

Winner-Takes-All: Corporate Tax Erosion and Wealth Concentration in the United States*

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Abstract

Corporate tax avoidance is conventionally analysed as a fiscal problem. This article argues it is better understood as a pre-distributional mechanism through which $r > g$ compounds at the top of advanced capitalist democracies, converting concentrated corporate profit into concentrated personal wealth. The legal-accounting strategies that depress effective tax rates on the largest American corporations, intra-group licensing, IP migration, transfer pricing, and jurisdictional arbitrage, require legal-accounting power available only to multinationals whose assets are mobile across jurisdictions. The result is lightly taxed profits at the top, held disproportionately by the wealthiest households, which compound, through concentrated equity ownership, into extreme personal wealth. Using Orbis and Compustat data on US corporate groups from 2001 to 2024, we show that the top 0.1 per cent of US corporate groups, roughly ten corporations, now capture 30 per cent of after-tax profits, and the top 1 per cent capture 60 per cent. The richest corporate groups also pay the least tax. The structural advantage of these IP-rich multinationals has been preserved across the major global policy reforms of the past two decades: the OECD-BEPS process, the end of the Double Irish, and the 2017 Tax Cuts and Jobs Act. Forensic case studies of Alphabet, Apple, and Microsoft trace the mechanisms involved. We conclude that corporate tax avoidance is best understood as an antitrust problem, and that taxing the richest corporations ought to be analysed as structural regulation: a pre-distributional constraint on concentrated economic power, and one of the institutional defences of democracy against corporate capture.

Keywords: Wealth Concentration, Corporate Taxation, American Political Economy, Comparative Political Economy, Political Economy of Inequality

JEL Codes: H26, L44, F23, D42

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1 Introduction

The top 0.1 per cent of US corporate groups, roughly ten of them, capture thirty per cent of after-tax profits; the top one per cent capture sixty. As recently as the mid-2010s, those shares stood at thirteen and forty-five per cent. Over the same period the personal wealth of American billionaires nearly tripled, to a combined \$6.77 trillion by 2025¹. The concentration of profit and wealth is not two phenomena but one. Through concentrated equity ownership, corporate profit translates directly into personal wealth at the very top, and the speed of that conversion is set by the tax code.

This article argues that corporate tax avoidance at scale is best understood not as a fiscal problem but as an antitrust problem. The legal-accounting strategies that enable the richest corporations to avoid tax, maximise profit, and protect their wealth via intra-group licensing, IP migration, transfer pricing, and jurisdictional arbitrage require architectural sophistication and balance-sheet politics available only to the largest multinationals. A mid-sized manufacturer cannot assign two hundred billion dollars of intellectual property to an Irish subsidiary; a small business cannot generate twenty-three billion dollars of compensation deductions from a chief executive's stock options². A tax code that permits this is not merely regressive. It subsidises market dominance, and European courts have already recognised it on those terms. When the Commission ordered Ireland to recover €13 billion from Apple in 2016, upheld by the European Court of Justice in 2024, the case was decided as a distortion of competition, not a question of fiscal fairness. The claim is one of reclassification: a regime that systematically advantages dominant IP-rich groups over their smaller competitors is an antitrust problem in a capitalist democracy, and identifying the legal-accounting architecture that makes it one is the contribution of this paper.

These are not American corporations that happen to operate abroad. They are what we call multi-jurisdictional corporate groups (MJGs): single legal architectures spread across dozens of jurisdictions, in which the Irish, Dutch, Luxembourgish, Bermudan, and Singaporean entities are not foreign appendages but constitutive parts of how profit is made,

¹See Forbes (2025).

²See Tesla, Inc. (2013).

booked, and shielded. The thirty per cent captured in the United States is the domestic face of a complex legal structure built offshore. After 2017 the effective tax rate of the largest US groups collapsed. The advantage they had run through foreign provisions did not disappear; it moved onshore, into domestic ones. The United States is where this architecture is anchored, not where it is contained. This makes corporate tax erosion a problem of international and comparative political economy, not of American domestic politics alone.

The contribution to political science is to show how that profit is accumulated, and how it becomes personal wealth. This is the step both of the discipline's traditions skip. Comparative political economy studies inequality through the welfare state and the politics of redistribution (Esping-Andersen 1990, Iversen & Soskice 2019, Rueda 2007); American political economy studies it through capture and influence, the lobbying, campaign finance, and institutional drift through which concentrated wealth becomes political voice (Bartels 2016, Culpepper 2011, Gilens & Page 2014, Hacker et al. 2022, Hacker & Pierson 2010). One begins at redistribution, the other at capture, and both take the fortunes in between as given. Those fortunes are made through the multi-jurisdictional group. It accumulates the profit, shields it from tax, and turns it into concentrated personal wealth, creating the conditions for the corporate capture of democracy. The MJG is how profit becomes capital.

Theoretically, the paper supplies an institutional mechanism where Piketty (2014) leaves one underspecified. The proposition that returns to capital outpace growth, $r > g$, has reshaped the study of inequality but says little about how the divergence is produced and sustained. The component of r that matters for concentration is not the aggregate return on the capital stock but the return on the concentrated equity held at the very top, which is exactly where the corporate tax architecture operates: when effective rates fall on the most profitable groups, more of the gross return accrues to shareholders and compounds. We do not claim to estimate this channel per the growing economics literature (Saez et al. 2023). We claim something narrower and prior. One institution amplifying the $r > g$ divergence is the corporate tax regime, and political science has not studied it as such.

Empirically, we draw on Orbis Historical and Compustat data on the most profitable US corporate groups from 2001 to 2024. We document the scale of profit concentration and show

that it is overwhelmingly a knowledge-sector phenomenon, concentrated among the IP-rich Big-Tech and Big-Pharma groups whose primary assets are mobile across jurisdictions. We then decompose the federal-foreign effective rate dynamic across the major reforms of the past two decades, the OECD BEPS process, the closure of the Double Irish, and the 2017 Tax Cuts and Jobs Act, and show that the advantage of these groups was preserved across all three, relocating from foreign provisions to domestic ones rather than eroding. We then use forensic case studies of Alphabet, Apple, and Microsoft to trace the legal-accounting mechanisms that link tax avoidance to profit accumulation and wealth concentration.

A note on terminology is in order. We write “corporate group” and “multi-jurisdictional group” rather than the economist’s “firm” throughout, because the object of analysis is not a unitary actor but a legal architecture of hundreds or thousands of legal entities, and that architecture is the mechanism, not the background (P. Castro & Seabrooke 2026, Palan 2024, Robé 2011). The widely used concept of “firm” in the political science and economics literature obscures the very mechanisms we want to reveal.

The paper proceeds as follows. Section 2 develops the theoretical framework. Section 3 describes the data and empirical strategy. Sections 4 and 5 present the results on profit concentration and effective tax rates, with particular attention to the federal-foreign decomposition. Section 6 develops the forensic case studies. The conclusion returns to what the concentration of profit and power means for the study of capitalist democracies.

2 Corporate Taxation and the Pre-distributional Turn

2.1 Why political science missed the upstream

Political science has two great traditions for thinking about inequality in capitalist democracies, and neither has treated corporate taxation as a mechanism of profit concentration and wealth inequality. Comparative political economy treats inequality as a distributional problem to be managed after the market has produced it, through the welfare state, labour market institutions, and progressive personal taxation (Esping-Andersen 1990, Iversen &

Soskice 2019, Rehm 2011, Rueda 2007). American political economy treats it as a problem of political voice, lobbying, campaign finance, regulatory capture, and institutional drift through which concentrated wealth converts itself into political power (Bartels 2016, Culpepper 2011, Gilens & Page 2014, Hacker et al. 2022, Hacker & Pierson 2010, Winters 2011). Both are right in what they describe. But both begin after the market has produced its winners, and both take the existence of large concentrated fortunes as given. The question that animates them is what happens to concentration once it exists: how generously it is redistributed, or how effectively it captures the state. Neither asks how it was produced.

The corporate tax channel sits in that prior space, and the category for it already exists. Hacker & Pierson (2010) and Hacker et al. (2022) argued that pre-distribution, the shaping of market outcomes before redistributive taxation runs, deserves more attention from political science than it has received, and a wider literature on the political economy of capitalism has insisted that the institutions governing capitalist economies cannot be separated from the politics of how their gains are shared (Baccaro 2022, Streeck 2014). What this work has lacked is a concrete pre-distributional mechanism connecting corporate taxation to wealth concentration at the very top. Corporate tax erosion is that mechanism. It is not a fiscal phenomenon that happens to produce inequality as a by-product. It is the institutional setting that determines how much of the after-tax profit of the most profitable corporate groups in the world is retained, concentrated, and accumulated, and it runs upstream of every process political science has previously studied: before redistribution, before lobbying, before capture. It produces the resource base on which all of them draw.

The link to personal wealth runs through equity ownership. Corporate profits do not stay on balance sheets. Through concentrated equity holdings they become personal wealth, and the holdings are extraordinarily concentrated: the top ten per cent of US households own roughly ninety-three per cent of all corporate equity, and the top 0.1 per cent hold a disproportionate share of that (Saez & Zucman 2020). When effective corporate rates fall, more of the gross profit accrues to shareholders, and the channel through which it does so is now overwhelmingly the buyback. Lazonick (2014) has shown that the dominant US corporations have, since the early 1980s, returned the bulk of their net income to shareholders

through repurchases rather than reinvesting it or paying it as wages. Buybacks compress the share count, lift earnings per share, and turn retained tax savings into rising market capitalisation. Founder-shareholders such as Mark Zuckerberg and Elon Musk, who hold equity stakes ranging from single digits to forty per cent of the corporate groups they control, accumulate personal fortunes at a multiple of the tax saving: at the price-earnings ratios typical of the largest US groups, an additional dollar of after-tax profit translates into ten to twenty dollars of market capitalisation (Mason 2015, Stockhammer 2004).

This is where Piketty (2014) requires institutional specification. The claim that the return on capital outpaces the rate of growth, $r > g$, has reshaped the study of inequality, but it says little about what produces and sustains the divergence. The component of r that matters for wealth concentration is not the aggregate return on the capital stock. It is the return on the concentrated equity holdings at the extreme upper tail, which is exactly where the corporate tax architecture operates. Saez et al. (2023) have shown that returns on wealth are scale-dependent: the very rich earn higher returns per dollar of wealth because they hold concentrated stakes in high-return corporate groups. We identify one of the institutions producing that scale-dependence. When the tax and accounting regime allows the highest-returning capital to go lightly taxed, it does not merely permit $r > g$. It opens a gap between the headline return and the after-tax return at the top, and the after-tax return is the one that compounds into personal wealth.

A small empirical literature has begun to map this terrain, and our paper builds directly on it. Hager & Baines (2020) provided the first systematic mapping of the effective tax rates of US non-financial corporations by size, and found a pronounced advantage for the largest among them; their later work showed that the US tax code has systematically favoured the profit shares of large corporations (Hager & Baines 2023). Kaymak & Schott (2023) established a strong empirical connection between corporate taxation and the labour share, attributing between thirty and sixty per cent of the decline in manufacturing labour shares to the fall in corporate taxation. Clausing (2023) extended the analysis to the distinction between normal and above-normal returns, arguing that the proliferation of above-normal returns under rising market power carries direct consequences for democratic politics. We

extend this work in two respects. The size-ETR gradient itself is established; what is not is the architecture beneath it. We trace how the structural advantage of the largest IP-rich groups was preserved across three major reforms by relocating from foreign provisions to domestic ones, and we reconstruct, through forensic accounting, the specific legal-corporate mechanisms that produced the relocation. The contribution is the architecture and the method, not the gradient.

2.2 The structural advantage of scale and intangibility

The rise of the knowledge economy has changed the political economy of rent extraction, and the change is what makes the corporate tax channel so consequential now. Schwartz (2022) and others have argued that patents, software, brands, and proprietary algorithms are mobile across jurisdictions in a way physical capital is not, and that this mobility reorganises where profit can be booked (Durand & Milberg 2020, Schwartz 2021). The structural advantage at the centre of our argument follows from this: it is scale combined with intangibility, and it is made operative by what we have called elsewhere legal-accounting power (Regan 2026). The strategies that depress effective rates, intra-group licensing, IP migration, transfer pricing, cost-sharing arrangements, and jurisdictional arbitrage, are not available to all corporations on equal terms. They depend on legal-accounting sophistication and balance-sheet weight that only the largest multi-jurisdictional groups possess, and the tax code rewards that sophistication in proportion to its complexity.

This is a different claim from the one in the public finance literature on profit shifting, where avoidance is framed as a question of incentives faced by corporations choosing among legal options. Tørsløv et al. (2023) have shown that something on the order of forty per cent of multinational profits are shifted to low-tax jurisdictions each year, and a substantial literature on transfer pricing, intra-group debt, and treaty shopping has documented the outcomes (Clausing 2016, Dischinger & Riedel 2011, Zucman 2014). What this work establishes is that profit shifting is large, persistent, and concentrated among multinationals. What it does not theorise is why the resulting advantage is not equally available to all of them. The answer

is that the legal-accounting infrastructure required to run these strategies is itself a function of scale. Harrington (2016) and Seabrooke & Wigan (2017) have shown that wealth management and corporate structuring are professional practices requiring sustained, expensive engagement with specialist legal and accounting expertise. The infrastructure of avoidance is itself an asset, and like all assets, its acquisition and maintenance is concentrated at the top.

Pistor (2019) supplies the frame that links these debates to political science. Capital, in her account, is coded through legal practice: the same underlying asset can be made more or less valuable, more or less protected, more or less taxable, depending on the legal architecture around it. Intellectual property is the archetypal case. A patent, a licence, or a software algorithm has no inherent location and no inherent value, and both can be reshaped to optimise the tax position of the entity within the corporate group that holds it. But legal coding is only half of the mechanism. It settles which entity in which jurisdiction holds the asset; it does not set what the asset is worth. That is accounting. Once the asset is coded into place, its value is set by the corporate group itself, and that valuation fixes the transfer price one subsidiary charges another and writes the amortisation schedule the asset is depreciated against. Because intangibles have no observable market price, the valuation is where the discretion lives, and the discretion is large. The tax base of the corporation is therefore not a property of the underlying economic activity but a property of the legal-accounting architecture through which the activity is organised, and the cases in Section 6 turn as much on balance sheet politics as on where the entities sit.

Both halves require their own profession, the corporate tax bar and the Big Four, and running them at scale is itself an expense only the largest groups can carry. But scale alone is not sufficient. A traditional multinational rooted in physical capital and specific locations cannot reposition its assets the way an intangible-rich group can, however large it is. The groups that benefit are those large enough to maintain the architecture and intangible-rich enough to feed it.

This argument carries a clear expectation. If the advantage is genuinely architectural, sustained by scale and intangibility rather than by any single statutory provision, it should

persist across the reforms designed to disrupt it. Reform will close one channel, and another will open. The dominant groups will continue to pay less than their smaller competitors, whatever provisions are in force. The federal-foreign decomposition in Section 5 tests this directly, across the most consequential reforms in two decades: the OECD's BEPS process, the closure of the Double Irish, and the 2017 Tax Cuts and Jobs Act. If reform worked as advertised, the advantage of IP-rich multinationals should have eroded across this period. It did not. It was preserved, its locus shifting from foreign provisions to domestic ones, and the gap between the largest IP-intensive groups and the rest of the corporate sector held steady at the apex. This is less a story about international reform falling short of its ambitions, though it did (Christensen & Hearson 2019, Hakelberg & Rixen 2021), than a story about reform that was never aimed at the legal-accounting architecture in the first place.

We are careful about what this claim does and does not assert. The panel evidence in Section 5 shows the advantage descriptively, at the apex, through the dollar-weighted rates of the largest groups and the federal-foreign relocation; it does not formally separate intangibility from size, and the sector-wide difference-in-differences that would attempt the separation returns a null we report honestly. The mechanism evidence is carried by the forensic case studies in Section 6, which reconstruct the architecture at the apex where it operates at full scale. The claim is that scale and intangibility are the structural conditions for the advantage, shown descriptively and traced forensically, not that we have estimated their separate contributions.

A final clarification before the antitrust argument. We do not claim the tax code was designed to favour large IP-rich groups. Some provisions were; others were not. The point is that the structural advantage does not depend on the intent behind any provision. It depends on a transnational legal-accounting infrastructure built up over decades by tax lawyers, the Big Four, and the small jurisdictions that host their corporate clients. The largest IP-intensive groups are organised to exploit it; smaller businesses are not. Reform that targets provisions does not touch this infrastructure, and so long as the infrastructure is operative, the advantage reproduces itself whatever statutory regime is in force, and whatever its designers intended.

2.3 Tax as antitrust

The argument so far is that corporate tax erosion is a pre-distributional mechanism through which profits and wealth concentrate, and that scale plus intangibility is the structural condition the tax architecture rewards. The consequence for political science is that the corporate tax system is doing more than fiscal redistribution. It is allocating and amplifying market power. A tax code that rewards scale, depresses effective rates on dominant IP-intensive technology and pharmaceutical multinationals, and leaves smaller competitors to pay closer to the statutory rate is not a neutral revenue instrument. It is competition policy conducted in fiscal form. A legal-accounting architecture that subsidises market dominance belongs in the analytic territory of antitrust, whatever area of law administers it.

The market power literature has documented the underlying phenomenon in detail. De Loecker et al. (2020) showed that aggregate markups in the United States rose from twenty-one per cent above marginal cost in 1980 to sixty-one per cent by the late 2010s, driven overwhelmingly by the upper tail of the distribution. Autor et al. (2020) traced the decline of the labour share to the rise of superstar firms, the small number of corporations in each industry capturing an increasing share of sales and profits. Philippon (2019) showed that American product markets, once more competitive than European ones, have become less so. What this literature has not studied is the tax architecture that finances the concentration it documents. The corporations earning the highest markups and accumulating the most profit are also the corporations paying the lowest effective rates. The market power story and the after-tax profit story are the same story.

Antitrust scholarship has approached from the other direction. The neo-Brandeisian literature has argued that antitrust should address the structural barriers to entry and the democratic dangers of concentrated corporate power, and that market dominance sustained through structural advantages unrelated to productive efficiency is an antitrust problem whatever its effect on consumer prices (Khan 2018, Philippon 2019, Wu 2018). Khan (2018) has argued that antitrust should recover its older constitutional concern with the concentration of private economic power, precisely because of what that concentration does to democ-

racy. Recent work in American political economy provides further ground for the analysis: Thelen (2025) and Foster & Thelen (2025) show how state regulatory and legal architectures actively constitute the power relations and competitive hierarchies within markets. The implication for our argument is direct. The international tax architecture constitutes the competitive terrain on which multi-jurisdictional groups operate, and it structurally advantages their organisational form.

What this scholarship shares is an understanding of antitrust as a competition-law project: a matter of how merger review, market definition, and conduct standards ought to be reconstructed (Peinert & Schwartz 2026). The corporations antitrust law constrains are the same corporations the tax architecture advantages, and that architecture has not been part of the neo-Brandeisian project. Our argument is that it should be. A corporation sustaining market dominance through superior legal-accounting power, and converting that dominance into compounding shareholder wealth, concentrates economic power at its source. This is especially so for the dominant founder-shareholders, Musk, Bezos, Ellison, Zuckerberg, whose fortunes are bound up with the corporate groups they own. Lightly taxed corporate profit is the upstream resource that makes the downstream capture of politics possible.

European law has already treated corporate tax avoidance as a competition problem. The Apple state aid case, decided in 2016 and upheld by the European Court of Justice in 2024, found that Ireland's arrangements conferred a selective advantage unavailable to competitors, and judged systematic avoidance a distortion of competition rather than a question of fiscal fairness (Court of Justice of the European Union 2024, European Commission 2016). The precedent has no American analogue, because US antitrust law has no equivalent doctrine and American political economy has not theorised corporate tax erosion at the apex of the distribution as an antitrust problem at all. This is what is at stake for political science. The discipline has studied how concentrated wealth captures politics; it has not studied the tax and accounting architecture that produces the concentration in the first place, and treating that architecture as antitrust is what connects the two. The empirical sections that follow establish the mechanism: Sections 4 and 5 document the concentration and the relocation

of the tax advantage across two decades of reform, and Section 6 traces the legal-accounting architecture through Alphabet, Apple, and Microsoft. The conclusion returns to what this reframing means for comparative and American political economy, and for how the discipline studies the relationship between corporate power and democracy.

3 Data and Methods

3.1 Financial data

Our quantitative analysis is based on the Orbis Historical dataset provided by Moody's Analytics, which offers comprehensive financial reports and ownership structures for corporations across all jurisdictions (Kalemlı-Özcan et al. 2024). We then combined this with Compustat data to decompose tax payments at the foreign and domestic level. We use consolidated parent accounts for US corporate groups, ensuring that we capture the group-level financial position rather than the accounts of individual subsidiaries, and to avoid double-counting. This is essential for our analysis: the profit-shifting strategies we examine operate across the subsidiary networks of multi-jurisdictional corporate groups (Clausing 2016, Tørsløv et al. 2023), and consolidated accounts provide the appropriate level of aggregation for assessing group-level profitability and tax payments. We acknowledge the limitations and patchy coverage of Orbis data for many subsidiaries, but the consolidated accounts are a reliable source for large, profitable groups in the American political economy. In a final step, we also create a subset within the merged dataset, which maps each year's constituents of the S&P500, the major US American stock index. We want to test the structural tax advantage of corporate size, and the S&P500 subset provides the best available sample of these 'mega-corporations'.

For our estimates on profit concentration, we construct an unbalanced panel of 10,000 of the most profitable US corporations per year, covering the period 2001-2024. All financial variables: turnover, profit before tax (PBT), current tax expense, profit after tax (PAT), and intangible fixed assets, are converted to constant 2024 US dollars using the GDP deflator. The longitudinal dataset includes all corporate forms, including financial institutions and

banks. Our analysis of profit concentration focuses on the most profitable corporations and then narrows to the top 1 per cent and top 0.1 per cent, which are overwhelmingly non-financial corporate groups: the technology, pharmaceutical, and other knowledge-intensive multinationals that dominate the upper tail of the profit distribution. Financial corporations thus enter the denominator of our concentration measures but do not drive the concentration dynamics we document in the knowledge-intensive sectors at the very top.

Our empirical approach measures the mechanism directly before turning to a categorical proxy for it. The structural advantage we identify operates through intangible assets, that is patents, software, brands, and proprietary technology, which are legally mobile across tax jurisdictions in a way that physical capital and labour tied to specific locations are not. We therefore begin with a continuous measure of intangible intensity, the ratio of intangible to non-cash assets, and document its correlation with effective tax rates. This measure is our preferred one because it captures the economic property that actually drives the avoidance architecture: it is the intensity of a group's reliance on mobile intangibles, not its nominal industry, that determines whether the legal-accounting strategies of profit relocation are available to it.

We then complement this with a categorical distinction between knowledge-intensive and traditional groups, classified by primary economic activity under the NACE Rev. 2 system (see Table A1 for complete details). The sectoral split is a useful and transparent proxy, but it is only a proxy: industry codes assign a group to a category by its line of business, which need not track the underlying asset structure that makes the mechanism operative. A knowledge-intensive label captures intangible reliance imperfectly, and some traditional groups have become intangible-intensive in ways NACE does not register. Leading with intensity and treating the sectoral classification as corroboration lets us identify the advantage at the level of the mechanism itself, and then show that it survives a coarser, more familiar cut of the data.

We exclude the financial sector (banking, insurance, and auxiliary financial services; NACE 64-66) from the knowledge vs. traditional comparison because the legal entities of the financial services sector operate under a fundamentally different business model, and

have more complex legal corporate forms. They are mostly involved in financial intermediation rather than production, and face distinct regulatory constraints that make direct comparison of profitability and tax metrics less meaningful. However, we do include financial corporations in our overall profit concentration analysis (Figures 1, 2) to capture the complete distribution of corporate profits, and as a strategy to rank the most profitable corporations in the American political economy. This then allows us to identify top shares (top 0.1 per cent etc) and the key sectors and corporations that dominate the market.

3.2 Measuring concentration and effective taxation

We measure profit concentration as the share of total positive after-tax profits captured by the top 10 per cent, top 1 per cent, and top 0.1 per cent of corporations. In each year, corporations are ranked by after-tax profit; shares are computed as the sum of profits within each tier relative to the total positive profits of all corporations in the panel. Corporations reporting zero or negative after-tax profits are excluded from the denominator.

Effective tax rates (ETRs) are computed as current tax expense divided by profit before tax, calculated both at the individual corporation level (mean ETRs by profitability tier and sector) and as implied aggregate rates (total tax paid by a tier divided by total PBT of that tier). Corporations with $PBT \leq 0$ are excluded from ETR calculations, as are cases where reported taxes significantly exceed profits, to prevent measurement distortions from outliers.

We complement the level of intangible assets with a scaled measure of intangible intensity at the group level. For corporation i in year t we define

$$\text{Intangible intensity}_{it} = \frac{\text{Intangible assets}_{it}}{\text{Total assets}_{it} - \text{Cash}_{it}},$$

the reported stock of intangible assets, capitalised IP, licences, acquired technology, and goodwill, as a share of the group's non-cash asset base. We scale by assets net of cash and cash equivalents, rather than by total assets, for a substantive reason: the largest IP-rich groups carry very large cash balances, themselves partly the accumulated proceeds of lightly taxed profit, and because cash enters total assets an unadjusted ratio would mechanically

understate intangible intensity for precisely the groups at the centre of our mechanism, and would bind the measure to the tax behaviour it is meant to explain. Netting out cash removes this distortion and yields a cleaner measure of how intangible-heavy a group's balance sheet is. We winsorise the ratio at the 1st and 99th percentiles and restrict it to the unit interval to contain a small number of extreme balance sheets. This continuous measure is central to our strategy: it captures the economic property that actually makes the avoidance architecture operative, that is to reliance on mobile intangibles, rather than the industry label that only proxies for it.

3.3 Forensic case studies

We complement the large-N panel analysis with qualitative forensic case studies of three giant US corporate groups: Alphabet (Google), Apple, and Microsoft. These are drawn from public filings, principally annual reports (SEC 10-K filings), and supplemented by regulatory rulings, tax court proceedings, and investigative reporting. Methodologically, we combine political science techniques of process tracing with legal techniques of forensic accounting.

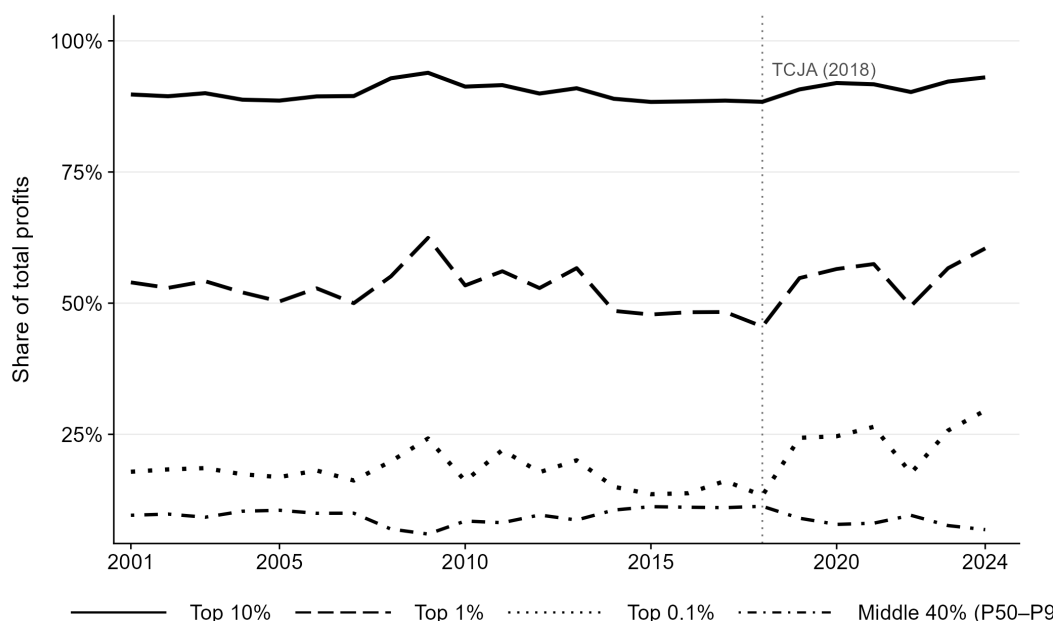
The purpose of the case studies is to trace the tax-specific causal channel that the panel data documents at the aggregate level but cannot decompose. While the panel shows that the most profitable, knowledge-intensive corporate groups pay systematically lower effective tax rates, it cannot reveal the specific legal-corporate arrangements through which this occurs. The case studies fill this gap by reconstructing the IP structures, subsidiary networks, and accounting strategies that enable each corporate group to reduce its tax obligations.

4 The Concentration of Corporate Profits in the United States

Profit concentration among US corporate groups has reached a level with no obvious historical precedent in the post-war American economy. Figure 1 shows the share of after-tax profits captured by different profitability tiers in each year from 2001 to 2024, among the

ten thousand most profitable corporate groups in our database. By 2024, the top 10 per cent of those corporate groups capture 93 per cent of all after-tax profits, the top 1 per cent capture 60 per cent, and the top 0.1 per cent, roughly ten groups, capture 30 per cent. The middle forty per cent of profitable corporations capture less than 10 per cent of the total. The trajectory is notable. Concentration was relatively stable through the 2000s, peaked temporarily after the 2008 financial crisis, and then declined steadily through the mid-2010s.

Figure 1: Profit Concentration Shares by Profitability Groups, 2001–2024



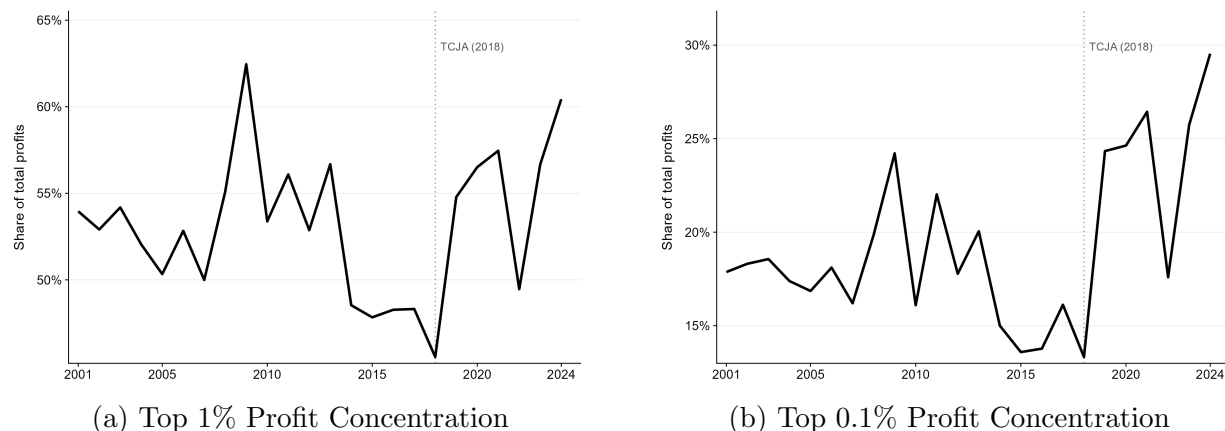
Source: Orbis Historical. Authors' calculations.

The post-2018 re-concentration shown in Figure 2 is the inflection point that demands explanation. Between 2018 and 2024, the top 1 per cent share rises by 15 percentage points, from 45 to 60 per cent; the top 0.1 per cent share rises by 17 points, from 13 to 30 per cent. The TCJA of 2017 coincides with the beginning of this acceleration.

The sectoral composition of the concentration pattern is shown in Figure 3, which decomposes the top 10 per cent and top 1 per cent shares of non-financial profits into knowledge and traditional sub-shares. The two panels tell a single story. The post-2018 acceleration is overwhelmingly a knowledge sector phenomenon. The knowledge sub-share of the top 10 per cent rises in close parallel to the headline top 10 per cent line, while the traditional sub-share remains essentially flat across the period. The pattern is sharper still in the top

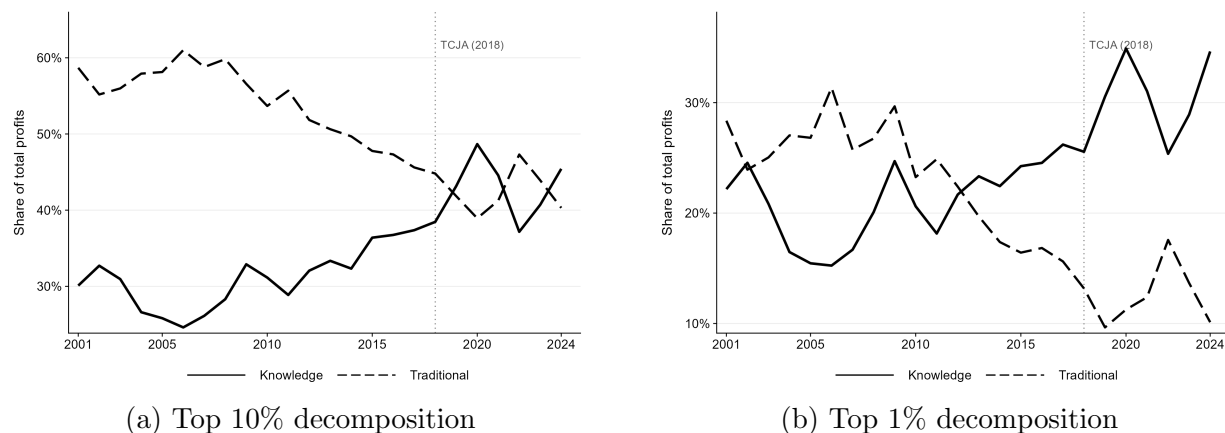
1 per cent panel: the rise from 2018 onward is almost entirely accounted for by knowledge sector corporations capturing an expanding share of total non-financial profits. This rules out an alternative explanation in which the concentration pattern is driven by financial intermediation or commodity rents.

Figure 2: Profit Concentration at the Top: 1% and 0.1%, 2001–2024



Source: Orbis Historical. Authors' calculations.

Figure 3: Profit concentration by sector, financials excluded, 2001–2024



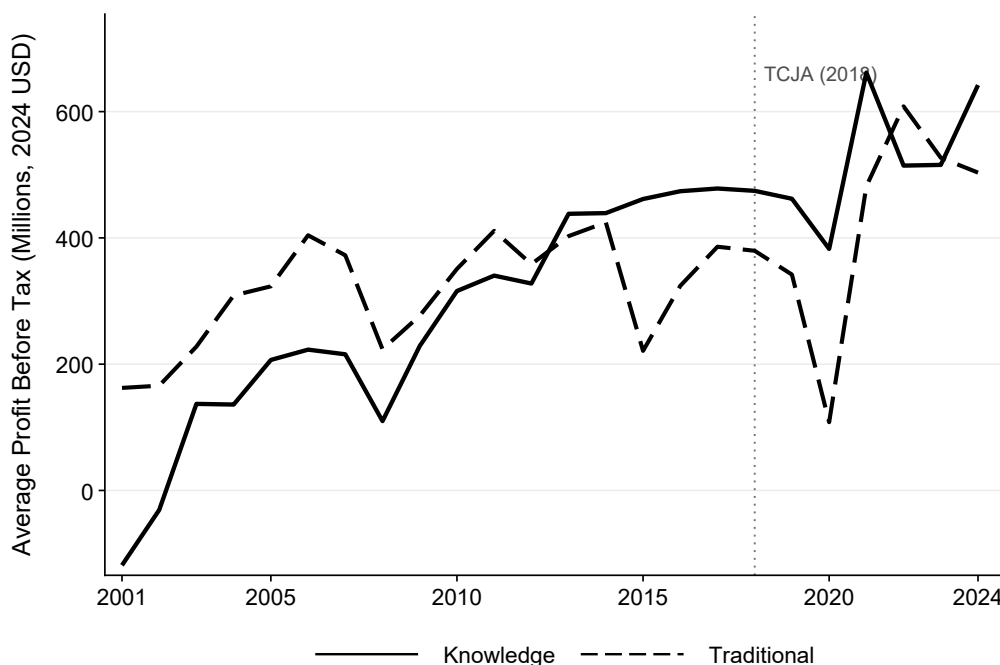
Source: Orbis Historical. Authors' calculations.

The corporations capturing concentrated profits at the very top are the MJGs whose primary assets are intangible: technology platforms, pharmaceutical and biotechnology IP,

and other knowledge-intensive services. This is the empirical pattern the theory predicts, and Section 5 will show that these are also the corporations paying the lowest effective tax rates.

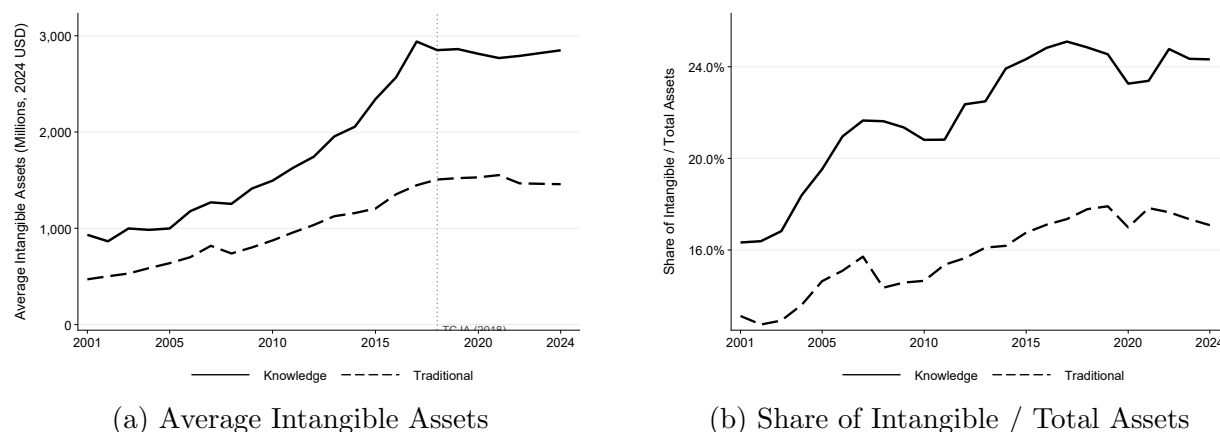
The sectoral divergence in profitability is also visible at the mean. Figure 4 shows average profit before tax for corporations in the knowledge and traditional sectors over the period, excluding the financial sector. Average knowledge sector profitability has risen substantially since the early 2000s, while average traditional sector profitability has grown only modestly. The gap between the two sectors widens steadily over the period and accelerates after 2018. This indicates that the concentration finding in Figure 3 is not a story about a handful of exceptional corporate groups at the very top of the knowledge sector while the rest of the sector remains comparable to traditional. It is a sector-wide divergence in mean profitability, with the upper tail of the knowledge sector distribution producing the headline concentration numbers in paragraph one. Both the mean and the tail are moving together.

Figure 4: Average profit before tax by sector, 2001–2024



Source: Orbis Historical. Authors' calculations.

Figure 5: Intangible assets by sector, 2001–2024



Source: Orbis Historical. Authors' calculations.

The asset structure underpinning this profit pattern is shown in Figure 5. The knowledge sector has shifted decisively toward intangible-heavy balance sheets over the period. Panel (a) shows that average intangible fixed assets per corporation in the knowledge sector have grown substantially in constant 2024 dollars since 2001, while traditional sector intangibles have grown only modestly. Panel (b), which expresses intangibles as a share of total assets to control for the underlying growth of corporation size, shows that the knowledge sector intangible share has risen sharply over the period while the traditional sector share has remained essentially flat. This matters for what comes next. Intangible assets such as patents, software, trademarks, and proprietary algorithms are inherently mobile across jurisdictions in a way that physical capital is not. The corporations whose profits are concentrating at the top of the distribution are also the corporations whose assets are most amenable to the legal-accounting strategies that depress effective tax rates: intra-group licensing, IP migration, transfer pricing, and jurisdictional arbitrage. Section 5 picks up from this asset structure and traces the tax channel through which it operates.

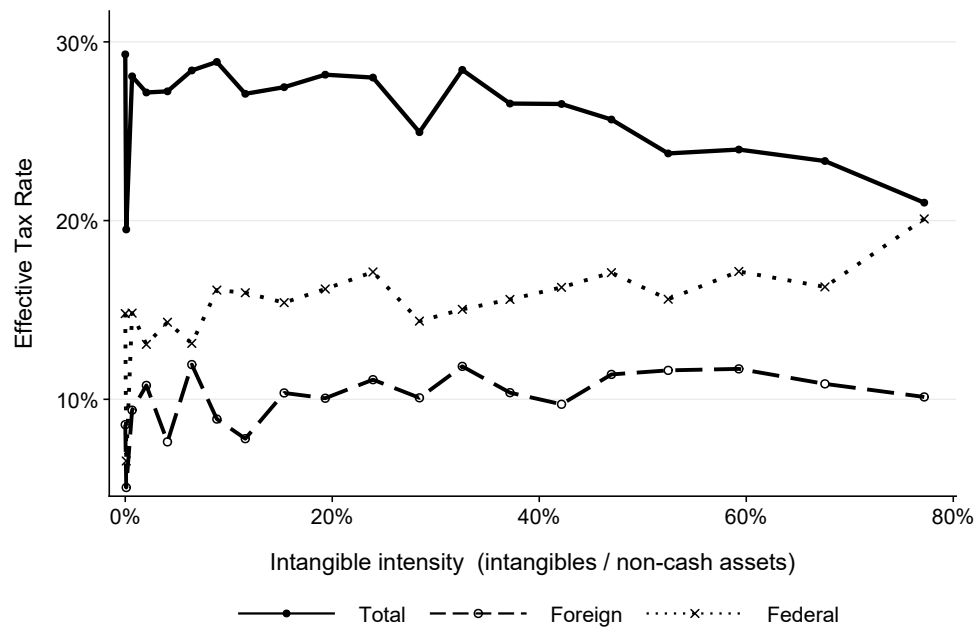
5 Declining Effective Tax Rates and the Structural Tax Advantage of Scale

The empirical strategy in this section moves from broad to narrow. We begin with the relationship at the core of our theory: the continuous association between intangible intensity and effective taxation across S&P 500 corporations. We then review the average effective tax rates and the cross-sectional size gradient that persists across the analysed period, before narrowing to the dollar-weighted implied effective tax rates of the largest IP-rich multi-jurisdictional groups, where our theory's structural prediction is most cleanly tested. This sequence reflects the theoretical claim itself. The structural tax advantage we have identified is not distributed evenly across the knowledge sector: it is concentrated at the very top of the distribution, among the largest IP-rich MJGs whose legal-accounting infrastructure makes the avoidance architecture operative. The intangibility gradient establishes the mechanism in cross-section; universe-wide averages document the level shift produced by the TCJA and the persistent size gradient, both of which are independently informative. The structural top-tier dynamic that our theoretical claim expects, however, only shows up cleanly when we move to dollar-weighted implied ETRs on the Magnificent Seven (M7), where compositional noise from hundreds of small and mid-cap knowledge sector corporations is removed and the architectural advantage of the very largest groups becomes visible.

Figure 6 presents the first step. Pooling all years and grouping S&P 500 corporation-years into twenty quantile bins of intangible intensity: total intangible assets over non-cash total assets, the figure plots the mean total, federal, and foreign effective tax rate within each bin. The gradient is unambiguous: total and federal rates decline steadily as intangibles rise as a share of the productive balance sheet, and the most intangible-intensive corporations pay the lowest rates. This is precisely the pattern our mechanism requires. If intangible assets are the vehicle of tax avoidance (the instrument through which profit is relocated across jurisdictions and effective rates are depressed) then intangibility should predict taxation continuously, and not merely across a binary sectoral divide. It does. And because lightly taxed profit compounds through concentrated equity ownership, this same gradient is the

first link in the chain running from intangible capital to concentrated personal wealth. The foreign rate moves in the opposite direction, rising with intangible intensity, a reversal we unpack below.

Figure 6: Effective tax rates as a function of intangible intensity, S&P 500 corporations, 2000–2024

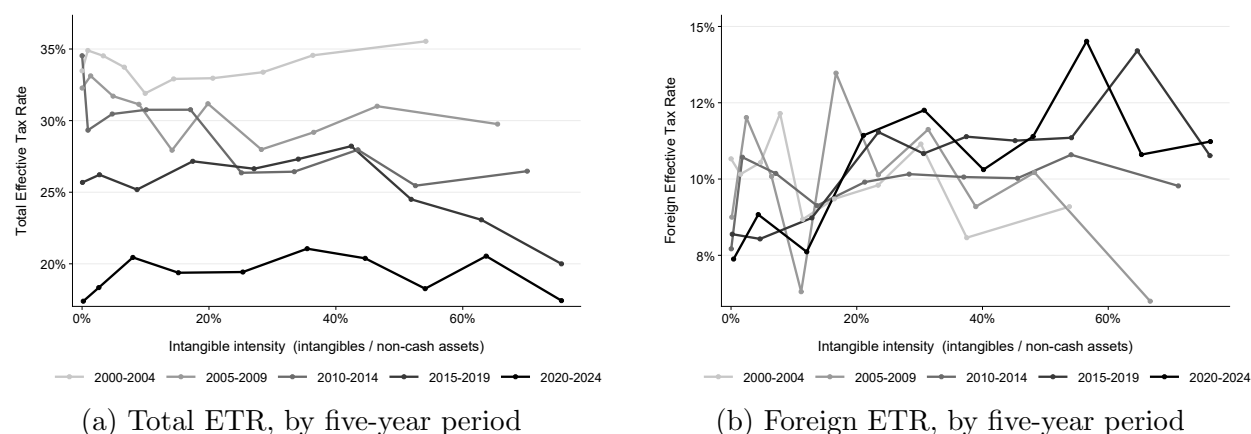


Source: Orbis Historical, Compustat, S&P 500 historical constituents. Authors' calculations.

The gradient is, moreover, historically new. Figure 7b re-estimates the relationship within five-year periods, binning corporations into deciles of intangible intensity within each era. Between 2000 and 2004 the relationship was, if anything, positive: the most intangible-intensive corporations paid somewhat *higher* total rates. The association flattens through 2005–2009, turns clearly negative in 2010–2014, and reaches its steepest slope in 2015–2019. In 2020–2024, the slope flattens again, but the entire schedule shifts down, leaving intangible-intensive corporations facing the lowest effective rates in our sample. Read together, the five schedules date the emergence of intangibility as a tax technology: an advantage that did not exist at the start of the century, was built over the 2010s, and was consolidated, at historically low levels, after the TCJA. Figure 7b tells the mirror-image story on the foreign side. From 2015 onward, the foreign rates paid by the most intangible-intensive groups begin to rise, exactly as the offshore architecture came under coordinated international attack: the

OECD, BEPS process, the closure of the Double Irish, and the Pillar Two minimum tax raised the cost of offshore profit shifting. The combination of rising foreign rates alongside the lowest total rates on record is the signature of relocation rather than removal: as the international community moved against the loopholes, the advantage of the most intangible-intensive groups migrated onshore, which is why the foreign rate rises even as the total rate falls.

Figure 7: Total and foreign effective tax rates by intangible intensity, S&P 500 corporations, five-year periods, 2000–2024

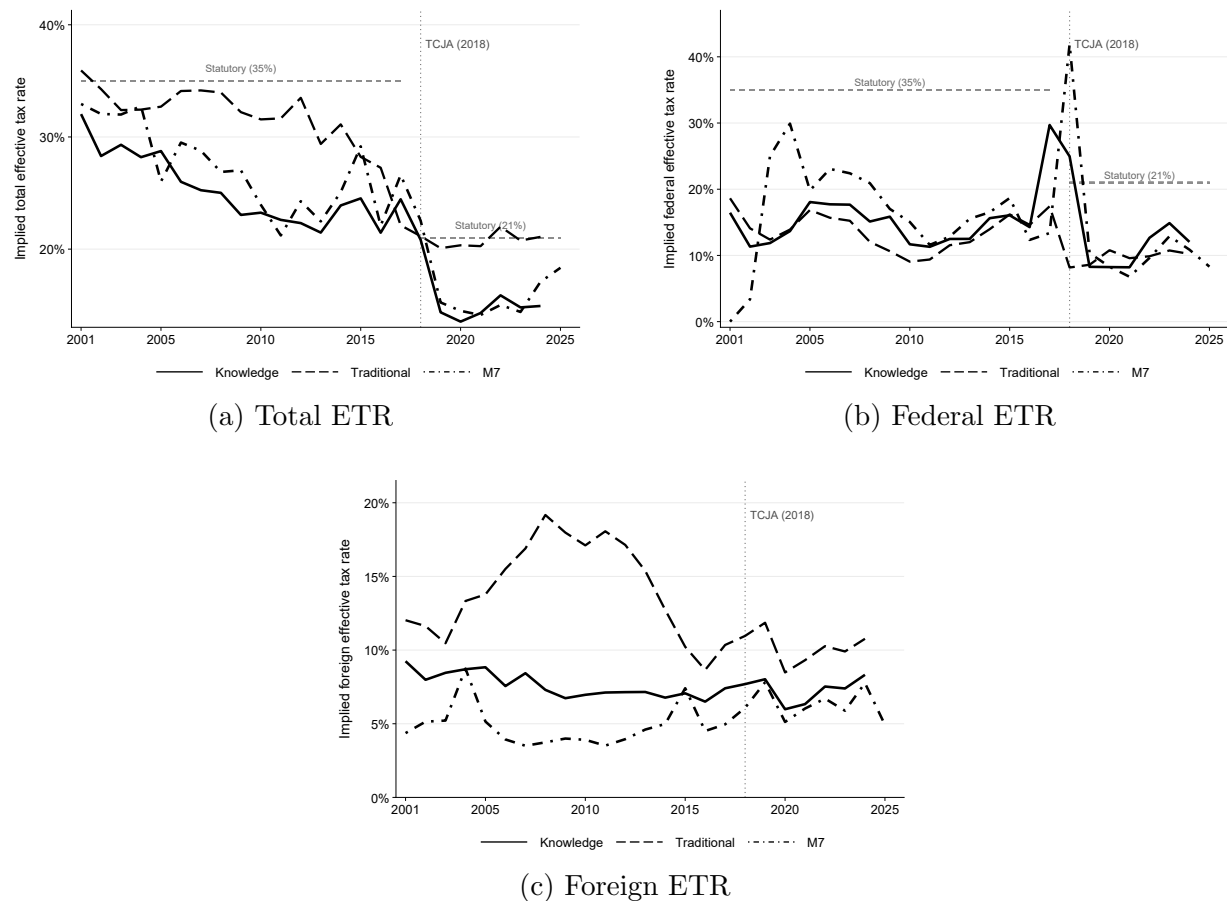


Source: Orbis Historical, Compustat, S&P 500 historical constituents. Authors' calculations.

Figure 8 shows the dollar-weighted implied effective tax rates for three groups of S&P 500 corporations over the period 2001 to 2025: the knowledge sector, the traditional sector, and the Magnificent Seven (Apple, Microsoft, Alphabet, Amazon, Meta, Nvidia, and Tesla). The three sub-panels decompose the total ETR into its federal and foreign components. The total ETR panel (a) shows that both the knowledge sector in general and the M7 pay systematically lower rates than the traditional sectors throughout the period, with the gap widening after 2017. The federal ETR panel (b) mirrors this trend, albeit to a slightly lower degree. More importantly, post-TCJA showcases an overall collapse of tax rates, well below the level of the new statutory 21 per cent. The diagnostic panel is panel (c). The foreign ETR for the Magnificent Seven sits on average between 5 to 10 per cent through the 2000s and into the early 2010s, dramatically below both the knowledge sector average, and even more so, the traditional sector. Foreign rates then drift upward through the BEPS years

from 2015 onward, before the post-2017 federal cut compensates, yet remain well below the minimum tax rate adopted in many jurisdictions by 2021. The advantage was relocated, not removed.

Figure 8: Implied effective tax rates: Knowledge, Traditional, and Magnificent 7, S&P 500 corporations, 2001–2025



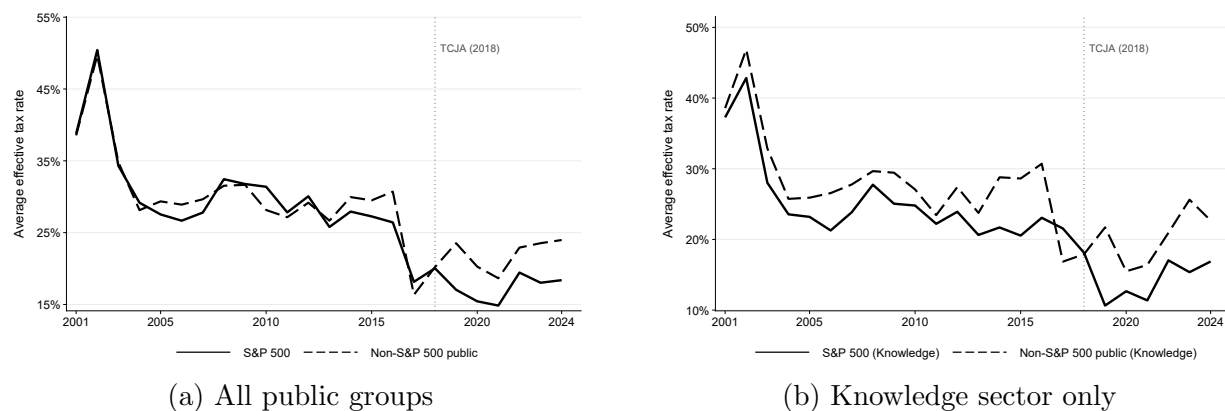
Source: Compustat, S&P 500 historical constituents. Authors' calculations.

This is exactly the pattern our theoretical argument would expect. The structural advantage of scale plus intangibility has been preserved across the most consequential policy reforms of the past two decades. Through the 2000s and early 2010s, the largest IP-rich MJGs paid foreign rates well below the headline statutory rates in their major operating jurisdictions, through structures such as the Double Irish that routed advertising and licensing revenue through Irish-incorporated subsidiaries with tax residency in Bermuda. As the OECD's base erosion and profit shifting process and the closure of the Double Irish pushed foreign rates upward in the second half of the 2010s, the 2017 Tax Cuts and Jobs

Act federal cut moved the domestic rate down by enough to compensate. The channel of advantage relocated from foreign to domestic provisions. Section 6 traces in forensic detail the legal-accounting mechanisms involved: the Foreign-Derived Intangible Income deduction, the gaming of the Global Intangible Low-Taxed Income regime, and the 2025 transition to the Net CFC Tested Income and Foreign Derived Deduction Eligible Income regimes under the One Big Beautiful Bill Act. The structural advantage was not closed, it was repositioned.

The sector-average evidence is consistent with the Magnificent Seven finding but smaller in magnitude. Figure 9 compares the average ETR of S&P 500 constituents against other public corporate groups, separately for the full sample and for the knowledge sector. The S&P 500 knowledge sector pays systematically lower rates than its non-S&P 500 knowledge counterparts, and the gap widens post-2017. As we move from the very top of the distribution outward, the structural advantage attenuates because progressively fewer corporate groups operate the legal-accounting architecture at full scale. The signal is sharpest at the Magnificent Seven level, visible at the S&P 500 level, and attenuated in the sector-wide averages that include hundreds of smaller knowledge corporations with no offshore architecture.

Figure 9: Average effective tax rate: S&P 500 vs non-S&P 500 public corporations, 2001–2024



Source: Orbis Historical, Compustat, S&P 500 historical constituents. Authors' calculations.

The findings in this section have implications that go beyond corporate tax. The most profitable corporate groups in the United States are also the most lightly taxed. This is not a coincidence but a structural feature of the American political economy. Concentrated

equity ownership is the channel through which lightly taxed corporate profit compounds into personal wealth at the top: the top 10 per cent of US households hold approximately 93 per cent of all corporate equity (Saez & Zucman 2020), and the dominant US corporate groups have distributed the bulk of their net income to shareholders through buybacks since the early 1980s (Lazonick 2014). At the price-earnings multiples typical of the Magnificent Seven, an additional dollar of after-tax profit translates into ten to twenty dollars of market capitalisation. This is the structural feature at the centre of America's unequal democracy: The corporations that command markets also command the legal-accounting architecture that allows them to concentrate profit, avoid taxation, and accumulate wealth. Section 6 traces that architecture, through forensic case studies of Alphabet, Apple, and Microsoft.

6 The Legal-Accounting Architecture of Tax Advantage: Alphabet, Apple, and Microsoft

The panel data of Section 5 documents the structural advantage in aggregate but cannot decompose it, because no difference-in-differences specification that averages across hundreds of corporate groups can isolate the apex where the advantage is concentrated. The case studies do that work directly. They reconstruct the legal-accounting architecture of three of the largest IP-rich MJGs in the world, tracing the specific intra-group structures through which sub-statutory taxation is produced and sustained across the reform episodes. The mechanisms differ across the three; the structural logic does not.

6.1 Alphabet: from the Double Irish to post-reform IP restructuring

Between 2004 and 2019, Google deployed the Double Irish with a Dutch Sandwich: non-US advertising revenue was collected by Google Ireland Limited, which paid royalties through a Dutch intermediary to Google Ireland Holdings, an Irish-incorporated subsidiary tax-resident in Bermuda, where the corporate rate was zero (Drucker 2010). Google Ireland Holdings

had no employees and was registered at the offices of a Dublin law firm. In a single year, an estimated \$75.4 billion in profits was routed through the structure (Taylor 2021).

The closure of the residency loophole did not eliminate the advantage; it relocated it. Alphabet on-shored its licensing rights and algorithmic IP to Ireland and exploited TCJA provisions that, in practice, subsidised the transition. The Foreign-Derived Intangible Income deduction, which reduces the US rate on income from serving foreign markets from 21 per cent to roughly 13.125 per cent (IRC § 250), saved the corporate group approximately \$18.7 billion between 2021 and 2025 (Alphabet Inc. 2021–2025).

The mechanics never named intangibles. FDII set a routine return threshold at 10 per cent of a group's Qualified Business Asset Investment, its depreciable tangible assets, and classified everything earned abroad above that baseline as deemed intangible income by subtraction. Because Alphabet's physical footprint is minimal relative to its revenues, the QBAI hurdle is trivially cleared, rewarding the IP-heavy balance sheet by default. The OBBBA revisions then eliminated the QBAI deduction and renamed the regimes Net CFC Tested Income and Foreign-Derived Deduction Eligible Income, making them more sector-agnostic on paper while entrenching the same advantage in practice.

On cumulative pre-tax income of \$526.4 billion between 2021 and 2025, the corporate group paid approximately \$84.3 billion in tax, an effective rate of 16 per cent and a cumulative gap of \$26.2 billion against the statutory rate. These retained earnings funded both the capital expenditure sustaining Alphabet's position in AI and cloud and the return of capital to shareholders, including the first dividend in the company's history in FY2024 (Alphabet Inc. 2021–2025). The transition from one avoidance architecture to another is the point: the advantage survived because it is embedded in the corporate architecture itself, not in any single arrangement, converting lightly taxed profit into entrenched market dominance and compounding shareholder wealth.

6.2 Apple: IP on-shoring, inflated valuations, and amortisation

For decades, Apple’s Irish subsidiaries, Apple Sales International and Apple Operations Europe, were incorporated in Ireland but managed externally, rendering them stateless for tax purposes (European Commission 2017, U.S. Senate Permanent Subcommittee on Investigations 2013). Through Advance Pricing Agreements, approximately €111 billion of European profits between 2004 and 2014 were attributed to head offices with no employees, producing an effective rate of 0.005 per cent by 2014. In August 2016 the European Commission ordered Ireland to recover €13.1 billion in illegal state aid (European Commission 2016); the European Court of Justice confirmed the ruling in September 2024 (Court of Justice of the European Union 2024). Even then, the architecture absorbed the blow: Apple paid \$15.8 billion to Ireland in FY2024, but US foreign tax credits of \$4.8 billion and an \$823 million decrease in unrecognised tax benefits left a net charge of \$10.2 billion (Apple Inc. 2020–2025).

On closure of the loophole, Apple preserved the architecture by re-domiciling its IP-holding subsidiaries to Jersey and then on-shoring those rights to an Irish subsidiary (Hubert 2023). Valuing the intangibles at an estimated \$200 billion generated amortisation deductions against future Irish taxable income. Consolidated accounts for Apple Operations International, the apex entity holding the on-shored IP, record annual depreciation and amortisation of between \$2.6 billion and over \$7.2 billion across FY2018 to FY2025, and the earnings-of-foreign-subsidaries line in the rate reconciliation grew from a \$2.5 billion tax reduction in FY2020 to \$8.1 billion by FY2025. Over FY2020 to FY2025, cumulative pre-tax income reached \$665.4 billion against \$110.7 billion in tax, including the state aid charge, with approximately \$29 billion avoided relative to the statutory rate (Apple Inc. 2020–2025).

The TCJA then supplied the conversion mechanism. The Section 965 transition tax allowed Apple to repatriate accumulated offshore cash at a steeply discounted rate, funding over \$500 billion in buybacks since 2020. When a corporate group transfers IP between its own subsidiaries, the price is notionally set by arm’s-length principles (OECD 2021a), but

the valuation of non-observable intangibles such as brand licences and software platforms is deeply contestable (Cobham 2020). Apple exploited that contestability to turn a reform moment into a fresh avoidance opportunity, generating deductions against future profit through assets whose value was determined entirely within the corporate group itself.

6.3 Microsoft: IP migration across regimes

Microsoft built its IP architecture in the 1990s, establishing regional operating centres in Ireland, Singapore, and Puerto Rico through cost-sharing agreements that transferred IP rights well below eventual commercial value (U.S. Senate Permanent Subcommittee on Investigations 2012). At the centre sat Microsoft Round Island One, incorporated in Ireland and tax-resident in Bermuda until 2021, operating without employees beyond its directors (Neate 2021). In its FY2020 accounts the entity recorded a profit of \$314.7 billion, exceeding Microsoft's total global revenue, and avoided Irish taxation entirely.

Between FY2021 and FY2025 the corporate group earned approximately \$475.5 billion in pre-tax income and recorded roughly \$79.2 billion in tax, an effective rate of 16.7 per cent against the 21 per cent benchmark and \$20.7 billion in cumulative savings. The architecture then visibly transformed. Until FY2022, Ireland and Puerto Rico together generated 82 per cent of foreign pre-tax income at rates well below the US statutory rate. In the first quarter of FY2022, Microsoft transferred certain intangibles from its Puerto Rico subsidiary to the United States, booking a net tax benefit of \$3.3 billion, because the present value of future US amortisation deductions on the transferred IP exceeded the current GILTI liability on the transfer (Microsoft Corporation 2020–2025). The regime designed to penalise low-taxed offshore IP became a one-off windfall for the group it targeted. Post-transfer, Puerto Rico disappeared from the rate reconciliation and Ireland absorbed the role entirely, generating 81 per cent of foreign pre-tax income by FY2025.

The scale of contested avoidance is captured by the \$28.9 billion the IRS is seeking through Notices of Proposed Adjustment covering 2004 to 2013, primarily on intercompany transfer pricing with the Puerto Rico subsidiary. Microsoft has accrued \$22.8 billion in

unrecognised tax benefits and \$6.8 billion in interest on uncertain positions, sums that, if payable, would retrospectively double the group's effective rate for the decade (Microsoft Corporation 2020–2025). Microsoft exploited the transition between the old worldwide system and the new territorial one, extracting a benefit at each stage by restructuring IP across its subsidiary network and profiting from the transition itself.

6.4 Synthesis

All three cases share a common structural logic: strategies available primarily to large, IP-rich corporate groups, dependent on multi-jurisdictional legal architectures inaccessible to smaller competitors. The mechanisms differ. Alphabet turned to FDII, Apple on-shored IP under inflated valuations while deploying discounted repatriation, Microsoft traded offshore IP for domestic amortisation deductions. The outcome is uniform: effective rates persistently below the statutory benchmark, measured in tens of billions of dollars a year.

What emerges is not merely the preservation of an international advantage but the structural domestication of the tax haven model itself. As legacy offshore loopholes such as the Double Irish closed, the United States did not compel these multi-jurisdictional groups to pay statutory rates. Through FDII, discounted repatriation under Section 965, and the post-on-shoring amortisation regime, the federal tax code became a domestic tax haven. These provisions function less as standard deductions than as state-sponsored subsidies for scale, so that the jurisdictional arbitrage once conducted in Bermuda or Jersey is now legalised, and subsidised, within the United States.

The OECD's Pillar Two framework, the 15 per cent global minimum effective tax agreed in 2021, was designed to set a floor beneath precisely this kind of jurisdictional competition (OECD 2021*b*). The corporate groups examined here remain completely insulated from its provisions. On 28 June 2025, G7 finance ministers announced a 'side-by-side' agreement excluding US-parented multinational groups from both the Income Inclusion Rule and the Undertaxed Profits Rule, in exchange for the United States withdrawing its proposed Section 899 retaliatory tax (Quintero Godínez & Regan 2026). The OECD (2026) Inclusive Frame-

work adopted the Side-by-Side Package on 5 January 2026, listing the United States as a ‘Qualified SbS Regime’ and exempting US multinationals from the global minimum tax the framework was designed to universalise. The US regime operating ‘side-by-side’ with Pillar Two establishes a 14 per cent effective rate, undercutting the 15 per cent global standard, and permits global blending of income across jurisdictions. European competitors remain subject to jurisdictional top-up taxation that their American counterparts avoid.

The most ambitious international tax reform in a generation systematically bypasses the very corporate groups it was ostensibly designed to constrain. The result, in every case, is a pipeline from lightly taxed profits to stock appreciation to concentrated personal wealth. Cumulative savings across the three MJGs over the study period approach \$76 billion. This is not aggressive compliance at the margin but a structural antitrust problem: a tax architecture that systematically advantages dominant MJGs, entrenching the winner-takes-all dynamic that erodes the competitive foundations of capitalist democracies.

7 Conclusion

The empirical core of this paper has been hiding in plain sight. Just ten corporations now capture roughly thirty per cent of all after-tax profits in the United States, the top one per cent capture sixty, and these are the same corporations that pay the lowest effective tax rates. The advantage is not an artefact of whichever statutory regime happens to be in force. It is the predictable consequence of a tax and accounting system that rewards scale combined with intangibility, and the forensic cases of Alphabet, Apple, and Microsoft trace how IP-rich multi-jurisdictional groups deploy the legal-accounting power that smaller corporations and traditional sectors cannot match.

The contribution is to identify corporate tax erosion as the pre-distributional mechanism that converts concentrated corporate profit into concentrated personal wealth, and to locate it in the multi-jurisdictional group, an institution transnational by construction and therefore a problem for capitalist democracies generally. Comparative political economy studies inequality at redistribution, American political economy at capture, and both take the for-

tune in between as given. This paper supplies the stage neither studies: how the fortune is made and protected, before redistribution and before capture. That is why political science should attend to legal-accounting power. Not as technical machinery for specialists, but for what it does to democracy. And because the advantage is structural and concentrated at the very apex of the distribution, it belongs in the neo-Brandeisian tradition, where structural economic power is itself a danger to democracy, whatever its effect on prices.

This reframing is what brings corporate tax into the analytic territory of antitrust. The European Commission and the European Court of Justice have already accepted the substance, treating Apple's Irish arrangements as a distortion of competition rather than a question of fiscal fairness. Whether US legal doctrine arrives at the same conclusion is a question for US legal doctrine. The political-economic claim stands either way. A regime under which the largest corporations pay a fraction of the effective rate paid by their smaller competitors, on the same underlying activity, subsidises market dominance, and that subsidy compounds through concentrated equity ownership into the personal fortunes of the founders and major shareholders who control the dominant groups.

This is also why reform keeps failing, and why the failure is not what it appears. The preservation of the advantage across the BEPS process, the closure of the Double Irish, and the 2017 Tax Cuts and Jobs Act is not a story of specific provisions falling short. It is a story about whose interests are organised around the architecture and whose are not. The legal-accounting power of multi-jurisdictional groups is sustained by a transnational professional network of tax lawyers, accounting firms, corporate clients, and the small jurisdictions whose business models depend on hosting them. These constituencies are organised and continuously engaged; the public interest in changing the architecture is neither. This is the quiet politics of business power (Culpepper 2011), conducted not over the headline rate but over the architecture beneath it, and it is why reform aimed at provisions leaves the structural advantage intact.

The most ambitious multilateral tax reform in a generation has confirmed the point rather than disturbed it. In 2021, more than 130 governments agreed to a global minimum tax, built to put a floor under exactly the avoidance this paper describes. By early 2026 the largest

US groups had been carved out of its core provisions, while their European competitors remained bound by the top-up taxation the Americans now escape³. The reform was not defeated. It was rewritten around the corporate groups it was built to constrain. This is the architecture surviving the strongest attempt yet made to break it, and it is why the problem belongs to capitalist democracies as a class: the United States hosts the architecture, but its revenue costs and its competitive distortions fall across every democracy in which these groups operate.

Two limits mark the next steps. We show the advantage descriptively, at the apex, through the dollar-weighted rates of the largest groups and the relocation of the advantage from foreign to domestic provisions; the formal separation of intangibility from size remains for a research design with more power at the top of the distribution than a seven-group panel allows. And we identify the architecture that produces concentrated economic power without measuring the competitive harms that follow from it; that measurement is the task the reframing makes coherent, and it is the task we leave to others. What the paper establishes is the prior claim on which any such measurement depends: that the architecture exists, that it is structural, and that it sits at the apex.

Hacker and Pierson called the political dynamic of this concentration winner-takes-all, and the title of this paper takes their term seriously. What we add is the institutional mechanism beneath the politics. When the largest corporations escape effective taxation through legal-accounting power and accumulate profit at an unprecedented scale, the resulting concentration of wealth is not a side effect of market competition. It is the product of a tax and accounting system, and the fortunes it produces are increasingly turned, through campaign finance, lobbying, media ownership, and the funding of think tanks, against the public institutions that might tax, regulate, or break up the groups that generated them. That is the substance of corporate capture, and it is why corporate taxation, properly under-

³G7 finance ministers announced a “side-by-side” agreement on 28 June 2025 excluding US-parented groups from the Income Inclusion Rule and the Undertaxed Profits Rule, in exchange for the United States withdrawing the proposed Section 899 retaliatory tax (G7 2025, Quintero Godínez & Regan 2026). The OECD Inclusive Framework adopted the Side-by-Side Package on 5 January 2026, listing the United States as a Qualified SbS Regime (OECD 2026). The US regime establishes a 14 per cent effective rate against the 15 per cent global standard and permits global blending across jurisdictions.

stood, is not a fiscal question but a democratic one. Whether capitalist democracies remain democratic depends, in part, on whether the legal-accounting architecture documented here is recognised as a structure of power rather than a matter of tax.

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A Appendix

A.1 Tables

Table A1: Sector Classification

Sector	Category	Industries (NACE codes)
<i>Knowledge</i>	(1) Technology	ICT manufacturing, telecommunications, IT services, data processing (26, 61–63)
	(2) Pharmaceuticals & life sciences	Pharmaceutical manufacturing, biotechnology R&D (21, selected)
	(3) Other knowledge-intensive	Media, publishing, legal & accounting, management consulting, scientific research, advertising (58–60, 69–74)
<i>Traditional</i>	(4) Commodities & retail	Agriculture, food manufacturing, textiles, wholesale/retail trade (01–03, 10–15, 45–47)
	(5) Industry & manufacturing	Wood, chemicals, metals, machinery (16–20, 22–33, excl. pharmaceuticals & ICT)
	(6) Other services	Mining, utilities, construction, transport, hospitality (05–09, 35–99, excl. financial services)

Table A2: TCJA effect on total effective tax rate: Knowledge vs other sectors

	(1)	(2)	(3)	(4)
Knowledge $\times$ Post-TCJA	1.425 (1.194)	1.621 (1.194)	0.991 (1.308)	0.970 (1.322)
Knowledge Sector	-3.218*** (1.134)	-3.326*** (1.137)		
Post-TCJA	-9.153*** (0.557)	-9.460*** (0.544)		
Constant	28.366*** (0.567)	12.644*** (3.149)	22.904*** (0.177)	21.886** (11.089)
Observations	5,208	5,208	5,200	5,200
Adj. R ²	0.091	0.108	0.302	0.302
Firm FE	No	No	Yes	Yes
Year FE	No	No	Yes	Yes
Controls	No	Yes	No	Yes

Note: Difference-in-differences estimates of the change in total ETR for corporations in the knowledge and traditional sectors, in the post-TCJA period (2018 onwards). The coefficient of interest is Knowledge $\times$ Post-TCJA. Sample: Compustat corporations 2010–2024, excluding corporations with non-positive pretax income; entity-level ETR is constrained between 0 and 1 and expressed in per cent. Controls (where included): Log(Revenue). Specifications (3) and (4) include corporation and year fixed effects, which absorb the Knowledge Sector and Post-TCJA main effects. Standard errors clustered at the corporation level in parentheses. Significance: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Source: Compustat. Authors' calculations.

Because the dynamic we document operates within the top per cent of corporations, a causal identification strategy is difficult to develop. We report a difference-in-differences design following Dobridge et al. (2023), estimating the TCJA's effect on effective tax rates, and draw two conclusions from it. First, the Post-TCJA main effect is large and statistically significant: effective rates fell after 2018, consistent with the statutory cut from 35 to 21 per cent. Second, the cross-sectional size gradient documented in Figure 9 is consistent with the size-and-tax-planning literature: larger public groups paid less than smaller ones both before and after the reform. The Knowledge $\times$ Post-TCJA interaction returns a null. This is what the unit-of-observation problem predicts: a sector-wide interaction averages across hundreds of small and mid-cap knowledge corporations that never operated the avoidance architecture, so the sectoral average is not where the advantage lives.