bentham, J. (1970). *An introduction to the principles of morals and legislation* (Collected works of Jeremy Bentham). New York, NY: Clarendon Press.

Block, W., and Rockwell Jr, L. H. (1988). *Man, Economy, and Liberty: Essays in Honor of Murray N. Rothbard*. Ludwig von Mises Institute.

Bluehost.com (2016). "*10 Small Businesses That Made It Big*". Bluehost. Retrieved from: https://www.bluehost.com/blog/10-small-businesses-that-made-it-big/

Bracewell-Milnes, B. (1997). The hidden costs of inheritance taxation. In G. Erreygers and T. Vandevelde (Eds.), *Is inheritance legitimate? Ethical and economic aspects of wealth transfers* (pp. 156-201). Springer.

Feinberg, J. (1987). Wrongful life and the counterfactual element in harming. *Social Philosophy and Policy*, *4*(1), 145–178.

Friedman, M. (1962). *Capitalism and freedom*. University of Chicago Press.

Gentry, W. M., and Hubbard, R. G. (2004). Entrepreneurship and household saving. *Advances in Economic Analysis & Policy*, *4*(1), 1–55.

Hayek, F. A., and Hamowy, R. (2020). *The constitution of liberty: the definitive edition*. Routledge. (Original work published in 1960).

Holtz-Eakin, D., Joulfaian, D., and Rosen, H. S. (1993). The Carnegie conjecture: Some empirical evidence. *The Quarterly Journal of Economics*, *108*(2), 413–435.

Holtz-Eakin, Joulfaian, and Rosen (1994a). Sticking It Out: Entrepreneurial Survival and Liquidity Constraints. *Journal of Political Economy*, *102*(1), 53–75.

Holtz-Eakin, Joulfaian, and Rosen (1994b). Entrepreneurial Decisions and Liquidity Constraints. RAND *Journal of Economics*, *25*(2), 334–347.

Kopczuk, W., and Slemrod, J. (2003). Tax impacts on wealth accumulation and transfers of the rich. *Death and dollars: The role of gifts and bequests in America*, 213-57.

Lam, Barry. (2019). The invisible hand from the grave. *Journal of Ethics and Social Philosophy*, *15*(3), 197-221.

Locke, J. (1980). *Second treatise of government* (C. B. Macpherson, Ed.). Hackett Publishing. (Original work published 1689).

MacIntyre, A. (1981). *After virtue: A study in moral theory*. University of Notre Dame Press.

McCaffery, E. J. (1994). The uneasy case for wealth transfer taxation. *The Yale Law Journal*, 104(2), 283-365.

Mill, J. S. (1848). *Principles of political economy, with some of their applications to social philosophy*. John W. Parker.

Mirrlees, J. A. (1971). An exploration in the theory of optimum income taxation. *The Review of Economic Studies*, *38*(2), 175–208.

Murphy, L., and Nagel, T. (2002). *The myth of ownership: Taxes and justice*. Oxford University Press.

Nagel, T. (2009). Liberal democracy and hereditary inequality. *Tax Law Review*, *63*(1), 113–121.

Neuhäuser, C. (2022). Inheritance tax, justice and family businesses. In *Inheritance and the right to bequeath* (pp. 198–214). Routledge.

Nozick, R. (1974). *Anarchy, state, and utopia*. Basic Books.

Nozick, R. (1989/2000). “Parents and Children”, In Vallentyne, Peter and Steiner, Hillel. (Eds.), *Left-Libertarianism and Its Critics: The Contemporary Debate*. Basingstoke: Palgrave

Pedersen, J. (2018). Just inheritance taxation. *Philosophy Compass*, *13*(4), 1-10.

Piketty, T. (2014). *Capital in the twenty-first century*. Belknap Press.

Rawls, J. (1971). *A theory of justice*. Harvard University Press.

Repetti, J. R., and Caron, P. L. (2013). Occupy the tax code: Using the estate tax to reduce inequality and spur economic growth. *Pepperdine Law Review*, *1*(1), 1255–1290.

Rignano, E. (1924). *The social significance of the inheritance tax*. New York: Alfred Knopf & Co.

Robeyns, I. (2024). Limiting lifetime inheritances and gifts. *Politics, Philosophy & Economics*, *0*(0), 1-24. https://doi.org/10.1177/1470594X241277959

Rothbard, M. N. (2006). *For a new liberty: The libertarian manifesto*. Ludwig von Mises Institute. (Original work published in 1973)

Rousseau, J. J. (1987). *The Social Contract*. The Basic Political Writings. (Original work published in 1762).

Steinbock, B. (2011). *Life before birth: The moral and legal status of embryos and fetuses* (2nd ed.). Oxford University Press.

Taylor, C. (1989). *Sources of the self: The making of the modern identity*. Harvard University Press.

Vallentyne, P. (2007). Libertarianism and the State. *Social Philosophy and Policy*, *24*(1), 187-205.

Vallentyne, P., and Steiner, H. (Eds.). (2000). *Left-libertarianism and its critics: The contemporary debate* (pp. 1-20). New York: Palgrave.

Walzer, M. (1983). *Spheres of justice: A defense of pluralism and equality*. Basic Books.

Yan, Y. (2020). *The individualization of Chinese society*. Routledge.

# Appendix

English Abstract of Thesis:

This thesis critically examines prominent objections to inheritance taxation by categorizing them into three main perspectives — Pragmatic, Will-based, and Communitarian. Drawing on philosophical and economic research, it first addresses Pragmatic critiques from scholars such as Holtz-Eakin, Joulfaian, and Rosen (1993, 1994a, 1994b) and McCaffery (1994), who argue that high inheritance taxes can discourage savings, undermine entrepreneurship, and slow economic growth. Next, it explores Will-based objections from libertarian theorists including Rothbard (2006) and Vallentyne (2007), contending that inheritance taxes infringe on autonomy and violate a moral right to bequeath property. Finally, it assesses Communitarian concerns (Nagel, 2009; Bracewell-Milnes, 1997; Neuhäuser, 2022), noting that inheritance taxes may erode family bonds, disrupt small businesses, and weaken communal ties. By assessing each position, the thesis uncovers shared themes — particularly the need for a carefully structured inheritance tax policy that respects personal freedom, supports economic vitality, and preserves community cohesion. In conclusion, it suggests that policymakers might employ nuanced exemptions or progressive tax rates to balance these competing values, indicating that both normative and empirical considerations are essential for reconciling the various — and surprisingly persistent — arguments against inheritance taxation.

German Abstract of Thesis:

Diese Arbeit untersucht kritisch die bedeutendsten Einwände gegen Erbschaftssteuern und teilt sie in drei Hauptperspektiven ein – eine pragmatische, eine willensbasierte sowie eine kommunitaristische Argumentation. Basierend auf philosophischen und ökonomischen Analysen werden zunächst pragmatische Einwände von Autor*innen wie Holtz-Eakin, Joulfaian und Rosen (1993, 1994a, 1994b) sowie McCaffery (1994) vorgestellt, die argumentieren, dass hohe Erbschaftssteuern zu verringertem Sparverhalten, eingeschränkter Unternehmertätigkeit und zu Wachstumshemmnissen führen können. Anschließend werden die willensbasierten Einwände libertärer Theoretiker wie Rothbard (2006) und Vallentyne (2007) erörtert, denen zufolge Erbschaftssteuern die Autonomie verletzen und das moralische Recht auf freie Vermögensübertragung beeinträchtigen. Schließlich beleuchtet die Arbeit kommunitaristische Positionen (Nagel, 2009; Bracewell-Milnes, 1997; Neuhäuser, 2022), die davor warnen, dass Erbschaftssteuern Familienbande schwächen, kleine Unternehmen destabilisieren und Gemeinschaftsstrukturen untergraben könnten.

Durch die kritische Betrachtung dieser drei Einwände werden gemeinsame Themen erkennbar, insbesondere der Bedarf an einer umsichtig gestalteten Erbschaftssteuerpolitik, die persönliche Freiheit, wirtschaftliche Leistungsfähigkeit und den Zusammenhalt in der Gemeinschaft in Einklang bringt. Abschließend wird aufgezeigt, wie politische Entscheidungsträger durch abgestufte Steuersätze oder gezielte Ausnahmen diese konkurrierenden Interessen ausbalancieren könnten. Dabei wird deutlich, dass für eine angemessene Versöhnung der verschiedenen Argumente sowohl normative als auch empirische Gesichtspunkte eine wesentliche Rolle spielen.