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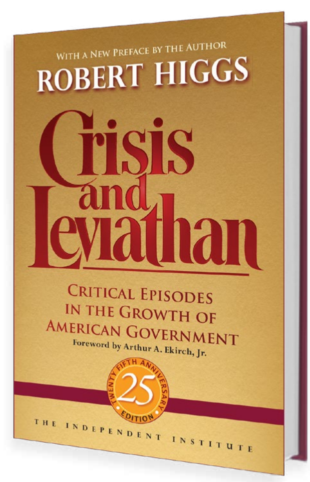

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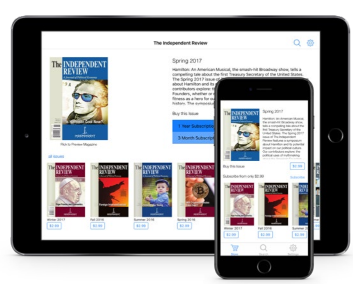

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The Limits of Redistribution and the Impossibility of Egalitarian Ends

JEREMY JACKSON AND JEFFREY PALM

One of the many dangers of the modern egalitarian philosophy is that it hides its true objectives behind the guise of social justice. Adherents would insist that they reject the materialistic values of their free-market foes. However, not far below the surface commitment to relational equality and disruption of social hierarchy lies their true motive: material equality. The modern egalitarian is shifting from a focus on equality of relationships to a focus on equality in quality of life and more comprehensive measures of well-being (Arneson 2000). Whether the egalitarian desires to create policies that lead to equality in distribution of wealth or to equality in well-being, it does not matter. Both are impossible ends. Inequalities in wealth and well-being are due in part to inequalities in the distribution of social capital, which can be neither removed nor transferred from one individual to another. Thus, inequalities in wealth and well-being are the inevitable result of a system reliant on humans autonomously making decisions.

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The Independent Review, v. 22, n. 1, Summer 2017, ISSN 1086-1653, Copyright © 2017, pp. 71–81.

The Origins of Egalitarianism

Egalitarianism as an academic school of thought did not actually begin to concretize until the post–World War II era, although certain basic ideas go back as far as biblical times (equality of souls but not "earthly" equality) (Anderson 2014). Many of egalitarianism's roots are traceable to a particular understanding of the philosophy of altruism: the idea that a person has but two options in life—to sacrifice one's self in the service of others or to sacrifice others in the service of one's self (Kelley 1991, 2009). From this understanding of altruism, egalitarians derive a fundamental misunderstanding of "the zero-sum game." Because they mistakenly think of all goods and services as slices of a (finite) pie, they deduce that for one person to gain, another must lose. From this either–or conception of altruism, egalitarianism concludes that the only moral thing to do is to sacrifice one's self in the service of others (Kelley 1991).

Karl Marx himself was no egalitarian, yet many of his ideas have helped to shape modern egalitarianism. His focus on conflict and the exploitation of the subjugated worker, derived from his misconceptions of the labor market and the means of production, contributed to the mid- to late-nineteenth-century push for a shorter workday and higher wages (Anderson 2014). This push then fed into Otto von Bismarck's creation of the first modern welfare state in Germany in an effort to combat Marx's more revolutionary socialism. Anthony P. Mueller states that "social policy was foremost national policy and the social security system was primarily an instrument to lure the workers away from private and communitarian systems into the arms of the State" (2003).

By the early 1940s, which saw the publication of the Beveridge Report in the United Kingdom in 1942 and Franklin Roosevelt's suggestion of the "Second Bill of Rights" in 1944, contemporary crystallization and acceptance of the principles of "distributive justice" had taken place (Roosevelt 1944; Anderson 2014; "The Welfare State" 2016).

Philosopher John Rawls, another one of egalitarianism's most prominent historical standard bearers, was himself not strictly an egalitarian. However, his seminal work, *A Theory of Justice* (1971), is counted among the most foundational of contributions. In this volume, Rawls explains his most influential concept, the "difference principle," which "gives expression to the idea that natural endowments are undeserved" (Wenar 2012). Rawls felt (as do the so-called luck egalitarians) that just because a person is more intelligent or a naturally gifted musician or better looking or raised with better values, or something else, it does not entitle him or her to be better off than others. To Rawls, being more successful than others by using one's natural endowments (or by any other means) can be justified only if people who are worse off are made better off because of that success.

On the face of it and according to their own descriptions, egalitarians have differing ideas with respect to defining the concepts "justice" and "equality." However, all schools of egalitarian thought lead to the same ultimate goal: distribution.

Most egalitarians do not actually advocate equality of outcomes because most realize that a rigid insistence on the tall being made short or the intelligent being made less so would lead to disastrous consequences. What they want is what they consider to be "fair" distribution (Kelley 1991). So their basic notions of equality hinge on whether distribution is just or in the case of relational egalitarianism that societal relationships are just. However, before discussing the two broad categories of luck egalitarianism and relational egalitarianism, we must say a few more words regarding the concept of justice.

To many libertarians and classical liberals, the claim that a free market, an impersonal mechanism governed by the laws of nature, is either just or unjust is absurd. This claim is evidence of a complete misunderstanding of how the market functions. As Hayek aptly points out, such claims amount to nothing other than anthropomorphism (1998, 62, 75).

However, those who advocate free markets certainly cannot claim to have ever actually *seen* them. Much of the egalitarians' perceptions of injustice are the symptoms of the very root causes that such advocates devote the bulk of their work to exposing, refuting, and denouncing. This feature of the justice problem is twofold: on the one hand, egalitarianism incorrectly concludes that the corruption observed is simply the way free-market capitalism works; on the other hand, some market advocates inadvertently defend the corruption as though it were free-market capitalism. It is imperative to acknowledge that which is *correctly* perceived as unjust as such and simultaneously to point to its being but a symptom of *corruption* that is rooted in *government intervention* in the market. It must always be stressed that this corruption is *not* a product of free-market capitalism because it then becomes possible to illustrate the clear distinction between calls for justice that are grounded in reality and those that are founded on anthropomorphism.

Unfortunately, this distinction does not usually carry much weight in the view of the egalitarian, who frequently finds it completely irrelevant. As David Kelley (1991) points out, every form of "social justice" rests on the belief that individual ability is a social asset, a collective good. John Rawls wrote, "Injustice, then, is simply inequalities that are not to the benefit of all" (1972, 62). On this point, Rawls and Hayek tend to agree. "The most common attempts to give meaning to the concept of 'social justice,'" states Hayek, "resort to egalitarian considerations and argue that every departure from equality of material benefits enjoyed has to be justified by some recognizable common interest which these differences serve" (1998, 80).

Luck egalitarianism—what Murray Rothbard (1995) refers to as "old" or "classical" egalitarianism—is more *overtly* concerned with distribution of income and wealth. It holds that no one should have to be worse off just because they were born into unfortunate circumstance or were the victim of a natural disaster or made a mistake in business or are unintelligent or something else. Rothbard terms this egalitarianism "old" because modern-day egalitarians have realized the limitations of using the mere poverty of individuals as moral leverage for their demands for justice.

Relational egalitarianism (sometimes referred to as "democratic egalitarianism") has been discovered to be a much more effective means of moral intimidation when it comes to insisting that justice be done. Rothbard (1995) terms this viewpoint "new group egalitarianism." The significance of the "group" distinction will become clear as we delve a bit deeper into its meanings.

The new-group egalitarians are concerned primarily with social hierarchies—specifically, *domination and subjection*, *honor and stigmatization*, and *high and low standing in the eyes and calculations of others* (calculations as in government policy, for example) (Anderson 2014). However, one must always remember that these egalitarians employ this technique to rationalize, justify, and affect their ultimate goal of distribution. Sometimes they assert that just distribution is what is necessary in order to bring about just social relationships. At other times, they assert that policies to affect just social relationships are necessary to bring about just distribution. Whether the cart comes before or behind the horse makes little difference; the end result is always governmental use of violence, coercion, and central planning to affect distribution (of other people's money) (Rothbard 1995).

Groups such as ethnic minorities, genders, laborers, elders, the young, and virtually any other group conceivable conveniently fit into one or more of the social hierarchies listed earlier (Rothbard 1995). New groups are readily added to the seemingly endless list whenever anybody says the magic word *injustice*, and anyone who would oppose (re)distribution to one of these groups must be considered an oppressor. Rothbard sums it up nicely by paraphrasing Joseph Sobran: "[I]n the current lexicon, 'need' is the desire of people to loot the wealth of others; 'greed' is the desire of those others to keep the money they have earned; and 'compassion' is the function of those who negotiate the transfer" (1995, 53). The insidiousness of relational egalitarianism lies in its approach to distribution. Egalitarians have erroneously concluded that the cause of economic difficulties is rooted in the unjust social hierarchies. Therefore, it follows (they conclude) that in order to affect just distribution, they must design a system that eliminates the unjust social hierarchies (Sowell 2005, 249–66).

Although unjust social relationships certainly cause an incalculable amount of (often catastrophic) damage, the currently fashionable notion that these relationships are the root causes of economic difficulties rather than the other way around is incorrect (Sowell 2005; Williams 2011). Economic difficulties can always be shown to be the ultimate root causes of the unjust social hierarchies or relationships. They arise as resentment for being treated unjustly, as rationalization or justification for treating (or having treated) others unjustly, as a means of securing the ability to treat others unjustly in the future, and so on. Upon observing social injustices, we should ask ourselves what motives the perpetrators might have for their unjust conduct. The origins of the injustice are never arbitrary. They are economic. They may be completely immoral and thoroughly unjust, but the fact remains that they exist because the perpetrators hope to derive some benefit from them (Williams 2011).

Sources of Inequality

Regardless of its rhetoric, at its core egalitarianism has as its main goal the elimination of wealth inequality. It has been argued (Piketty 2014) that wealth inequality itself comes from one primary source: capital. Yet capital itself can be placed into many categories. Physical capital includes the factories, buildings, computers, land, and infrastructure that are ultimately used as the inputs to production. Human capital comes from the knowledge and creativity possessed by human beings that gives them the capability to contribute to production. Commonly overlooked but increasingly recognized as important is the concept of social capital, which refers to the "trust and norms of civic cooperation . . . essential to well-functioning societies" (Knack and Keefer 1997, 1283). To the extent that wealth can be taxed and redistributed, the egalitarian would argue that the desired end of equality of distribution is achievable.

Physical capital and the income stream it produces can be taxed from one individual and transferred to another. Thus, egalitarians conclude that any wealth inequalities perpetrated by differences in the distribution of physical capital ownership can be remedied by the well-intentioned taxing powers. To this end, proposals have advocated a sweeping global tax on wealth (Piketty 2014) and expansion of the estate tax (Caron and Repetti 2013). However, taxation and redistribution of wealth will be able to produce sustained equality in wealth only under a limited set of circumstances. A wealth tax can be effective if the only sources of wealth inequality are inequalities in the distribution of physical capital. If there are other sources of wealth inequality, such redistribution will not be possible with a simple tax system and will be effective only under continuous management by a totalitarian regime. "So long as the belief in 'social justice' governs political action, this process must progressively approach nearer and nearer to a totalitarian system" (Hayek 1998, 68).

Wealth inequalities caused by differences in the distribution of human capital are more difficult yet not impossible for the state to overcome. Although it isn't possible to directly take one person's human-capital stock and give it to another, it is possible to tax the wage income derived from some persons' human capital in order to provide educational opportunities for others (Guvenen, Kuruscu, and Ozkan 2013). However, an increasing amount of evidence has shown that the labor market rewards and punishes certain noncognitive traits, including personality, with wage differentials (Heckman 2000; Borghans et al. 2008). An individual's psychological traits and characteristics cannot be instilled in others through mere education. The family also plays a significant role in the development of human capital (Becker and Tomes 1994), which makes it even more difficult for redistribution to be effective. Rawls himself states that the family, with its effects on the development of the natural capacities, will ultimately always stand in the way of "equal chances of achievement," unless a solution is found that will "mitigate this fact" (1972, 74; see also Rockwell 2015).

Perhaps most problematic for the egalitarian goal of equality of distribution are the differences in wealth and income that are perpetrated by social capital and networks.

Wage earnings aren't derived solely from an individual's human capital. Douglas North (1990) argues that informal social norms and culture are critical to an understanding of the sources of prosperity. One way that this idea has been evidenced and measured in the literature is through the concept of social capital popularized by the works of Robert D. Putnam (1995, 2001).

Social capital itself has proven difficult to define, with no one definition being agreed upon in the literature. Emily Chamlee-Wright defines it as “a complex structure made up of community norms, social networks, favors given and received, potluck suppers, book groups, church bazaars, and neighborhood play groups” (2008, 45).

Even with the complexities and difficulties in measurement associated with social capital, a large empirical literature has shown that social capital and networks add significantly to an individual’s labor earnings (Knack and Keefer 1997; Narayan and Pritchett 1999). Human capital and social capital often function as substitutes (Boxman, De Graaf, and Flap 1991). Yet not much is known about the production of social capital, unlike physical capital, with its capacity for direct redistribution, and human capital, with its capacity for indirect redistribution. We may in a limited sense be able to tax some of the labor returns to social capital, but it is yet unclear how that tax income can be used for the creation of social capital.[1] Although we know that there are great benefits to both the individual and society at large from social capital and that societies don’t flourish in its absence, we don’t have a well-developed theory or policy on how to create social trust and cohesion. Perhaps the most obvious policy recommendations (as evidenced by the empirical relationships) are among the most illiberal because social capital is known to be highly related to racial, ethnic, and religious homogeneity (Alesina and La Ferrara 2000; Portes 2014).[2] As it turns out, people trust those who are most like them.

There is also an empirical literature that links free-market institutions to measures of social capital and trust. Although some of the results in this literature are mixed,[3] several papers suggest a positive and causal relationship between economic freedom and social capital (see, e.g., Berggren and Jordahl 2006; Jackson, Compton, and Min Maw 2016). In this light, it is possible that inequalities caused by gains from returns on social capital may to some degree be the kind that Rawls deems acceptable. Social capital brings about benefits to society as a whole. Yet those benefits are not spread equally among all of society’s members but accrue in increased quantities to those with the more favored social network. The inequality of incomes and wealth could be taxed away, but this increase in taxation and redistribution decreases economic freedom, with a resultant deleterious effect on social capital. These inequalities serve the “social good.” Attempting to redistribute them away may cause the benefits that all receive to disappear.

1. Note that we are ignoring the potential ill effects from the dark side of human capital (Chamlee-Wright and Storr 2011).

2. To the contrary, it has been demonstrated that economic freedom is causally related to the most liberal of ideals, tolerance (Berggren and Nilsson 2013, 2016).

3. Jackson, Carden, and Compton 2015 uses a measure of social capital showing that there appears to be no causal link with economic freedom, and Jackson 2017 shows that the link may be in fact negative but due only to an imperfection in the social capital measure picking up on group associations of the type given in Olson 1982.

Given the impossibility of equality of distribution, the only option available to meet the egalitarian end of equality of distribution is complete totalitarianism. Only when every facet of each individual's life is completely controlled by the state in a continuous manner can equality be achieved. If the system is ever left to operate on its own, inequality in distribution will be the result.

New Directions for Egalitarianism

As discussed in a previous section, relational egalitarians may not see equality of wealth as their most desired outcome. They instead desire equality of social relationships. To them, equality of wealth has been the most direct path to achieve this desired end. However, new trends are developing.

There has been increased attention in the economics literature on the failings of policies that target economic growth and income in an effort to make lives better off. This argument has been the apex of the emerging literature on the economics of happiness. Ever since the publication of Richard Easterlin's (1974) work, which popularized the Easterlin Paradox, some of the literature has set out to explain why increases in a country's income do not correlate with higher levels of self-reported happiness among its citizens. Indeed, now even former Federal Reserve chairman Ben Bernanke argues that "GDP is not itself the final objective of policy" (2010). The better objective is well-being (happiness), and the egalitarian now has a new direction for policy in promoting equality of well-being. Many advocate augmenting the national measurement of gross domestic product with a national happiness accounting (Diener 2000).

In shifting the policy focus away from wealth inequality and toward inequality of well-being (Goff, Helliwell, and Mayraz 2016), a host of interventionist policies are opened up to the egalitarians' disposal. Subjective well-being measures are regarded as comprehensive measures of quality of life, and they have many correlates. A non-exhaustive list of correlates (Dolan, Peasgood, and White 2008) includes variables such as income (Diener and Oishi 2000), education (Blanchflower and Oswald 2004), environment (Welsch 2006), materialism (Kasser 2003), mortality (Kawachi et al. 1997), employment (Stutzer 2004), personality (DeNeve and Cooper 1999), and even social capital and trust (Helliwell and Putnam 2004). The shift in focus away from income and toward a more broadly defined well-being measure can open up a Pandora's box of progressive policy proposals.

However, the egalitarians' search for policies to attain equality of well-being may in fact lead to the unraveling of well-being itself. A large literature demonstrates that autonomy of individual choice leads to greater subjective well-being (Ryan and Deci 2000; Verme 2009), and an ever-expanding literature links high economic freedom to greater subjective well-being (Veenhoven 2000; Gropper, Lawson, and Thorne 2011; Nikolaev 2014; Jackson 2016). The problems this literature presents for the goals of redistribution are in addition to the inherent difficulties in distributing such fundamental determinates of well-being as personality traits and psychological characteristics.

Perhaps a more pervasive problem for proponents of policies for happiness is that of adaptation.

Adaptation in the happiness literature refers to humans' innate ability to adapt to new circumstances. In fact, one explanation of the Easterlin Paradox is that increases in income can fail to create increases in happiness because people rapidly adjust to their higher incomes. Although there may be an initial temporal boost in happiness from increased income, the effects do not persist in the long run. Adaptation also explains why poor and impoverished countries sometimes report much higher levels of happiness than might seem reasonable (Graham 2010). People have a baseline equilibrium level of happiness, and any deviations from that baseline are short-lived. If well-being inequalities are taken to be meaningful, then any policies implemented with the intention of combating them must target an element of well-being that isn't subject to adaptation. Among the correlates of subjective well-being, social capital is often referred to as a prominent candidate policy target that is immune to the problems of adaptation (Bartolini, Bilancini, and Sarracino 2016). Thus, if egalitarianism pursues equality in the domain of well-being, it will still find itself trying to accomplish an impossible task in determining the distribution of social capital.

Conclusion

Although egalitarians may be reluctant to admit their focus on equality of distribution in philosophical debate, this singular policy focus has emerged even among the so-called new-group egalitarians with their emphasis on social hierarchy. Equality of social relations, they assert, must begin from the establishment of economic equality of wealth. Unfortunately for these egalitarians, wealth and well-being are partly determined by the distribution of social capital. Social capital is distinct from physical capital and human capital in that it can neither be removed from an individual nor imputed to another. A sovereign's inability to distribute social capital results in an impossible equality of distribution in wealth or well-being short of totalitarian control of the entire system.

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