Reflections

A Short Defense of Immoderate Wealth

Jan Narveson

Canada is just one of many countries raising taxes on those of high wealth. Is this justified?

Great wealth is criticized, among other reasons, simply for being unequal, which of course it is. One reply to this is: Well, so what? Nature visits us with all the inequality one could ask for. Some are born much smarter than others, more beautiful, or of huge potential athletic ability, and so on and so on. All of these people can and usually do make their money by performing activities useful to others, charging prices that those others are willing to pay. How does this concern those of us who don't buy their services or products—which is always most of us? I, for example, *never* attend sporting events, whose tickets may or may not be high-priced. And yet, some people do pay well for their privileges—even, sometimes, several thousand dollars per ticket to attend, say, a tense basketball final in which someone such as Caitlin Clark is (inevitably!) prominent. That's fine with me. Why is my government taxing these people so heavily? Perhaps one should simply say: "Enough!"—as many libertarians do. At any rate, I do not intend to inquire heavily into such things in this account, which is more abstract and general. Governments, no doubt, want to tax the rich because they think that, as the bank robber Willie Sutton reportedly put it, "That's where the money is!" And maybe that's how governments think about this. I don't, at any rate, intend to get into that subject here.

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I do, however, assume that most people who earn large sums do so by what are usually considered legitimate business practices. Roughly, the assumption is that these highly unequal incomes result from voluntary activities—activities in which all persons participate willingly. To be sure, this is not always the case, and I do not propose to defend the incomes of those who fall outside the indicated "universe of discourse." It is sufficient if many do, and judging from popular news accounts, I presume that a great many do fall within that universe. Be warned, then: I will accept the criticisms applying to "rent seekers," of whom no doubt there are not only many but perhaps increasingly many in Canada and many other countries. But I take it that, still, many more remain to whom those criticisms do not apply.

That said, I next note that a standard defense of equality goes as follows: a unit of income, say a dollar, has a "diminishing marginal utility" the wealthier one becomes. Thus, to a very poor person that dollar may be the difference between life and death—which is never true for the non-poor, including even the middle class, of which probably most readers are members. There is a quip that for Bill Gates it is not worth taking the few seconds required to pick up a hundred-dollar bill from the sidewalk. He makes more during those few seconds by continuing to think up equations or business strategies. True. But so what? The criticizer of inequalities who simply points this out needs an argument. And this argument needs at least two premises: (1) units of currency really do "diminish in value" as we get richer, and (2) this is what matters to everyone.

But either or both of these is simply wrong, as I have come to see. One snag in the argument is that, for its purposes, value is estimated only in terms of consumption. But the rich mostly do not simply consume with their money. They instead invest. And with investment, a dollar generates more dollars in the future—the better the investment, the more dollars generated. And therefore, we can argue that invested money has, or at any rate perfectly well could have, increasing marginal utility. This upends the argument quite completely.

Premise number 2 is also obviously false—so obviously false, when we think about it, as hardly to require serious argument. What "matters" to one person, as my example of the expensive sports-event admission ticket illustrates, may not matter at all to others, or at any rate may matter much less. People differ! The multibillionaire Warren Buffet, for example, still lives in the house in Omaha, Nebraska, that he bought for $31,000 in 1958. Of course, it's worth much more now, but, still, this is hardly a Beverly Hills–type mansion! And too, Mr. Buffet is hugely charitable; as of 2023, he has given over $50 billion to charitable causes, which is more than his entire net worth was in 2006 (Li 2023). Needless to say, many very wealthy people are not nearly so charitable, and no doubt some of them are so in order, as it were, to put their virtues on display. But once again: So what? We are, as I keep saying, different!

The rich invest a lot of their money, of course, and typically make even more money by investing. This, surely, is good for society, is it not? Meanwhile, the rich also notoriously tend to spend a lot of money—except, of course, for the likes of

Buffet. (Or myself, or Karl Marx's "rational miser." I live, I believe, in a pretty OK house, and even if a really opulent house were handed to me on a silver platter, I suppose I would decline to live in it. Why? First, because in my judgment, and that of my wife, we don't need the space, and next, because in the sort of huge house on which one can easily spend several million dollars, the need for cleaning and other sorts of help would be acute, and my wife and I just wouldn't like this. But others who could afford the help would also be glad to have it, and would find having a huge and beautiful house a highly valuable thing. C'est la vie. Once again, people differ!)

Now, about these probably expensive things that the wealthy tend to buy: Do critics ask where the money goes? For there is an obvious answer: it goes, by and large, into (a) profits for the owners of the businesses providing the good or service in question, and—surely far more important, in most cases—(b) the good to excellent wages of the people who make it. Consider, for example, Leonardo da Vinci and Michelangelo, who as time went on were paid enormous sums for the paintings and sculptures they provided for wealthy patrons. And again, when you think about it, that's obvious!

If you had the money, how much would you pay for, say, a Rembrandt? Or to be more realistic, suppose you buy a Ferrari. What do you suppose is a typical wage for a Ferrari factory worker? (I looked this up and was surprised to find that their levels of pay for such work are not unusually high. Typical workers there say that they work for prestige, not for pay. OK. But of course, that's a lot of prestige!) The point, in general, is the obvious one—obvious in business circles anyway: investment supports employment, and the returns to employee activity depend on the market. "What else is new?" one might ask. But the point remains: a wealthy person who spends a lot of money, as most of us would think, on houses, cars, clothing, and more, thereby does in fact a lot of good for a lot of people. And this is "good" that wouldn't otherwise happen—say, if they never earned the money or simply buried it in the ground. Again, roughly, we can assume that the more the wealthy spend on "classy" goods, the more they spend that goes to employees. And, of course, apart from the sums involved, the varieties of employment become greater as well. I have a grandnephew who has become highly desired as a hair colorist. Hollywood stars have been known to fly him from New York to California just to get their hair colored correctly for a certain movie. It makes for an interesting, and remunerative, life! Obviously, the people involved are wealthy, perhaps "immoderately" so. But the point is: people are willing to pay what's involved, and it makes life much more interesting than if we were all, as egalitarians appear to want, the same.

Now, it is just possible, I suppose, to put one's money in a sock, or in a vault, in which case none of the above would apply. But for the most part, that would be a foolish use of wealth. For one thing, putting it in a bank account would be safer—robbers don't descend on bank accounts at reputable and well-protected banks as often as on private vaults. But also, of course, using money in this way does no one any good.

The appeal of egalitarianism to intellectuals is evident. But to ordinary people, perhaps not so much. Most of us would be happy to have among us people of "immoderate wealth" who make life more interesting for most of us than it would otherwise be. I say we are right to welcome such people and to continue to make their wealth possible. Nor, of course, is it really at our expense. The "immoderately wealthy" I have in mind here, who I suspect are by far in the majority of the wealthy, do not make their money at our expense. Instead, they add to the interest of life. (If you ask, "Well, where does the money come from?" there is a short answer: Money grows as business activity grows. It comes from the very activities induced by the investor or high spender. Without their activities, the "money" simply wouldn't exist! That's one of the reasons why it is unobvious that we are justified in taxing it heavily.)

So that is my brief defense of immoderate wealth. It does a lot of people good, and if legitimately made, does no one any harm. Hooray, I say. And, I suspect, *we* say!

References

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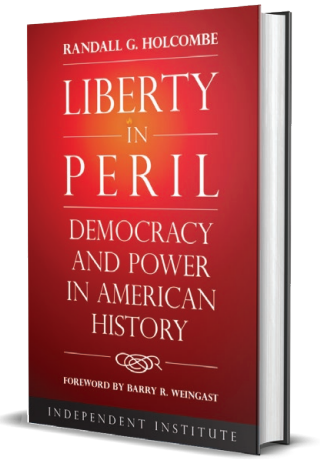
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