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Redistribution in Theory and Practice: A Critique of Rawls and Piketty

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Abstract:
Rawls' theory is about prudence rather than justice. It is about the kind of political structure on which rational people would agree if they were preparing for the worst. Other strategies, such as confining redistribution to upholding a safety net, might also be plausible. Rawls' theory is Georgism in persons: the income from individual abilities is regarded as if it is at the disposal of the collective and could be taxed as rent. This goes against the strong moral intuition of self-ownership. However, Rawls' question, where the worst off are as well off as they can be, is interesting. According to the Index of Economic Freedom, it actually may be under relatively unfettered capitalism. Unlike Rawls, Piketty is chiefly worried about the rich, seeking to impose confiscatory taxes on them. But the rich are not a fixed, unchangeable group of people who can effortlessly watch their capital accumulate. Capital is precarious, as is vividly illustrated in Balzac's novel *Père Goriot* which Piketty quotes. Different as the approaches of Rawls and Piketty are, both of them agree that their ideal society has to be closed: It must become 'socialism in one country.'

Keywords: Rawls, Piketty, justice, inequality, redistribution

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1 Introduction

Socialism as the demand for central economic planning probably has been assigned to the ashheap of history: It is unlikely, although not impossible, that it will ever again rise up from its grave. Modern socialists have replaced it with a call for extensive redistribution of income within the market order. If the Soviet experience demonstrated that central planning was bound to fail – as Mises (1922) had predicted – Sweden is now being hailed as an example of a successful socialist society, quite prosperous, even if taxes are high and welfare provisions are generous. "In strong and vibrant democracies, a generous welfare state is not a road to serfdom but rather to fairness, economic equality and international competitiveness," Sachs (2006, 42) asserts, invoking the Nordic countries. On a theoretical level, the two political thinkers who chiefly inspire modern socialists are John Rawls and Thomas Piketty. While they both envisage extensive redistribution of income through taxation, their concerns radically differ. Rawls (1971) considered poverty to be a social evil which had to be alleviated and argued that the system rational human beings, not guided by special interests and circumstances, would choose, would be that in which the living standards of the poorest segment of the population would be as good as they possibly could be. Piketty on the other hand seems to regard wealth rather than poverty as the real problem and calls for confiscatory global taxes on the assets and income of the super-rich because "capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based" (Piketty 2014, 1). To the many criticisms to which the works of Rawls and Piketty have been subjected I should like to add a few observations.

2 Georgism in Persons

It is quite possible, as Rawls argued, that rational human beings under what he called 'a veil of ignorance' would choose a system in which the living standards of the worst-off segment of the population would be as good as would be feasible.[1] Accepting the possibility that they might themselves end up among the worst off, they might adopt the strategy of preparing for the worst instead of hoping for the best. But that leads to the objection that

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the theory Rawls was presenting is not about justice, but about prudence (Lucas 1980, 186; Flew 1981, 81–2). Traditionally, justice has been regarded as being about individual activities and in particular about injustice, justice being the absence of injustice like peace is the absence of war (Aristotle 1941, 1015–1019). The teacher who grades students according to the religion of their parents, and not their performance in tests, is unjust. So is the judge who metes out punishments according to the race of the convicted rather than the severity of their offences. In other words, justice is about what you can legitimately expect and demand from other people. You cannot for example insist that they be generous, but you have an enforceable claim that they respect your rights. Moreover, Rawls' argument about choices made under a veil of ignorance may be implausible in that rational individuals driven by fear of ending up poor nevertheless might adopt a mixed strategy, for example the extension of a safety net to the whole of society under which no-one is allowed to fall, but with opportunities for others to rise far above the average in income or wealth. Thus, people might simultaneously prepare for the worst and hope for the best.

It is not widely recognised that Rawls' theory is really Georgism in persons. In the nineteenth century, the American activist George ([1879] 1935) observed that the price of land in areas where gold was discovered suddenly increased much, without the landowners really making any contribution. Therefore he proposed a confiscatory tax on that part of the land which could be regarded as the endowment of nature rather than of man. But normal economic activity is not like the sudden discovery of gold. It is difficult and perhaps impossible except in special cases to make a distinction between that part of the price of a natural resource such as land which stems from people having improved upon it and that part of the price which would be derived solely from nature. Also, most private owners of natural resources have already paid the full price for them, and it would be unjust to confiscate their property without full compensation. Again, the full value of a natural resource is not a number given once and for all. It is only discovered, and regularly revised, as the outcome of an experimental market process where people are able to exchange such resources, divide them up or combine them. Will the total production of two plots of land utilised separately be more or less than the production of the plots after they have been combined into one? Should the land be used for grazing, or crops, or parks, or airports, or hunting, or for some other purposes, perhaps not yet discovered? (Gissurarson 2017a.)

Implausible as Georgism may be about natural resources such as land, it is even less plausible about personal abilities. Rawls argued that the distribution of different and unequal individual endowments, such as good looks, a keen mind, athletic prowess, or a powerful singing voice, is "arbitrary from a moral point of view" (Rawls 1971, 15). It is true that their possessors, the handsome boy, the intelligent girl, the much-decorated athlete or the popular opera singer, may not deserve these gifts of nature. But here again, it is almost impossible to distinguish between that part of their income which would be derived solely from nature and that part which would stem from them having improved upon their inherited abilities by learning and training. Again, these endowments come into the world already attached to individuals and they become even more closely connected to their possessors in the process of their development over the years: Thus, they can be said to have become an integral part of their personalities. Certainly, some natural abilities few would want to redistribute by government decrees. If you have two eyes whereas your neighbour is blind, and if it would be possible to transfer eyes relatively easily between persons, then few would support the forcible transfer of one eye from you to him (Nozick 1974, 151). Kidney transfers certainly take place, but they are voluntary. The enjoyment one derives from full eyesight does not seem totally different from the income one derives from other natural abilities. The traditional view certainly is that it is a misfortune rather than an injustice that some are born with less abilities than others.

Rawls may be right that the distribution of personal abilities is morally arbitrary. But the individuals may be entitled to those abilities, as Nozick (1974, 179–83) argues, and certainly individuals seem to deserve that part of their income that stems from them improving upon their inherited abilities. Edison remarked, "Genius is one per cent inspiration, ninety-nine per cent perspiration" (Rosanoff 1932, 406). Moreover, from the premise that you did not deserve the abilities you inherited it does not necessarily follow that *others* deserve them or that you do not deserve the *income* which can be derived from the use you make of them (Flew 1981, 79). Possibly people under a veil of ignorance might agree that in an affluent society the citizens should be taxed in order to maintain a minimum level for all, a safety net, but it is difficult to see wherefrom the less endowed would gain an enforceable and unconditional right, through no effort of their own, to a share in the wealth created by others.

3 Wealth Creation

Rawls would answer, of course, that wealth is created in a social process and that everybody benefits from social cooperation. But this does not entail that the entire product of society is at the disposal of the people in his thought experiment, trying under a veil of ignorance to construct reasonable principles of justice. Assume that ten Robinson Crusoes are stranded on ten separate islands, without any means of trading or otherwise cooperating with one another (Nozick 1974, 184). The years pass and the castaways become settlers. Some are joined on their islands by people like Man Friday, making a division of labour possible with a subsequent increase in the total product of their islands. Others are joined by Woman Friday, so that they can be fruitful and multiply and benefit even more from the division of labour and enclosure of land and other resources. Some are quick learners and hard workers, acquiring various skills, constructing buildings and accumulating goods. Others are slothful and barely survive. Some islands also turn out to be more fertile than others. After 28 years – which was the time the hero of Daniel Defoe's (1719) famous novel spent on his island – suddenly the inhabitants of the ten islands are able to join forces, to trade and cooperate, perhaps because the most enterprising islander was able to build a ship and now offers transport between the islands at low cost. It is difficult to see how the inhabitants of the poorer islands could somehow lay claim to a part of the total product of the richer islands at that time, or why the inhabitants of the richer islands should feel compelled in the name of justice to contribute to the inhabitants of the poorer islands, although they might do so out of compassion (or to reduce the risk of aggression). At least they would not refer to the benefits from social cooperation in the archipelago.

If there is anything to distribute, then at most it would be that part of the total product of the archipelago which would result directly from the trade and other cooperation between the ten islands after their economic and social integration and which would be in addition to the part produced separately on each of the islands. While it certainly might constitute the major part of the total product, it is not somewhere to be found as if it was a cache of gold on a treasure island. The goods available for exchange or gifts in the archipelago, such as wood, cottages, boats, tunics, wine, bread, coconuts, fish, books, games of football, violin concerts, and philosophy lectures, come into the world already belonging to individuals. At any given time, then, there would already exist a distribution of goods in the archipelago, the unintended consequence of a myriad of market transactions, including gifts and bequests. Therefore, what Rawls demanded was the enforced redistribution of those goods, transferring them from those who now possess them to others. When he repeatedly used the innocuous word "arrange" about this endeavour (Rawls 1971, 43, 60, 61, 179, 181, 265, 302), he really meant "compel".

4 Distribution by Choice

If the argument for forcibly redistributing this part of the total product is that it is brought about by social cooperation and that it is difficult or even impossible to disentangle what each contributed to the increased product, then one response, typical of economists, might be that it is actually possible and perhaps not too difficult to disentangle different contributions. They are reflected in market prices. An income distribution brought about by market transactions roughly will reflect the marginal product of each person active in the marketplace, in other words the perceived value for others of a person's actions and services. Wages perform the same function as other prices: they are signals telling you where to go. It is important to distinguish between incentives and information. While necessary, incentives are not sufficient. Surely you run faster if you hope for a carrot and fear the stick. But whereto should you run? As Hayek (1983, 91) argued, income distribution in a free society transmits information to people about which abilities they should develop if they want to earn a living by serving other people's needs. Enforced redistribution of income, beyond that of laying out a safety net, greatly distorts such signals, often directing people into blind alleys and even social traps.

Rawls largely ignored the transmission of information through income distribution by choice. He believed instead that justice (or prudence) required imposing a pattern on income distribution: the only inequalities permissible are those involving a gain for the worst off. But as Nozick observes, individual choice, freely made, would upset all such patterns whether they are supposed to work for the worst off, as stipulated by Rawls, or some other groups. Consider the aforementioned archipelago of ten islands, now having enjoyed for quite a while the benefits of the division of labour and free trade and therefore having become affluent and populous. Assume that the income distribution there, D_1, somehow satisfies a criterion moral philosophers have constructed of a just income distribution. Now an eloquent and entertaining speaker by the name of Milton Friedman goes on a tour of the archipelago, charging 50 dollars per person for his lectures, in addition to costs. People flock to his lectures, with 500 persons attending each of them. After the tour, Friedman is richer by 250,000 dollars whereas each member of his audiences is poorer by 50 dollars. The income distribution in the archipelago has changed from D_1 to D_2. Income inequality has increased. But Friedman's audiences are happy. Where is the injustice? To make the same point, Nozick (1974, 160–1) uses the basketball player Wilt Chamberlain, and before him, Buckley (1986 [1951], 57) the baseball player Joe DiMaggio.

In the novel *Life and Fate*, Grossman ([1960] 2006, 68) describes the ambition of a disgruntled Soviet soldier, Pavlyukov:

> Ever since I was a child, I'd wanted to open a shop of my own – somewhere a man could buy whatever he wanted. With its own little restaurant. "There, you've finished your shopping – now treat yourself to a beer, to some vodka, to some roast meat!" I'd have served country dishes. And my prices would have been really cheap. Baked potatoes! Fat bacon with garlic! Sauerkraut! And you know what I'd have given people to go with their drinks? Marrow-bones! I'd have kept them simmering away in the pot. "There, you've paid for your vodka – now have some black bread and some bone-marrow!" And I'd have had leather chairs so there wouldn't be any lice. "You just sit down and be quiet – we'll look after you!" Well, if I'd come out with any of that, I'd have been sent straight off to Siberia. But I really don't see what harm it could have done anyone.

However different a modern welfare state may seem from the harsh reality in Grossman's Soviet Union, the point remains: When attempts are made to impose some pattern of income distribution upon a whole society, individual choice inevitably would upset such a pattern, for example if you desire more money than allotted under the scheme and start to work late hours in your garage, producing goods or providing services for your neighbours. Therefore, the rulers would have to give up either the pattern or individual choice. Or as Nozick (1974, 163) quips, "The socialist society would have to forbid capitalist acts between consenting adults."[2]

Redistributionists like Rawls might say that the money people are spending in the marketplace is not necessarily theirs. It has to be justly acquired: The question is not, the argument goes, whether people can dispose freely of their property, but rather how did they come to have what they claim as their property. Nozick, following Locke ([1689] 1960), responds that probably the immense creative power of capitalism does more than compensate those who originally did not acquire any natural resources such as land and that therefore they have no cause for complaint. Be that as it may, land rent is only a small part of the gross national product in a typical Western country, frequently less than one-tenth of it (Friedman 1973, xiv–xv). Most income in modern society is derived from human capital, people employing their different abilities, talents and skills. While admittedly some assets were originally appropriated by violence, and not in the orderly process envisaged by Locke and Nozick, it may not be all that relevant today. "Almost all earnings advantages and disadvantages of ancestors are wiped out in three generations," the research shows (Becker and Tomas 1986, 32).

5 The Rawlsian Test

Despite the flaws in Rawls' theory, it leads to an important question: Where are the worst off best off in the real world? Some would, with Jeffrey Sachs, point to the Nordic welfare states, especially the 'Swedish Model'. But there are in fact three Swedish Models. In the eighteenth and nineteenth centuries, a strong liberal tradition emerged in Sweden, with the Finnish-Swedish pastor Chydenius ([1765] 1931) presenting a theory of spontaneous coordination through free competition eleven years before Smith ([1776] 1981) published his *Wealth of Nations*. In mid-nineteenth century, influential politicians such as Lars Johan Hierta, Johan August Gripenstedt and Louis De Geer succeeded in liberalising Sweden, abolishing the ancient guilds, deregulating the main export sectors, lowering tariffs, keeping the money sound, improving public education, expanding freedom of the press, and strengthening the protection of private property rights. As a result, Sweden was transformed. In 1860–1910, real earnings of male industrial workers increased by 25 % each decade. Between 1870 and 1936, Sweden enjoyed the highest growth rate in the industrialised world (Norberg 1998).When the long reign of the Social Democrats started in 1936, they found an already prosperous country with a relatively equal distribution of income. In the next few decades they took care to maintain two pillars of Swedish society, the rule of law and free trade, while they were greatly helped by other two features common to the Nordic countries, social cohesion and a tradition of hard work and honesty. The first Swedish Model can therefore be said to have been in place from 1870 to 1970. But in the period from 1970 to 1990, the Social Democrats took a sharp turn to the left, increasing taxes and trying to transfer private enterprises into the hands of so-called wage earner funds. The consequence was that entrepreneurship which had flourished under the first Swedish Model virtually disappeared: almost all new jobs were now being created in the public sector. The tax burden became too heavy, and in the early 1990s, the economy almost collapsed. The Social Democrats, thrown out of power for a while, reluctantly came to accept that a retreat from extreme redistributionism was necessary, and the third Swedish Model was developed: while welfare benefits remain generous, taxes have been reduced somewhat and entrepreneurship has been encouraged, not least in the health and education sectors. In short, the second Swedish Model from 1970 to 1990, so often invoked by redistributionists, turned out to be unsustainable (Sanandaji 2015).

In the context of the Rawlsian question about the worst off, the evidence from Sweden may seem anecdotal. A more comprehensive approach is suggested by an international research group which has constructed an 'Index of Economic Freedom'. In their survey, the different economies of the world are divided into four groups, from more to less economic freedom. The results are clear. In 2016, average income (GDP per capita) in the freest quartile was $40,400, whereas it was only $5,600 in the unfreest quartile. On average, the freest economies also scored much higher on other criteria of human well-being such as life expectancy, civil liberties, gender equality and happiness levels (Gwartney et al. 2018). Rawls himself (1971, 98) operated with a rather broad conception of the worst off, the group of unskilled workers, which easily would have favoured the freest economies. But even if a much narrower conception is used, the 10 % of people with the lowest income, the conclusion is the same. In 2016, in the freest quartile, the average income of this group was $10,700, whereas it was $1,300 in the unfreest quartile. Remarkably, the average income of the *poorest* 10 % in the freest economies thus turned out to be almost twice as high as the average income of *all* in the unfreest economies. Absolute poverty, or destitution, defined as income below $3.20 a day, was 4 % in the freest quartile, 14 % in the second one, 29 % in the third one and 51 % in the unfreest quartile. There is no clear correlation, on the other hand, between economic freedom and income distribution, for example the share of the 10 % poorest in the total social product. Nevertheless, it is greatest in the freest economies. The worst off are best off under economic freedom. Capitalism passes the Rawlsian test.

6 Poverty in Piketty's World

Rawls was concerned about the poor. But in recent times, poverty has been greatly reduced all over the world. In 1990, more than a third of the world's population lived in conditions of destitution. A quarter of a century later, in 2015, this group had shrunk to one tenth of the world's population, the lowest poverty rate in recorded history (World Bank 2018). Those who nowadays are regarded as poor in Western countries, live in much greater comfort than even rich people did two centuries ago. They have for example access to antibiotics, recorded music, adequate dental care, and vision correction surgery (Delsol, Lecaussin, and Martin 2017, 185–92). Again, "Let there be light." In early nineteenth century an average worker got in exchange for an hour's effort 186 lumen-hours of artificial light, but no less than 8.4 million lumen-hours in 2008 (Ridley 2010, 20). Not only has life become better for most people, but also longer. In 1838, life expectancy at birth was 33 years in Iceland. It had become 82 years in 2016 (Max Planck Institute 2019). The different life spans of individuals and groups in the past created perhaps the greatest and most tragic inequality of all: between survival and death. This source of inequality has been greatly reduced. In the past there was also a wide gulf between those who had received some education and the masses who could neither read nor write. This source of inequality has also been significantly reduced.

Nevertheless, Piketty (2014, 261) writes that "the poorer half of the population are as poor today as they were in the past, with barely 5 % of total wealth in 2010, just as in 1910." The truth is quite the opposite. The poorer half of the population are not "as poor" today as they were in the past, because total wealth is vastly greater now than in 1910. Consequently, the poorer half of the population are much richer now than they were in 1910. But then Piketty is not really speaking about poverty despite his misleading choice of words. He is speaking about income distribution, worrying about wealth, not poverty. The problem according to him is that the rich may be getting richer at a faster rate than the poor, for a simple reason: the rate of return on capital may be exceeding the rate of economic growth, as it did in the nineteenth century. Thus the share of the rich in the total product may be getting bigger. Unbridled capitalism is creating the "arbitrary and unsustainable inequalities" that Piketty wants to reduce by confiscatory global taxes on the rich.

While sometimes the rate of return on capital may exceed the rate of economic growth, Piketty however ignores or underestimates several factors. One is that in many Western countries, a significant part of the private sector is now owned by pension funds, not by rentiers. Another consideration is that some inequalities are created by government rather than capitalism. Tariffs and quotas favour owners and employees of protected industries, while reducing the living standards of consumers. Occupational licensing, whether it is of medical doctors, public accountants, plumbers or hairdressers, transfers money from consumers to providers of the licensed services. Intellectual property rights, such as patents, copyrights and trademarks, generate more inequalities than may be necessary to reward innovators and artists (Delsol, Lecaussin, and Martin 2017, 193–202). When Piketty (2014, 563) discusses the wealth of Bill Gates which may to some extent be based on patents, as he observes, he concludes that this wealth should be confiscated (instead of allowing Gates to give it away, as he is doing), not that rules on patents should be revised. Other examples, familiar to economists, include subsidies to farmers and to the urban middle class that frequents opera houses and sends their children to universities (Stigler 1970), not to forget bankers who seem to operate on the principle that they may collect the profit in an economic upturn, but that the taxpayers shall bear the loss in a downturn (Gissurarson 2017b; Kay 2015).

7 Wealth in the Real World

For the sake of argument, assume that in the first decade of the twenty first century the share of the rich in the total product has been maintained or even somewhat increased, as Piketty claims. But the crucial fact is that the rich are not the same individuals or families from one time to another. It is not as if capital is relentlessly being accumulated by a clearly-defined and unchangeable group of people, living behind closed doors (or in gated communities), sitting on their heaps of gold, and then passing their capital on to their children. Income groups are statistical concepts, not fixed entities or independent agents. People move between income groups over time and space. For example, Piketty (2014, 252) asserts that "the upper decile is truly a world unto itself". But for the United States, the research shows that over half of all Americans are in that upper decile at some point in their lives (Sowell 2019, 111).

Piketty (2014, 435) says that the annual *Forbes* list of billionaires shows that in 1987–2010 the wealth of the richest ones on the list grew at a real average rate of 6.8 %, or three times the annual growth of the world economy of 2.1 %. But he ignores the fact that these were *different people*. Consider the 1987 list. The four frontrunners were Japanese businessmen. Their wealth has either shrunk considerably since then or completely disappeared, it seems. Only three of the ten richest people on the list more or less kept their wealth in the following decades, the Rausing family, Kenneth Ray Thomson and Keizo Saji, but the average annual rate of return on their capital was 2.7, 2.9 and 1.1 % respectively, far less than the 6.8 % envisaged by Piketty (Delsol, Lecaussin, and Martin 2017, 31–35). Consider again the most recent list, in 2018. The ten richest people on it are all entrepreneurs, four coming from humble origins – Jeff Bezos, Bill Gates, Amancio Ortega and Larry Ellison –, two from middle-class families and four from wealthy families, but all four in the last group have made the bulk of their fortunes themselves, for example two of the four Koch brothers, Charles and David (Dolan and Kroll 2018). Another list which *Forbes* publishes is that of the 400 richest people in the world. In 1984, less than half of the people on the list were self-made. In 2018, by contrast, more than two thirds had created their own fortunes (Kroll 2018). Annual surveys by *Sunday Times* of the 1,000 richest people in the United Kingdom show the same. In 1989, only 43 % of the people on the list were self-made, and many were titled landowners, whereas in 2018 94 % had built their own fortunes (Watts 2018). This suggests that Piketty (2014, 377) is wrong in believing that "the past tends to devour the future".

The reasons why Piketty seems to be more interested in bringing down the rich than in lifting up the poor probably are found in his aforementioned statement that "capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based." Some claims in this statement seem however implausible. It is difficult to see why a society with large inequalities should therefore be unsustainable. There is more inequality in the United States than in France, but also more political stability. Many governments in less developed countries are unstable, but that is because of poverty, corruption or other social and political problems rather than because of inequality. While Piketty is right that the distribution of income and wealth in a free society is to some extent arbitrary and certainly not according to desert or merit, it should be seen as the unintended consequence of a myriad of market transactions. If this distribution is reached without unjust behaviour such as theft or fraud, then it can be regarded as being not unjust.

When Piketty suggests that great concentration of wealth threatens democracy, he may also be partly right. Certainly, the Rothschilds and the Rockefellers are in a better position than most people to influence judges, policemen, politicians, bureaucrats and journalists as well as the general public. Even in countries which nominally guarantee equality before the law, people have vastly unequal resources when confronted by the law. The argument from inequality of resources may have special cogency in small places. A dramatic example is found in Friedrich Dürrenmatt's play *The Visit* (Dürrenmatt 1956). The struggling inhabitants of a Swiss town, Güllen, hope for a big donation from a rich old lady, Mrs. Zachanassian, who returns to her birthplace after many years. (Her name is a composite of the names of three famous European tycoons, Zacharoff, Onassis and Gulbenkian.) She holds a grudge against one of them, and the other townsmen agree to kill him at the request of the lady. The murder is hushed up, the donation is made, and the old lady leaves with the body in a casket. In a larger society, however, if possible abuse of economic power becomes a real problem, it might be misguided to transfer it from thousands of millionaires and billionaires to the state, controlled by a few politicians and bureaucrats. It would seem much more reasonable to try and increase the number of the rich and thus to encourage further dispersal of economic power.

8 Balzac Against Piketty

Piketty issues a warning: if people ignore his call for confiscatory taxes on the rich they will eventually find themselves in a world not too different from that of France in the early nineteenth century, described "with a verisimiliture and evocative power" by his fellow countryman Honoré de Balzac. Piketty is right that sometimes novelists and playwrights can spell out general truths with more force than statisticians or economists, as the works of Defoe, Grossman and Dürrenmatt here mentioned show. But the novel most frequently quoted by Piketty, *Père Goriot* by Balzac ([1834–5] 1885), shows exactly the opposite of what Piketty believes. What it illustrates is not the tendency of capital to be accumulated under some inexorable laws, but rather its precariousness. It is not about wealth; it is about the lack of it, as a brief analysis of it brings out.

The novel takes place in Paris around 1819, shortly after Napoleon's defeat and the restoration of the Bourbons. Old Jean-Joachim Goriot had become rich during the French Revolution, then using most of his wealth to provide dowries for his two daughters, whom he loves passionately. Therefore he lives modestly in a boarding house. His two daughters, Baroness Delphine de Nucingen and Countess Anastasie de Restaud, are however ungrateful to their father and only speak to him when they need something. Another guest at the boarding house, Eugène de Rastignac, is a handsome young law student from the South of France, with insufficient resources to make the entry into high Parisian society of which he dreams. Two other residents play a role. Victorine Taillefer is the daughter of a rich businessman who refuses to recognise her and puts her on a meager allowance, planning on leaving his fortune to her brother. Victorine is attracted to Rastignac. This is noticed by a fourth lodger, the mysterious Vautrin, a confirmed bachelor who likes Rastignac and gives him advice about how to get on in the world. He advises Rastignac to marry Victorine and offers to have her brother killed, so that she would become her father's sole heir. According to Vautrin, honesty does not pay. "The secret of a great fortune made without apparent cause is soon forgotten, if the crime is committed in a respectable way" (Balzac [1834–5] 1885, 142).

Rastignac refuses this offer, but Vautrin does not take him seriously and has Victorine's brother killed. Meanwhile, Goriot's two daughters get into difficulties. Anastasie's lover is a gambler raking up debt that she tries to pay, even by selling some heirlooms of the Restaud family. The lover absconds, leaving behind a staggering debt. Anastasie's husband finds out about her theft and imposes strict rules on her. Delphine also needs to find money to give to her lover, but it turns out that her husband has tied down her dowry in speculations. At the boarding house, the police has been watching Vautrin. Finally he is apprehended. It is revealed that he is a notorious criminal by the name of Jacques Collin. Distressed over his daughters' marital troubles and financial difficulties, Goriot suffers a stroke. His daughters do not visit him on his deathbed until it is too late, and his sons-in-law refuse to contribute anything to the funeral. Rastignac has to borrow money to pay for it. After Goriot's coffin has been lowered into the grave, Rastignac goes to the highest point of the cemetary, looks out over Paris and exclaims: "War! war between us, henceforth!" (Balzac [1834–5] 1885, 348).

Most protagonists in Balzac's novel are short of money because they, governed by their passions, have been spending it recklessly: Goriot on his daughters, the daughters on their lovers, the lovers on gambling and other forms of dissolute living, Rastignac on fine clothes and other requisites for participation in Parisian society. Again, Goriot's sons-in-law both had married for money. Victorine is poor because her father has practically disinherited her. Even if Vautrin is a man of some means, he is a prisoner on the run. In fact, Vautrin's criminal career had begun in his youth when he had fancied a handsome Italian soldier who had committed a forgery, with Vautrin taking the crime upon himself. Thus, Vautrin, like the other protagonists, is ruled by his strong passions. It is also somewhat strange to think of him, a hardened criminal eventually being caught by the police, as someone who could give advice to others on how to get on in the world. In Balzac's novel, capital is certainly not being relentlessly accumulated. It is fickle, volatile, precarious, often squandered by its owners. Perhaps in the novel Balzac is suggesting that money may debase your character, but he certainly demonstrates how your passions may wipe out your money. Indeed, lack of money may debase your character even more than its possession.

9 Socialism in One Country

Economists have advanced many arguments against Piketty other than those already discussed: He leaves out human capital which surely is more evenly distributed than physical capital; the wealth increase of the rich apparently is to some extent a statistical illusion, based on a government-induced rise of real estate prices; Piketty largely ignores the effect of government transfers on the after-tax income of the poor, and also the effect of a lower marginal income tax on the behaviour and strategies of high-income groups; there seem to be some grave errors and omissions in his treatment of data from various countries; and so on (Delsol, Lecaussin, and

Martin 2017). But while Rawls wanted to lift up the poor and Piketty to bring down the rich, they firmly agreed that their theories could only be realised in a closed country. The redistribution required if the worst off in Rawls' scheme would include the inhabitants of, say, Haiti or Congo would be so drastic that it would be beyond the powers of elected authorities in affluent democracies. In 2017, one billion people lived in Subsaharan Africa. It was the poorest region of the world with an average income (GDP per capita) of $1,574. Then, 325 million people lived in the United States with an average income of $59,531 (World Bank 2019). Clearly, global redistributive taxes on ordinary citizens in the United States and other affluent societies would be punitive. Therefore, Rawls had to stipulate that his worst-off group lived in an affluent society and that redistribution on his principles was confined to that society. And therefore, also, the confiscatory taxes that Piketty advocates on the income and assets of the very rich have to be global. He wants to deny wealthy people the opportunity to move from Sweden to Switzerland in order to lighten their tax burden. Both Rawls and Piketty must insist on 'Socialism in one country'.

In order to implement their redistributive programmes, Rawls and Piketty have to hold the most productive group in society captive, as they both implicitly realise. One way of seeing this is by looking at the distribution of the tax burden in the largest Western economy, that of the United States. In 2013, data from the US Congressional Budget Office showed the average tax payments and received benefits of five groups of households by income. The top quintile had an average market income of $253,000 and the bottom quintile of $15,800. On average, the top group paid $69,700 in federal taxes and the bottom quintile $800. The three low-to-middle income groups received more transfers than they paid in taxes: only the two high income groups received less. The top quintile paid $57,700 more on average than it received and the second quintile $2,600, whereas the third quintile received $7,800, the fourth quintile $12,200 and the fifth quintile $8,800. In other words, it was the top quintile, the 20 % high-income households, which financed the US welfare state. For each dollar that the highest quintile paid in taxes, it received 17 cents, the second highest quintile 85 cents, the middle quintile $1.88, the second lowest quintile $4.05 and the lowest quintile $12 (Perry 2016). Data from other countries confirm this general conclusion although in Europe the poor pay relatively more in taxes and the rich relatively less than in the United States. The conclusion seems inevitable that the redistribution programmes envisaged by Rawls and Piketty are neither plausible nor workable.

Notes

1 The 'Veil of Ignorance' is of course akin to the 'Impartial Spectator' (Smith 1982 [1759], 134). When Plato stripped the philosopher-kings of family and property, he was trying to reach the same aim: to eliminate the pursuit of special interests (Hamilton and Cairns 1961, 660–661).
2 Earlier, Rothbard (1973) had made the same point.

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