Redistribution and selfishness

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ABSTRACT: One of the disadvantages of redistributive taxation is that it reduces people's financial incentives to increase national wealth and benefit others by engaging in productive activities. It is natural to suppose that the severity of this disadvantage will be proportional to the socially prevailing level of human selfishness. Thus, several advocates of redistribution (*inter alia* G. A. Cohen; Ha-Joon Chang) have argued that this disadvantage of redistribution need not be as severe as critics often suggest, because human beings need not be so selfish. My aim in this paper is to argue that even in a society entirely composed of unselfish and impartially beneficent individuals, redistributive taxation would still discourage activities which contribute to national wealth, because differing individuals have different views about what counts as benefitting themselves and others. I also relate my discussion to G. A. Cohen's influential 'camping trip' argument for socialism (from *Why Not Socialism?*).

1: Introduction

Egalitarian redistributive taxation has a mixture of desirable and undesirable consequences. On the one hand, it promotes distributive equality and increases aggregate preference satisfaction by transferring resources from people with lower marginal utilities to people with higher marginal utilities. On the other hand, increasing effective marginal tax rates reduces people's financial

incentives to increase national wealth and benefit others by engaging in productive activities.[1] Defenders of capitalism have argued that low taxation and free markets induce us to realise gains from trade by providing our fellow citizens with things that they wish to pay for. Increasing effective marginal tax rates weakens the force of this 'invisible hand.'

It is natural to suppose that the severity of this disadvantage of redistributive taxation is proportional to the socially prevailing level of human selfishness. Suppose that an unselfish and impartially beneficent individual is deciding how hard she should work over the course of her lifetime, and in which job.[2] It is natural to suppose that she would decide to work just as hard under high redistributive taxes as she would under low redistributive taxes, and in a job in which she is just as productive.[3] Under low redistributive taxes, the impartially beneficent individual would work hard (in a job in which she is highly productive) in order to create wealth that she could then donate to private charities aiding the poor and needy. Under high redistributive taxes, the

[1] The *effective marginal tax rate* that somebody faces at a certain level of income is the number of cents in tax that she would have to pay if she made an additional dollar in earnings, plus the number of cents in means-tested welfare benefits and tax credits that she would lose as a consequence of earning this extra dollar. Thus, means-tested welfare benefits increase marginal tax rates for low as well as for high earners – reducing low earners' financial incentives to increase their earnings. See Congressional Budget Office 2012 for an accessible introduction to marginal tax rates and incentives to work.

[2] Career choice is an extremely important determinant of productivity. The productivity of human capital depends upon geographic location, seniority, sector, and whether one chooses to be formally employed (as opposed to performing intra-household production). A person's choices about all of these variables may be sensitive to the level of taxation.

[3] For a utopian socialist economic proposal that builds upon this supposition, see Carens 1981.

impartially beneficent individual will work hard (in a job in which she is highly productive) in order to create wealth that the government will then redistribute on her behalf to the poor and needy. After all, surely a beneficent person will want the poorest people in society to have more resources? Thus, increasing redistributive taxes apparently reduces people's willingness to work hard in wealth-creating activities only insofar as people are selfish.

Under this supposition, one can argue that this disadvantage of redistribution need not be as severe as the anti-redistributionists suggest, because human societies need not be so selfish. In *Why Not Socialism?,* G. A. Cohen expresses himself unpersuaded by the claim that "socialism is infeasible [because people are] by nature insufficiently generous and cooperative to meet its requirements."[4] According to Cohen,

> both selfish and generous propensities reside, after all, in (almost?) everyone … Even in the real world, in our own society, a great deal depends on generosity, or, to put it more generally and more negatively, on non-market incentives. Doctors, nurses, teachers and others do not, or do not comprehensively, gauge what they do in their jobs according to the amount of money they're likely to get as a result, in the way that capitalists and workers in non-caring occupations do.[5]

The problem, says Cohen, is that laissez-faire capitalism "nourishes the motives … of greed and fear."[6] Similarly, Ha-Joon Chang suggests that although "the assumption of self-seeking individualism … is at the foundation of free-market economics," in fact "people are *not* as much

[4] Cohen 2009, p. 55.

[5] Cohen 2009, pp. 58-9.

[6] Cohen 2009, pp. 76-7; see also Carens 1981, chapter 3; Schwartz 1986.

propelled by material self-interest as free-market textbooks claim."[7] And according to Lisa Herzog, defences of capitalism that appeal to "human self-interest and the way in which markets can harness it for the common good … [have] little currency with philosophers. After all, human motivations are so much richer and more complex than simply striving for profits, an insight that empirical psychology has long confirmed."[8]

In this paper, I argue that even in a society composed of entirely unselfish and impartially beneficent individuals, redistributive taxation would still discourage productive contributions to national wealth. The 'invisible hand' argument in favour of capitalism is applicable to unselfish as well as to selfish societies (§2). I also relate this discussion to G. A. Cohen's influential defence of socialism in *Why Not Socialism?* (§3).

2: The case against redistribution

Imagine a society in which every citizen is strongly motivated to behave in a way that she believes will improve the lives of people who are less fortunate than herself. Without regard to race, religion, sexuality, or gender, citizens of this society wish to promote each other's well-being. I will describe this as an 'impartially beneficent society.'

According to the redistributionist argument that I sketched in §1 above, an impartially beneficent person would not reduce her productivity in response to increased redistributive taxation. An important problem with this argument lies in its assumption that an impartially beneficent individual would be indifferent between (1) government redistribution to the poor and

[7] Chang 2010, pp. 45, 255.

[8] Herzog 2021.

needy and (2) her own private charitable activities. One reason why this assumption fails is that differing individuals have different views about what counts as benefitting others.[9] For instance, many people in our society disagree about what constitutes the good life; and others who agree about what constitutes the good life disagree on the empirical question of which behaviours and interventions are most likely to promote it.

Imagine that a minority of the members of some impartially beneficent society are believers in the Mormon religion. We may stipulate that these individuals believe the best way to benefit their fellow citizens is to convert them to Mormonism and to have them participate in Mormon 'ordinances' conducted inside purpose-built temples. We can suppose the Mormons believe that this is the only way to vouchsafe their fellow citizens a blissful eternal life.

If Mormons work hard within the secular economy in a redistributive society with high effective marginal taxes, then most of the wealth that they create will be redistributed to people who will spend it on living non-Mormon lifestyles, rather than being retained by the Mormons to be spent on converting and ordaining new believers. Thus, beneficent Mormons would not regard working hard within the secular economy as a particularly effective way to benefit their fellow citizens. Instead, the beneficent Mormons will prefer to spend most of their time personally preaching Mormonism and working hard with their own hands to construct Mormon temples.

[9] Another reason why this assumption might fail is that some beneficent individuals might believe that aiding the poor and needy in foreign countries is more urgent than aiding the poor and needy at home who would benefit from redistributive taxation. Alternatively, some other beneficent individuals might believe that aiding the poor and needy in their local area is more important than aiding the poor and needy in other parts of country that would benefit from nationwide redistribution.

By contrast, in a capitalist society with low effective marginal taxes, beneficent Mormons are more likely to work diligently and extensively within the secular economy. Performing such work will provide the Mormons with resources that they can then use to, for instance: construct impressive and expensive temples; support full-time missionary work by the denomination's youngest and most charismatic members; and create well-funded institutes for publicity and apologetics. Such a division of labour is likely to maximise the number of conversions and ordinations.[10]

Thus, beneficent Mormons are likely to contribute more to national wealth under low effective marginal taxes than they would do under high effective marginal taxes. Capitalism is likely to induce the Mormons to 'benefit' their fellow citizens according to those citizens' *own* conceptions of what is beneficial even though the Mormons disagree with those conceptions, because benefitting their fellow citizens in this way provides the Mormons with useful resources. Similarly, non-Mormons will be incentivized to 'benefit' the Mormons according to a *Mormon* conception of what is beneficial – for instance by accepting contracts to build new Mormon temples and meetinghouses.

In summary: the claim that increasing effective marginal taxes reduces people's willingness to work hard in wealth-creating activities need not rely upon the assumption that people prefer spending money *on* themselves over spending money on other people. Rather, all that is required is for people to prefer spending money *for* themselves over the government

[10] In other words, it seems plausible to suppose that capital and labour are gross substitutes in the production function for converts.

spending it for them. Moreover, in a pluralist society, this preference need not be a matter of selfishness.

I now mention a couple of possible caveats. Firstly, this disadvantage of redistributive taxation will be less severe in societies that are more homogeneous with respect to citizens' conceptions of what is beneficial. For instance, imagine a society populated almost exclusively by Mormons. Beneficent Mormons in such a society would be happy for the government to provide extensive welfare benefits, because they know that most of the recipients will spend these benefits on flourishing in a Mormon fashion. Indeed, Mormons actually donate part of their income as a 'fast offering' to fund social support programmes for needy Mormons in particular.

Secondly, this disadvantage will also plausibly be less severe in societies where the poor are particularly deprived prior to redistribution. Any minimally credible conception of what is beneficial will surely agree that it is beneficial for a person to have (among other things) shelter, food, and adequate clothing.[11] Thus, anybody with at least a minimally credible conception of what is beneficial will regard redistributing wealth to people who will spend it on shelter, food, and adequate clothing (which they could not otherwise have afforded) as an effective way to benefit those people. Increasing taxes is unlikely to reduce an impartially beneficent person's willingness to work hard in wealth-creating activities if she knows that these taxes will be redistributed to extremely impoverished individuals. However, differing credible conceptions of what is beneficial disagree with each other about what it is good for a person to have in addition to the 'basic goods'

[11] Although this assumption strikes me as highly plausible, I have no objection to anybody who wishes to deny it. Those who deny this assumption will just think that my argument against redistribution needs one fewer caveat. I thank an anonymous reviewer for pressing me to clarify this point.

like shelter, food, and adequate clothing. In a pluralist society, increasing taxes can reduce an impartially beneficent person's willingness to work hard in wealth-creating activities if she believes that some or all of these taxes will be redistributed to people who can already afford the 'basic goods' like shelter, food, and adequate clothing.

My stylised description of beneficent Mormon behaviour in a low-tax and pluralist society arguably corresponds quite closely to the actual behaviour of Mormons in 20th and 21st century America. Another potential example of this phenomenon is Patagonia Inc., whose founder Yvon Chouinard recently donated the company to a trust that will use the profits to fund environmental projects. Chouinard is a committed environmentalist, who believes that one of the best ways to benefit his fellow citizens in the long term is to protect and preserve the natural environment. If environmentalists work hard in wealth-creating activities in a redistributive society with high effective marginal taxes, then much of the wealth that they create will be redistributed to people who will spend it on living environmentally unsustainable lifestyles. Thus, in a highly redistributive society, beneficent environmentalists will prefer to spend their time volunteering on environmental projects rather than working to increase national wealth. By contrast, in a capitalist society with low effective marginal taxes, at least some environmentalists will instead prefer to establish corporations like Patagonia Inc. that increase the overall wealth of society at the same time as providing their founders with resources that can then be spent on supporting environmental projects.

In order to guarantee that somebody will not reduce her productivity in response to increased redistribution, it is neither necessary nor sufficient to assume that she is impartially beneficent. Rather, one needs to assume that she is what I will call *munificent* – strongly motivated to redistribute *resources* to people in need, irrespective of whether or not those resources are used

to benefit those people. A munificent person sets aside her own views about what counts as benefitting others, and simply cares about providing them with more resources, to be spent one way or another.

An impartially munificent state of mind strikes me as harder to achieve than an impartially beneficent state of mind. It is quite plausible to suppose that human beings have innate beneficent tendencies to care about the well-being of others; and perhaps (à la Cohen) this tendency is poorly cultivated in capitalist societies. However, it is less plausible to suppose that human beings have any innate tendencies towards munificence. Developing a munificent state of mind requires one to *suppress* any tendencies towards beneficence given that resources are finite and people disagree about what counts as beneficial. A munificent person is unmotivated to see that her resources are used to increase other people's well-being as opposed to being frittered away or used harmfully. She is only motivated by a desire to see her resources redistributed.[12]

Munificence is particularly difficult to imagine in cases where people regard some of their fellow citizens' as having actively harmful views about what counts as beneficial. For instance, suppose that Mormons think it is *bad* for me to indulge in casual sex and recreational drugs. Under this assumption, a Mormon who is motivated to redistribute resources to libertines who value casual sex and recreational drugs must be motivated to see her resources redistributed to people

[12] An anonymous reviewer suggests that some munificent individuals might be motivated by a commitment to democracy. They would always seek "to work as a means to promoting the success of democratically decided plans." This level of motivational commitment to democratic decisions strikes me as difficult to achieve, especially given those decisions' ephemerality (what one party legislates today is often overturned by their opponents tomorrow).

who she believes will use those resources to make their own lives *worse*. This strikes me as a strange motivation.

An anonymous reviewer asks whether a Mormon who thinks that libertines have actively harmful views about what counts as beneficial will be willing to trade with libertines even under a low-tax regime.

> If a Mormon who aims at benefiting others thinks that people will use the gains from economic interactions with the Mormon in a way that is positively bad for themselves or others, and sufficient or more than sufficient to counterbalance the good that the Mormon could do through [donating] her own wages [to a] private charity, then [the Mormon] might refrain from contributing much to national wealth in low-tax regimes too. And if they think that the government would use tax revenues in a way that, though less beneficial than how the Mormon could use their own private wages, is more beneficial than how other taxpayers would use their wages, then they might work more in the high-tax than the low-tax regime even if they disagree with the government's conception of what counts as a good life.

This is a fascinating possibility; I am grateful to the anonymous reviewer for pressing me to discuss it. In response, I want to suggest that even if a Mormon thinks that most of my views about what is beneficial are actively harming me, she may nonetheless believe that she can all-things-considered improve my life by trading with me.

Suppose there is a limited set of goods – like high-quality food and medical care – which the Mormons and I agree are beneficial. If a Mormon decides to sell me these goods more cheaply than I could otherwise have purchased them, then I will be affected in two different ways. Firstly, my overall purchasing power will increase – an *income effect*. If I don't alter how much high-

quality food and medical care I purchase, then their cheaper prices will leave me with more money to spend on other things that I value. So the income effect *pro tanto* pushes me to spend more money on libertine pursuits that the Mormon might disapprove of. Secondly, however, high-quality food and medical care also become cheaper relative to libertine pursuits. This *pro tanto* pushes me to shift my spending away from libertine pursuits, and towards high-quality food and superior medical care – a *substitution effect*.[13]

The income and substitution effects *pro tanto* pull my spending on libertine pursuits in two different directions. If the substitution effect is strong enough, then the Mormon may improve my life by both of our lights through selling me high-quality food and medical care more cheaply than anyone else would sell them to me. *Ex ante*, it may often be difficult to tell which of these two effects will be stronger. By contrast, wealth redistribution has no direct substitution effects, but has the income effect of increasing the purchasing power available for me to use on libertine pursuits. Thus, if a beneficent Mormon can choose which goods she produces, then she may be keen to trade even with libertines many of whose views about the good life she regards as positively harmful. (I hope to model these complications more formally in future work.)

3: Cohen's defence of socialism

In *Why Not Socialism*?, G. A. Cohen presents an argument from analogy for the claim that socialism is preferrable to capitalism. Cohen asks us to imagine that

[13] Economists will recognise this as the *Slutsky decomposition* of a change in Marshallian consumer demand.

> you and I and a whole bunch of other people go on a camping trip. There is no hierarchy among us; our common aim is that each of us should have a good time, doing, so far as possible, the things that he or she likes best (some of those things we do together, others we do separately). We have facilities with which to carry out our enterprise: we have, for example, pots and pans, oil, coffee, fishing rods, canoes, a soccer ball, decks of cards, and so forth. And, as is usual on camping trips, we avail ourselves of those facilities collectively… There are plenty of differences, but our mutual understandings, and the spirit of the enterprise, ensure that there are no inequalities to which anyone could mount a principled objection.[14]

– call this the *socialist camping trip*. Cohen then asks us to compare this scenario with an alternative kind of camping trip,

> where everybody asserts her rights over the pieces of equipment, and the talents, that she brings, and where bargaining proceeds with respect to who is going to pay what to whom to be allowed, for example, to use a knife to peel the potatoes, and how much he is going to charge others for those now peeled potatoes which he brought in an unpeeled condition from another camper, and so on.[15]

– call this the *capitalist camping trip*. Cohen suggests that most of us will regard the socialist camping trip as clearly preferrable to the capitalist camping trip. And insofar as the socialist and

[14] Cohen 2009, pp. 3-4.

[15] Cohen 2009, pp. 5-6.

capitalist camping trips are respectively analogous to socialist and capitalist entire economies, Cohen thinks that this constitutes "a compelling *preliminary* case for socialism."[16]

Cohen goes on to consider whether there are any disanalogies between camping trips and whole societies that could either (1) make socialism less *desirable* in whole societies than it is on camping trips, or (2) make socialism less *feasible* in whole societies than it is on camping trips. As regards feasibility, Cohen thinks that human beings need not be as selfish as defenders of capitalism sometimes suggest (cf. §1 above), and that any problems of social coordination and information transmission might be solved by adopting some form of 'market socialism.'[17]

However, Cohen's discussion ignores a crucial disanalogy between camping trips and whole societies. A group of people who voluntarily choose to go on a camping holiday together will presumably by and large agree with each other about what promotes well-being – at least within the context of the camping trip. Under these conditions, the campers can plausibly share the "common aim" that everyone on the camping trip "should have a good time, doing, so far as possible, the things that he or she likes best."[18]

To see why this stipulation is a necessary feature of the socialist camping trip, imagine a camping trip in which one half of the campers are environmentalists, and the other half of the campers want to chop down several trees and light a large bonfire. It is hard to imagine that the environmentalists will want to share their facilities with the other half of the campers. After all, the environmentalists believe that helping their fellow campers "to do the things that [they] like

[16] Cohen 2009, p. 1 (his italics).

[17] Cohen 2009, §IV. Critical responses to these arguments include Ronzoni 2012; Geras 2013.

[18] Cohen 2009, p. 3.

best" – *viz.* lighting large bonfires – is to help those fellow campers' to waste their lives in harmful pursuits.

It is neither feasible nor desirable to try to transform whole societies so to make them substantially more like camping trips in this respect. At least since Rawls' *Political Liberalism*,[19] studying how people with very different conceptions of the good life can live together harmoniously in the same society has been one of contemporary political philosophy's central questions.[20] It is difficult to imagine how social disagreements about the good life could be substantially reduced (unless by an Orwellian programme of social indoctrination); and any governmental attempts to do so would almost certainly violate the 'principle of public justification.'[21] Moreover, many of us believe that experiments in living and debates between people who disagree about what constitutes the good life is a healthy and epistemically advantageous feature of liberal societies.[22]

4: Conclusion

It is something of a commonplace to suggest that whilst distributive equality would be all well and good in a society of angels, a distributively unequal system is better suited to the real world where most people are selfish. However, in this paper I have argued that even in a society composed of entirely unselfish and impartially beneficent individuals, redistributive taxation would still

[19] Rawls 1993.

[20] Quong 2022.

[21] Cf. Vallier 2022.

[22] Muldoon 2015.

discourage productive activities that contribute to national wealth, because different people have differing views about what counts as benefitting others.

Almost everyone can agree that it is good to increase national wealth.[23] Wealthier countries can invest more in human and physical capital, which raises the living standards of all workers including the very poorest. Living in a wealthier society also helps many of us to better realise our own separate objectives. Wealthier Mormons can afford to erect more Mormon temples; wealthier educational philanthropists can afford to more-generously fund teaching and research; and wealthier environmentalists can afford to support broader conservation efforts.

Of course, I began this paper by noting that redistributive taxation has a mixture of desirable and undesirable consequences. It is beyond the scope of this paper to work out how redistributive the tax system should be given the all-things-considered balance of these conflicting costs and benefits. Nonetheless, I hope to have shown that one of the most important disadvantages of redistribution is deeper and more intractable than has previously been recognised.

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[23] For a sustained defence of the value of economic growth, see Cowen 2018.

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