

Libertarian Arguments for Income Redistribution

Another exchange with Matt Zwolinski

Some time ago, Matt Zwolinski suggested several possible arguments in favor of a guaranteed basic income or something similar.¹ While the position is not one popular with libertarians — the only other example that occurs to me is *In Our Hands* by Charles Murray — it does raise some interesting questions.

Matt offers three different arguments. The first is that a guaranteed income would be an improvement on our present system of welfare — the argument that my father offered, a very long time ago, for a negative income tax.² That is probably true, especially if you imagine it replacing not only welfare but all policies, such as the farm program, that are defended as helping poor people. The problem, as Matt appears to realize, is that if a guaranteed minimum income is introduced it will almost certainly be an addition to, not a substitute for, current programs.

His third argument is that a guaranteed income is a good thing for reasons that libertarians, among others, should recognize. One version of that is to point out that private charity faces a public good problem, that we are on net better off if government taxes us to provide the charity that each of us wants provided but would prefer that other people pay for. This is not a particularly libertarian argument but it is one that many libertarians accept in the context of national defense and some in other contexts.

One problem with that argument, here as elsewhere, is that we do not have any way of setting up mechanisms that can only work in the way we would want them to; we are choosing institutions, not outcomes. Once mechanisms for income transfers exist, individuals will try to game or alter them in order to be transferred to rather than from. That will impose real costs, resources spent gaming existing rules and lobbying for and against changes. We may end up, as we often have in the past, with transfers that go up the income ladder rather than down — subsidies to opera and higher education — or in all directions at once.

The most interesting part of Matt's essay, and the most libertarian part, is the second argument. As he points out, the existing state of the world is in part a result of past rights violations. Land claims in libertarian theory may be based on a series of voluntary transfers beginning with the person who first mixed his labor with the land, but many land claims in the real world run back to an initial seizure by force. Similarly, claims to other forms of wealth must be justified, in libertarian moral theory, by a chain of voluntary transactions back to a first creator. In at least some cases that chain is interrupted by involuntary transactions. Consider a house built by slave labor. Is the legitimate owner the person with the present title to it or the heir of the slaves forced to build it, or is it perhaps partly the legitimate property of one and partly of the other? What about property in other forms inherited through a chain that leads back to a slave holding or slave trading ancestor who owed, but never paid, compensation to his victims?

Most libertarians would recognize this as a legitimate problem, although many might point at the practical difficulty of establishing just ownership in such cases as justifying some sort of statute of limitations with regard to wrongs in the distant past. Matt's alternative, suggested by a passage he quotes from Nozick, is to argue that the descendants of those who gained by past rights

¹ <https://www.libertarianism.org/columns/libertarian-case-basic-income>

² In *Capitalism and Freedom*, published in 1962.

violations are on average better off than the descendants of those who lost, hence redistribution from richer to poorer in the form of a guaranteed minimum income represents an approximate rectification for past injustice.

While the argument suggests that transfers from richer to poorer might do a better job of rectification of past injustices than random transfers, it does not imply that such transfers do a better job than doing nothing, that they on net reduce injustice rather than increasing it. Some present wealth may be due to causes that are, from the standpoint of libertarian moral theory, unjust, but not all. If I justly owe you forty cents, taking a dollar from me and giving it to you makes the resulting distribution less just, not more. Unless most inequalities are inherited from past rights violations, a claim I think few libertarians would support, the logic of the argument breaks down.

A brief digression is useful here to distinguish between wealth due to past rights violations and wealth inherited from such violations. The current distribution of income is due to all sorts of events in the past, some of them unjust, but it does not follow that everyone who is better off as a result of past history, even past rights violations, owes a debt to everyone who is worse off as a result. That distinction undercuts one of the most obvious arguments against a claim by present Afro-Americans for compensation for slavery — the observation that they are much better off than the present inhabitants of Africa, hence are on net beneficiaries of the slave traders who brought their ancestors to America. Present Afro-Americans are better off than the descendants of their ancestors would be if the slave trade had never existed. But their ancestors were worse off for having been enslaved, so it is arguable that they are owed a debt and the claim inherited by their descendants.

A further problem with Matt's argument is that, even if you believe that a guaranteed basic income reduces net injustice, it is hard to argue that it is the best rule of thumb for the purpose. Consider the case of Afro-Americans. Almost nobody whose ancestors immigrated to the U.S. after the Civil War is the heir of benefits created by violation of the rights of their ancestors by his ancestors. On the other hand, the ancestors of present-day Afro-Americans were enslaved by Africans to be sold to European slave traders. The present inhabitants of Africa, at least sizable parts of it, are more likely than the present inhabitants of North America to be descendants of people who owe, and did not pay, reparation to slaves and their descendants.

It follows that Matt's second argument implies that the (very poor) present inhabitants of Africa owe compensation to the (relatively rich) present American blacks. I do not think Matt would accept that conclusion, whether or not he could rebut it.

If so, he does not really believe in his second argument.

Hard Line Natural Rights: Alternatives To

One version of libertarianism holds that individuals have an absolute right to themselves and their property, hence that any violation for any purpose is wrong. Obvious implications are that it is wrong to collect taxes for any purpose or for a starving man to steal a loaf of bread. It is a position that many libertarians not only agree with but view as defining libertarianism.

I explained my reasons for rejecting that position in Chapter 41 of the second edition of *The Machinery of Freedom*.³ The Bleeding Heart Libertarians reject it too. There are at least three

³ http://www.daviddfriedman.com/The_Machinery_of_Freedom_.pdf

different approaches to creating an alternative; part of my reason for arguing with them is that their approach strikes me as the least attractive of the three.

The first of the three approaches is to argue that the logic of libertarian rights theory leads to different conclusions than those most libertarians accept. One way of doing so is to leverage the problem of initial appropriation of unproduced resources such as land. I did not create the land my house sits on, nor did the person I bought it from or the person he bought it from, so how do I get the right to keep other people off it? It can be argued that I owe compensation to the people I am keeping off that land for violating their rights, justifying forms of taxation and/or income transfer as vindications, not violations, of natural rights. Similar arguments can be based on rights violations in the past, the argument by Matt Zwolinski that I discuss above.

I have problems with all versions of that argument that I have seen, but I agree that there is a real problem. In the introduction to *Machinery* I argued that most income in a modern society does not come from unproduced resources, hence the solution to the problem of who is entitled to collect it does not matter very much, not a very satisfactory response but I had no better one. Since then I have managed something a little closer to a solution, but not one I am entirely happy with.⁴ I am not convinced by the Georgists or other left-libertarians with similar approaches, but I regard what they are doing as an attempt to get a modified version of libertarianism out of a solution to a real problem in the theory.

A second approach to modifying libertarian rights I associate with the members of the BHL group and discussed in the previous chapter. It attempts to resolve the conflict between the implications of the hard line position and their moral intuitions by importing into libertarianism ideas borrowed from modern academic philosophy. Like the first approach, the conclusion is a modified theory of rights, this time one in which the right to use force in the defense of property — all property, not just land — is conditional on meeting some sort of conditions of social justice.⁵ Both approaches produce arguments that justify some amount of taxation and income transfer as compatible with rights, with the details and the justification varying within and between the approaches.

My preference for the first approach over the second comes from my unhappiness with what I have seen of modern political philosophy, of which the work of John Rawls provides a prominent example. I have been observing it for quite a long time, having been present when the pre-publication version of one prominent variant — not by Rawls — was being presented to an audience and had the frustrating experience of trying to persuade its author to follow his logic where it led instead of where he wanted to go. I read Rawls' *A Theory of Justice* early on and never was able to figure out why anyone took it seriously, beyond the fact that it provided arguments for conclusions they wanted to reach. Reading modern philosophers I occasionally come across an interesting idea that is new to me, but not often enough to make me want to read much modern philosophy.

Which explains why when I see academic political philosophers trying to import into libertarianism ideas from modern "high" liberalism, ideas which I largely regard as pretentious fluff, my reaction is not positive. Even though they, like me, are trying to construct an alternative to hard line natural rights.

⁴ http://www.daviddfriedman.com/Academic/Comment_on_Brody/Comment_on_Brody.html

⁵ For their arguments, see the links at the bottom of the previous chapter.

Which gets me to the third approach — mine. Unlike both of the others, I am not trying to produce a modified theory of rights. Like the second group, I find some conclusions of hard line natural rights strikingly inconsistent with my moral intuitions. My conclusion is that rights are not a complete account of oughts. That an act violates a right is a strong argument against doing it, but not a conclusive argument. If, when I carelessly fall off the balcony of my tenth floor apartment and, by good luck, catch hold of the flagpole of the apartment below mine and am working my way to safety, the owner of the apartment tells me that I do not have permission to use his flagpole, I do not let go and fall to my death.⁶ A small violation of rights is more than outweighed, in my moral calculus, by an enormous benefit in consequences.

The version of libertarianism that seems most plausible to me is one where respecting rights is seen as a good thing, a value in itself as well as a means to other values, but not as a value that trumps all others. One reason to respect natural rights is that it is a good thing to do, another is that respecting them can be expected to produce a healthier, wealthier, and happier world than violating them.

Utilitarianism does not, in my view, fully capture the range of those other values, but it comes considerably closer than social justice. I do not have an adequate derivation for my ethical views and — unlike Rand and Rawls — I know that I do not, so can only report on my moral intuitions⁷ while trying, so far as possible, to think through their implications and interrelations.

One conclusion is that I can imagine circumstances where the consequentialist benefit of some act is sufficiently large relative to the cost in rights violation that I would approve of it — stealing something worth a nickel from its rightful owner to prevent an asteroid strike that would destroy the world was my old example. Another is that I can imagine circumstances where the rights violation costs are sufficiently large relative to the net utility gain so that I would disapprove of it — for an example, check the index of the second or third edition of *The Machinery of Freedom*⁸ for the entry “utilitarian, why I am not.” The implications of my moral intuitions are not as tidy as the theories of Rand or Rawls or, for that matter, Bentham or Harsanyi. But then, I know of no *a priori* reason to expect the truth, in moral philosophy or anything else, to always be simple.

In Defense of Utilitarianism

One objection often raised to utilitarianism is that we cannot observe utility. That is not true. We can observe the utility function of a single individual by observing his choices. It is possible that the observed parts of the function are radically different from the unobserved parts or that the function changes radically from day to day, making yesterday's observation irrelevant today, but we have introspection of our own preferences and observation of the behavior of others to tell us that that is unlikely and to suggest likely guesses about preferences that we do not directly observe. We cannot create a precise description of someone else's utility function, but we can and do know a good deal about it with a high degree of probability.

⁶ An example of the problem due to the late Bill Bradford.

⁷ For my defense of that approach to deriving morality, see Chapter 61 of the third edition of *The Machinery of Freedom*. A late draft can be found at http://www.daviddfriedman.com/Machinery_3d_Edition/An%20Argument%20I%20Lost.htm.

For a defense of the position by a professional philosopher, see Michael Huemer, *Ethical Intuitionism*.

⁸ The second edition is available as a [free pdf](#) from my web page.

That leaves the problem of interpersonal comparison: How do I decide whether a gain for me does or does not outweigh a loss for you? We do not have as good a way of solving that problem. Yet we routinely do solve it, at least approximately, when deciding how to divide our limited resources among other people we care about. If I were truly agnostic about interpersonal utility comparisons I would have no opinion as to whether giving ten cents to one person was or was not a larger benefit than giving a hundred dollars to another and similar person. We are human beings, we have a good deal of experience with other human beings, and that is enough to make reasonable, approximate, guesses about interpersonal utility comparisons.

Further, as Alfred Marshall pointed out long ago, in many cases we do not need detailed information about individual interpersonal comparisons in order to form a reasonable opinion about which option leads to greater total utility — because differences average out. Consider the question of tariffs. Economic theory tells us that if we do interpersonal comparison on the (surely false) assumption that everyone affected has the same marginal utility of income, the same utility value for a dollar, a tariff, under almost all circumstances, results in a net loss of utility.⁹

There are two ways in which one could accept the standard economic argument and yet claim that a tariff produces a net gain in utility. One is to reject the assumption, implicit in the economic analysis, that what matters is the effect of the tariff on the economic opportunities of those affected, reflected in the prices they must pay for what they buy and can receive for what they sell. One could, for instance, argue that many people's utility function includes a large positive value for the existence of a tariff, independent of its effect. Such a claim is, however, implausible given what we know, from introspection and observation, about human tastes. And if true, it suggests a testable implication — that many individuals will support a tariff even though they are fully informed about its economic consequences and even though the economic consequences for them are negative. I do not think that implication is consistent with casual observation of the politics around tariffs.

The other possibility, and the one Marshall considers, is to argue that the gainers from a tariff have a substantially larger marginal utility for income than the losers, hence that the net effect is positive measured in utils even if negative measured in dollar value. To support that claim one would need evidence. Gainers and losers represent a large and diverse group of people, so we would expect individual differences to average out. That is not true for all arguments about dollar value vs utility value; the obvious exception would be a policy where gainers were much poorer than losers. But there seems no reason to expect that for the tariff case.

Hence we have good reason to conclude that a tariff lowers total utility. It is good reason short of certainty, but that is true of virtually all of our conclusions. Similar arguments could be made to show that many, although not all, of the arguments that imply that one choice is superior to another on conventional economic grounds are also good reasons to think that it results in greater total utility and so should be preferred by a utilitarian.

These arguments are sufficient to demonstrate, not that utilitarianism is true, but that it is not empty, that it has real world content and real world implications.

I am not a utilitarian, for reasons I have discussed elsewhere, but I think utilitarianism comes a great deal closer to being a moral theory with real world content and implications than social justice, hence a version of libertarianism that is an untidy mix of natural rights and utilitarian

⁹ For one defense of this claim see Chapter 19 of my webbed *Price theory*:
http://www.daviddfriedman.com/Academic/Price_Theory/PThy_Chapter_19/PThy_Chap_19.html

elements comes closer to being a coherent theory than a similar mix of natural rights and social justice. Further, while neither utilitarianism nor social justice can be derived in a sufficiently compelling way, utilitarianism comes closer. The argument from the initial position offered by political philosophers in defense of social justice leads directly to utilitarianism. Harsanyi's argument correctly derives the implications of its assumptions. Rawls' does not.

The Ambiguity of "Utility"

The term plays an important role in both philosophy and economics. In philosophy, it is associated with Jeremy Bentham and utilitarianism; in that context utility means, roughly, happiness. In Bentham's view, one ought to act so as to maximize the total of human utility, somewhat misleadingly described as "the greatest good for the greatest number."¹⁰ To an economist, on the other hand, your utility function describes not how you should act but how you will act. "The utility to me of consuming an apple is greater than that of consuming an orange" means that, given the choice, I will choose the former over the latter.

We expect people to choose what makes them happy (cynics and psychologists are welcome to leave the conversation at this point, if they feel left out). Hence we would expect at least a close correlation between utility in the economist's sense and utility in the philosopher's sense. That matters, because one of the things economists do, when they are not making a point of being objective, value-free scientists, is to draw conclusions about what people ought to do, for instance that they ought to abolish tariffs and price controls. Those conclusions frequently depend on the assumption, stated or unstated, that maximizing utility in the economist's sense will also maximize it in the philosopher's sense. That was clearer a little over a century ago when the economic arguments were being made by an economist, Alfred Marshall, who was a utilitarian not afraid to make explicit the utilitarian foundations of his economic conclusions.

The concept of utility is, however, ambiguous in other and subtler ways. Imagine, for instance, that you are going to die six months from now. Is your utility greater if you have several months advanced warning, as cancer patients often do, or if your death comes as a complete surprise?

Spending several months knowing that you are about to die would be, for most of us, a very unpleasant experience. If utility is another word for happiness, imagined as a characteristic of what is going on inside your head, the second alternative is almost certainly preferable to the first.

But happiness, in that sense, is not all that matters to people. If one could somehow choose in advance whether, when and if you were in the situation described, it would be the first alternative or the second, many of us would choose the first. Many of us, after all, have things we would like to get done before dying — things to be said to children, wife, friends, perhaps enemies as well. Projects to be completed whose completion matters, if only to our sense of having lived a life worth living. Arrangements to be made for the future of those dear to us. A close friend, not all that long ago, spent a good deal of his last few months reducing to something more like order his crowded and cluttered house for the benefit of his wife and daughters.

¹⁰ An alternative version, as per Harsanyi, seeks to maximize the average rather than the sum. I see problems with both, some of which I discussed and partly resolved in a chapter in *Research in Population Economics*, Vol. III (1981), Eds. Simon and Lindert: "What Does Optimum Population Mean?"

For a different slant on the same problem, consider the experience machine hypothesized by Robert Nozick — or the real world equivalent in which I spend a good many hours a week now that virtual reality is as near as my desktop. Nozick's version provides you with the illusion of a life, the entire rest of your life, stretched out over the length of time it would actually occupy. The proprietor has somehow determined the life you are going to live and believably guarantees you a modest improvement, an illusory life in which things turn out marginally better, in a variety of dimensions, than they would have turned out in the real thing. Assuming you believe him, do you accept the offer?

If the economist's utility and the philosopher's are the same, if choice is entirely about happiness and happiness is really a state of mind, then the answer is obviously "yes." For me and, I suspect, many other people, it is just as obviously "no." I don't merely want the illusion of accomplishing things, I want the reality.

Which is one reason why I don't spend all of my life in *World of Warcraft*.