PARADOXES OF EGALITARIANISM: PRACTICE, MORAL ANALYSIS, AND POLICY PRESCRIPTIONS

By Jeffrey Paul*

Abstract: *This essay seeks to answer the question of how the behavior of wealthy advocates of some version of socialism can be reconciled with their advocacy of those ideas. The answer is that the conception of egalitarianism under which they choose to live is one that redistributes income, not wealth, while the egalitarianism that they advocate for others is that in which all wealth is the property of one person who decides how much will be distributed to others.*

KEY WORDS: egalitarianism, socialism, income, wealth

I. Introduction

In 2000, G. A. Cohen published a remarkable essay in which he wondered "whether egalitarians who live in an *un*equal society (one, that is, whose government, for whatever reason, fails to establish the equality that these egalitarians favor) are committed to implementing, so far as they can, in their own lives, the norm of equality that they prescribe for government."[1] For the most part, he notes, such commitment was lacking. The disparity between belief and behavior was even more glaring among wealthy egalitarians, including the many Communist Party members Cohen knew during his childhood. For example, he notes that some were "fabulously rich" and "a few of them were actually capitalists," and he continues, "I could not attribute a consistent set of ideas to these comrades."[2] The title of his essay (which also became the title of one of his books) succinctly captures this paradox: "If You're an Egalitarian, How Come You're So Rich?"

Given the ubiquitousness of this disparity, particularly in Western societies, the singularity of Cohen's observations and analysis was striking. Why, it occurred to me, hadn't anyone except Cohen commented on this disparity, which one confronts almost daily in market societies? To be sure, Saul Smilansky had analyzed six years earlier the general problem in his

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[1] G. A. Cohen, "If You're an Egalitarian, How Come You're So Rich?" *The Journal of Ethics* 4, nos. 1–2 (2000): 2.

[2] G. A. Cohen, *If You're an Egalitarian, How Come You're So Rich?* (Cambridge, MA: Harvard University Press, 2000), 154.

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"On Practicing What We Preach,"[3] but the specific type of apparent moral hypocrisy of wealthy egalitarians had to await Cohen's treatment.

I will examine in Section II the particular inconsistency of egalitarians' professed beliefs and their daily conduct that Cohen analyzed. In Section III I will explore the moral blindness of some wealthy egalitarians' commentary about the superiority of their ideal egalitarian society and criticism of the inegalitarian (capitalist) society in which they live. A third, and perhaps the most puzzling, paradox that I uncover in Section IV involves egalitarian policy prescriptions. In each of these areas, I will argue, there is an inexplicable gap between what egalitarians' commitments would lead us to expect and what we see when observing them.

II. Principle vs. Practice

The discontinuity that Cohen takes up concerning the inegalitarian personal conduct of professed egalitarians caught the attention of Thomas Nagel, who admitted that he didn't "have an answer to Cohen's charge of moral incoherence." It was "hard," he writes in his review of Cohen's book, "to render consistent the exemption of private choice from the motives that support redistributive public policies." Nagel notes that he could give away all his income "above the national average, for example, and it wouldn't kill me." He wasn't going to do that, "but the equality-friendly justifications I can think of for not doing so all strike me as rationalizations." Nagel went on to ask of his fellow egalitarians, "why aren't we prepared to put our money where our vote is? I don't know … ."[4]

Egalitarians unprepared to put their money where their vote or their mouth is, obviously renders them vulnerable to hypocrisy. That could be evidence of either moral weakness or, worse, iniquity; alternatively, it could be evidence of something fraudulent about their professed moral objectives, suggesting that they are intended to disguise objectives at variance from their stated moral goals.

Nevertheless, Cohen asks whether there are certain types of inegalitarian behavior that are excusable when exhibited by a wealthy egalitarian that could exempt him from the charge of moral hypocrisy. Cohen argues that there are: If the type of egalitarianism that is under consideration cannot be effectuated by personal acts of charity or redistribution, then, obviously the wealthy egalitarian is insulated from the charge of moral hypocrisy. For example, if an egalitarian advocates *universal material equality for its own sake rather than as a means of improving the welfare or condition of anyone*, personal acts of charity or redistribution—even the transfer of one's entire assets—to anyone or any number of persons would leave that objective unachieved in

[3] Saul Smilansky, "On Practicing What We Preach," *American Philosophical Quarterly* 31, no. 1 (1994): 73–79.

[4] Thomas Nagel, "Getting Personal: Why Don't Egalitarians Give Away Their Own Money?" *Times Literary Supplement*, June 23, 2000, 5–6.

the typical market capitalist country.[5] In that circumstance, the profession of what we might call "egalitarianism as such" would seem, at first glance, to exclude a wealthy egalitarian from a credible charge of hypocrisy.

A second type of egalitarianism, however, would not appear to insulate the wealthy egalitarian living in a capitalist society from the charge of hypocrisy. If we consider a type of egalitarianism that *is* justified, at least in part, by its effects—and if these effects could be produced either completely or partially by the transfer of some of one's assets to another party—then the holder of such assets, if he were an egalitarian and did not make such a transfer, would prima facie be culpable of hypocrisy.

Cohen considers a variety of excuses that such an egalitarian, particularly a wealthy one, might offer to demonstrate his innocence in such cases. I will not rehearse them here, as Cohen successfully demonstrates, in my view, that none of them but one is likely to extricate the wealthy egalitarian from the indictment of moral hypocrisy. That excuse, according to Cohen, "is the argument that retaining my resources enables me to do things in the interests of egalitarianism that I could not do if I gave them away. Since I'm rich, my position in society affords me access to influential people whose decisions affect the lot of the badly off."[6] Cohen adds, "You may disagree with that assessment, but you will perhaps agree that it would be sheer dogmatism to say that the I-need-to-keep-my-money-precisely-in-order-to-promote egalitarianism justification has no credibility under any circumstances."[7]

The problem one has in evaluating Cohen's claim is that it is not accompanied by a description of the essential features of an egalitarian society that a wealthy egalitarian proposes that would successfully insulate its uncharitable proponent from the charge of hypocrisy. Let us consider two possible types.

The first type of egalitarian society might be an extensive welfare state. Cohen cited, in a conversation with me years ago, Sweden as an example of the sort of society embodying the characteristics that would minimally satisfy his criteria of an egalitarian society. Sweden was and is a capitalist society with a considerable welfare state funded principally by taxes on personal income and sales taxes. Certainly, the wealthy egalitarian could effectively promote such a society while still engaging in personal acts of charity. George Soros, an ultra-wealthy egalitarian, has engaged in such promotion for decades without jeopardizing his status as a multibillionaire with plenty of funds available to him for charitable endeavors.

As to the issue of hypocrisy, however, one might consider the disparity between the measures Soros has promoted and his behavior with regard to those measures. He has long complained that "the ability of the state to

[5] Cohen, *If You're an Egalitarian*, 159.
[6] Cohen, *If You're an Egalitarian*, 178.
[7] Cohen, *If You're an Egalitarian*, 179.

provide for the welfare of its citizens has been severely impaired by the ability of capital to escape taxation and onerous employment conditions by moving elsewhere" and that "the burden of taxation has shifted from capital to citizens."[8] He also joined a group of other billionaires to demand the preservation of the U.S. estate tax.[9] And yet, as one investigative journalist puts it, "Soros himself is a master at evading taxation" of his own (and his investors') considerable income. His Quantum Fund is incorporated in a Caribbean Island and not liable to U.S. taxes and, as "there are no American members on his fund's board (which would trigger SEC involvement), Americans who invest in his funds can keep their money offshore and not pay a penny in taxes. Payments of dividends, interest, or capital gains will be taxed only if they are brought to the United States."[10] As for his personal wealth, Soros has ensured through a trust that it will pass on to his heirs without being subject to the U.S. estate tax.[11]

Insofar as an egalitarian's objective is the improvement of the condition of people generally, wealthy proponents of welfare state reforms are perhaps excused if their wealth is used both for advocacy and for charity. However, if the welfare state mechanisms they advocate are ones they have themselves deliberately evaded—for example, by minimizing their taxes, stashing their assets abroad, or preserving their inheritances through a family foundation or one of the many trust vehicles available in U.S. tax laws—their behavior may not be morally excusable.

Perhaps a second type of egalitarian society—which Cohen might have had in mind—is one in which there is collective ownership of the means of production, as advocated by the likes of Corliss Lamont, Edward Lamb, Sidney and Beatrice Webb, George Bernard Shaw, and H. G. Wells. The Webbs, who lived primarily on Beatrice's inherited wealth and ceaselessly promoted egalitarian reform, claim in their book *The Truth about Soviet Russia* that Stalinist Russia was not a dictatorship, but a democracy, and that the "substitution, for profit-making manufacturing, of planned production for community consumption" eliminates "the hitherto incessant social malady of involuntary mass unemployment."[12] They also claim that the "entire net product of the community is, in fact, shared among those who cooperate in its production, in whatever way they themselves decide, without tribute to an hereditary parasitic class."[13]

[8] George Soros, *The Crisis of Global Capitalism: Open Society Endangered* (New York: Public Affairs, 1998), 111, 112.

[9] David Cay Johnston, "Dozens of Rich Americans Join in Fight to Retain the Estate Tax," *New York Times*, February 14, 2001, https://www.nytimes.com/2001/02/14/us/dozens-of-rich-americans-join-in-fight-to-retain-the-estate-tax.html.

[10] For the details, see Peter Schweizer, *Do As I Say (Not As I Do)* (New York: Doubleday, 2005), 164; see esp. 157–66 for a short account of Soros's business behaviors.

[11] Michael T. Kaufman, *Soros: The Life and Times of a Messianic Billionaire* (New York: Alfred A. Knopf, 2002), 170.

[12] Sidney Webb and Beatrice Webb, *The Truth about Soviet Russia* (London: Longmans, Green and Co., 1942), 55.

[13] Webb and Webb, *The Truth about Soviet Russia*, 55.

Wealthy American capitalist Edward Lamb was an admirer of both the Soviet Union[14] and Cuba under Fidel Castro.[15] "I control more than $600,000,000," he writes in his autobiographical political polemic, *The Sharing Society*, but adds that "I believe all personal wealth to be temporary. A world packed with people cannot much longer tolerate capitalism."[16] By "temporary" Lamb, here, seems to mean, in his own case, discretionary, since the principal beneficiary of his wealth at the time the book was written was his son, Edward Hutchinson Lamb. During one of his many trips to Cuba, Lamb told Fidel Castro that his son, "Hutch," was working on his own will and wanted to leave money to Havana University. The lawyers said that it would probably be illegal and, after some back and forth,

> Hutch replied, "To hell with all of you; it's my money, and I'm leaving it to Havana University, where I know that it will be used to help a lot of people get on their feet. I expect that the United States, before I die, will again be a good friend to Cuba. If the United States continues in its foolish policy toward its neighbors, then the United States will be on its way to hell too!" According to Lamb, Castro said, "There's a man. Please let me meet Hutch!"[17]

"The people are freely building a wholesome new homeland," Lamb writes of Cuba. "A new society is blossoming," he proclaims:

> The plain facts indicate that the Cuban people have achieved a wholesome sharing of the nation's assets, and its people have reason to hope for a better tomorrow. The demonstrated success of this small nation is watched with equal pride by many nations. American labor, industrial, and agricultural interests should be leading the parade to extend a congratulatory handshake to this fascinating emerging nation.[18]

The paens to Soviet Russia and Castroite Cuba by the Webbs, Lamb, and other wealthy egalitarians (such as Lamont) were, of course, spectacularly at odds with the realities of life in those socialist societies. The realities were brought to the attention of Western societies in the early years of those regimes by refugees as well as journalists, when Vladimir Lenin abandoned communism in 1922 for what he called the New Economic Policy, his euphemism for capitalism.

[14] Edward Lamb, *The Planned Economy in Soviet Russia* (Philadelphia, PA: Dorrance Company, Inc., 1934).
[15] Edward Lamb, *The Sharing Society* (New York: Lyle Stuart, 1979).
[16] Lamb, *Sharing Society*, book cover.
[17] Lamb, *Sharing Society*, 216.
[18] Lamb, *Sharing Society*, 223–24.

III. Moral Blindness

This brings us to a peculiar moral blindness that is intrinsic to most egalitarian criticisms of market economies. This is the blindness of egalitarian proponents when they come to evaluate material inequality. Typically, their criticisms of disparities in resources exclude the inequalities between the governors of socialist societies and those who they govern. For in virtually every one of these societies, the governors become kleptocrats whose predations derive from their state monopolies of all resources within their borders, making them the sole owners of capital in their countries.

Why haven't socialist egalitarians subjected the wealth of Castro, Josef Stalin, Hugo Chavez, Mao Zedong, or Kim Jong Il to the same condemnation as that of John D. Rockefeller or Bill Gates? By ignoring these glaring disparities, we must conclude that material inequality *per se* must not be genuinely morally objectionable to them. It is true that most socialist egalitarians today are willing to acknowledge that every one of the societies they have praised for exemplifying the virtues that they sought, or seek, in their own societies have been economically inferior with respect to general standards of living when compared with existing capitalist market economies. However, they typically fail to condemn those socialist projects *morally* for producing an extraordinary disparity in wealth between their leaders and the led. Furthermore, these uncriticized inequalities in socialist countries have been the very source of their citizens' depressed standards of living.

The capitalist inequalities that they condemn, in contrast, have produced superior standards of living. Paradoxically, the inequalities in capitalist economies that increase living standards elicit moral condemnation and rich capitalists are characterized as predators. The inequalities in socialist societies between rulers and ruled are regarded only, if at all, as "economic failures."

Yet the material disparities between rulers and ruled in socialist societies are striking. Consider the testimony of Castro's personal bodyguard. "All his life," Juan Reinaldo Sánchez writes, Castro "has repeated that he owns no property other than a modest 'fisherman's hut' somewhere on the coast." The truth is that

> the fisherman's hut was really a luxury vacation home that involved considerable logistics in terms of its surveillance and upkeep. In addition, there were twenty or so other properties, including Punto Cero, his huge property in Havana near the embassy quarter; La Calera del Rosario, which also houses his private marina in the Bay of Pigs; and La Deseada, a chalet in the middle of a swampy area in Pinar del Río providence, where Fidel went fishing and duck hunting every winter.

> Not to mention all the other properties reserved, in every administrative department of Cuba, for his exclusive use.[19]

Ordinary Cubans suffered decades of poverty and privation that only grew worse with the end of the Cold War, as trade with Soviet-bloc countries collapsed and aid from the Soviet Union "dried up." As Sanchez notes, "households were surviving on the breadline while the GNP had decreased by 35 percent and electricity supplies were seriously inadequate." A year after the fall of the U.S.S.R., Castro declared a "Special Period in Time of Peace that marked the official beginning of the era of shortages and of mass international tourism."[20]

Forced collectivization of farming in the Soviet Union, first under Lenin and then under Stalin, produced enormous famines in 1921–1922 and 1932–1933, respectively. Despite his knowledge of those episodes, Mao embarked on his own version, "The Great Leap Forward," in 1958. Historians have estimated the resulting death toll at between 43 and 55 million people.[21] On the other hand, Mao's granddaughter, Kong Dongmei, had an estimated wealth of $815 million in 2013, according to *New Fortune*, a Chinese financial magazine.[22]

IV. Paradoxical Policy Prescriptions

Perhaps the most puzzling discrepancy between the professed ideals of egalitarians and their prescribed means of achieving them involves the way they shield the wealthy from expropriation. This leads to a deeper issue in the area of what we might call the "second-best" egalitarianism of social democracy. As an alternative to collectivizing the means of production, they have instead advocated and implemented the collectivization of the means of consumption, that is, the expropriation of income, not wealth.

Great Britain, for example, nationalized many industries after the election of the Labour government following World War II, but virtually all of them were privatized between 1979 and 1990. The exception was medicine, which was quasi-collectivized (unlike the complete government monopoly of medicine in Canada that goes by the euphemism "single payer"). *What remained collectivized was much of the means of consumption*, that is, income that was subject to both income and payroll taxes as well as consumption, or value-added, taxes (VAT). In "democratic-socialist" Sweden, aside from iron mining, the railways, and a minor portion of banking, no other

[19] Juan Reinaldo Sánchez, *The Double Life of Fidel Castro* (New York: St. Martin's Press, 2015), 9–10.

[20] Sánchez, *The Double Life of Fidel Castro*, 16.

[21] Frank Dikötter, *Mao's Great Famine* (New York: Walker & Company, 2010), 324–34.

[22] "Mao Zedong's Granddaughter Kong Accused Over China Rich List," *The Straits Times* (via Agence France Presse), May 9, 2013, https://www.straitstimes.com/asia/mao-zedongs-granddaughter-accused-over-china-rich-list.

industries have been nationalized. (Again, medicine was partially collectivized.) Contrast this with the fact that income taxes have grown dramatically. Governments in the West that can be characterized as democratic socialist, social democracies, or welfare states have generally not collectivized capital, only income. (The exception was Argentina, where the Peronist government that did most of the nationalization had its roots in German National Socialism.)

It could be argued by an egalitarian willing to look past the wealth of the wealthy that the highest incomes have been "relatively" collectivized due to the progressivity of tax rates in welfare states. However, it is common knowledge (see the schedule of rates for any Organization for Economic Co-operation and Development [OECD] country) that the highest or second-highest marginal rate in Europe begins at around $70,000 for the individual—that is, middle-income earners are hit hard. Indeed, European income tax is commonly characterized as a flat tax. Nor have any of these countries adopted a progressive annual net-wealth tax as a principal source of the government's revenue. In 1990, there were a dozen European countries that collected annual wealth taxes; by 2021, only Norway, Spain, and Switzerland had such a levy.[23] Even in their heyday, these levies were not significant. According to the OECD, all taxes directly levied annually on wealth by its member countries (including taxes on realized capital gains) as well as estate, inheritance, and gift taxes provided between .01 percent and 3.06 percent of total tax revenue of OECD countries having direct annual wealth taxes in 1985.[24]

Instead of collectivizing industry or taxing wealth annually, European social democracies have depended upon a progressive income tax that is not, in fact, terribly progressive. This is an exceedingly odd development, given that the professed objective of egalitarians is the redistribution of all material resources—not just the portion of them represented by annual income, which constitutes a trivially tiny percentage of the net worth of those whose wealth exceeds $500 million. There are occasional exceptions, as in the year someone sells a business or when a hedge fund (or private equity fund) manager makes a sizeable gain. However, most gains, for most people, most of the time are unrealized and, therefore, would only be reached as a source of government revenue through a wealth tax, not an income tax. Wealth is taxed in most of these countries only when it is transferred before or after death.

Gift, inheritance, and estate taxes on average in the OECD countries made up .2 percent of GDP in 2019, while total tax revenue accounted for 33.8

[23] Elke Asen, "Wealth Taxes in Europe," Tax Foundation, November 20, 2019, https://taxfoundation.org/data/all/eu/wealth-tax-europe/; see also "Why Wealth Taxes Were Repealed in Europe," Robert Schalkenbach Foundation, February 26, 2021, https://schalkenbach.org/why-wealth-taxes-were-repealed-in-europe/.

[24] Edward N. Wolff, *A Century of Wealth in America* (Cambridge, MA: The Belknap Press of Harvard University Press, 2017), 623.

percent of GDP.[25] Since the inheritance tax brings in so little revenue and is easily avoided or minimized by the super-rich—as it is in the U.S.—while affecting unequally and profoundly the upper-middle and moderately affluent classes, more countries are likely to follow Sweden, Norway, Canada, Australia, Austria, and New Zealand and abolish this tax.

This raises two questions. First, how do self-described egalitarians remain enthusiastic supporters of income, payroll, and sales taxes as the primary source of government revenue in social democracies when they barely affect the distribution of wealth? Second, given that the progressive income tax is actually a regressive tax on wealth—since income is an increasingly smaller percentage of wealth as wealth grows—why do they misrepresent it as a means of redistributing wealth?

Consider the percentage of wealth represented by income in the U.S. In 2017, total household net worth was approximately $100 trillion,[26] while adjusted gross income was roughly $10 trillion. Of that $10 trillion, approximately $3 trillion,[27] or 3 percent of household net worth, was received by the federal government in tax revenue. While income redistribution as a means of reducing wealth inequality is an ineffectual endeavor, it suggests that the redistribution of wealth is not, perhaps, what intelligent egalitarians are really after. For what the income tax does achieve is the greater dependency of citizens on government provision for goods and services that they could otherwise purchase were they not deprived of a significant portion of their income. What it does not achieve is wealth equalization.

To be fair, most proponents of progressive income taxes (and regressive payroll and VAT taxes) as the principal sources of revenue for their countries are perfectly well aware of this reality. What contemporary egalitarians like Gabriel Zucman, Emmanuel Saez, and Thomas Piketty now emphasize is not the redistribution or equalization of wealth; instead, what one hears about is the reduction of income inequality. In practice, from Sweden to Denmark to Germany to the U.S., the tax policies of the political left from the late-nineteenth century to the present have been to leave capital relatively untouched by taxation while dramatically increasing taxes on income and consumption. The wealthy egalitarian, therefore, has few impediments to the retention and appreciation of his assets from social-democratic or progressive government policies. This probably explains the growing numbers of wealthy egalitarians in, and influence on, left-wing political parties and campaigns. And this phenomenon has not gone unnoticed.

[25] "Revenue Statistics 2020: Tax Revenue Trends in the OECD," 3, https://www.oecd-ilibrary.org/taxation/revenue-statistics-2020_8625f8e5-en.

[26] "Households and Nonprofit Organizations: Net Worth, Level," Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis, June 22, 2019, https://fred.stlouisfed.org/series/HNONWRA027N.

[27] "Internal Revenue Service 2018 Data Book," 3, https://www.irs.gov/pub/irs-prior/p55b--2019.pdf.

David Callahan, the founder of Demos, a left-wing think tank, analyzed the paradoxical financing of egalitarian policies in the United States. In *Fortunes of Change: The Rise of the Liberal Rich and the Remaking of America*,[28] he points out that while the base of the Democratic Party came out in droves to vote for Barack Obama in 2008,

> the defeat of John McCain in November 2008 was also helped along by a less likely set of supporters, a group that *Forbes* dubbed "Obama's billionaires." Among them were some of America's wealthiest hedge fund managers, including Thomas Steyer, Kenneth Griffin, Paul Tudor Jones, James Simons, and—predictably—George Soros, who was the single largest donor to the Democratic push in 2008. These men backed Obama even as the candidate pledged to more than double taxes on hedge fund profits, a move that could cost some of these donors millions of dollars a year… . [Warren Buffett] reached out to Obama shortly after his famous 2004 convention speech and threw a fundraiser for him in Omaha. Buffett didn't write the big campaign checks that others did, but he provided something far more valuable, as this revered wise man of business emerged as a trusted adviser to the young candidate.[29]

Callahan also describes in detail a cohort of very wealthy "left-wing heirs of the sixties generation" who established foundations that organized and funded left-wing causes. These included Stewart Rawlings Mott (son of Charles Stewart Mott, who for many years was the largest shareholder of General Motors), George and Sarah Pillsbury (heirs of the flour company), Obie Benz (heir of the Daimler-Benz automobile fortune), Drummond Pike (founder of the Tides Foundation and son of a California investment banker), Jane Bagley Leman (heir to the R. J. Reynolds tobacco fortune), and a host of others. "In the name of redistributing wealth and power," he writes, "a tiny group of the most privileged members of U.S. society will help decide which social justice groups—and causes—will thrive in the next half-century and which will wither."[30] This led Callahan to wonder whether the country was headed toward Plato's ideal of a "Guardian" class that would come to run the U.S.: "If oligarchy is government by the rich, for the rich, the contemporary Platonic ideal is about something else: rule by the rich on behalf of the common good, as they define it. This new noblesse oblige is spreading fast, and although it is a big step forward from the 'greed is good' ethos, it is still deeply troubling."[31]

[28] David Callahan, *Fortunes of Change: The Rise of the Liberal Rich and the Remaking of America* (Hoboken, NJ: John Wiley & Sons, 2010).
[29] Callahan, *Fortunes of Change*, 1–3.
[30] Callahan, *Fortunes of Change*, 262–66.
[31] Callahan, *Fortunes of Change*, 290.

This brings us to a question that was not addressed by Cohen. Why is it that socialists and others who decry the disparities in wealth that characterize market societies recommend that government revenues in the democracies in which they live be derived almost exclusively by taxes on income? Put another way, why have democratic socialists and (in the U.S.) progressives favored progressive income taxation rather than, for example, progressive taxes on wealth or net worth? If the disparities that they are attempting to reduce are those prevailing between "the rich" and "the poor," why, of the roughly $4.7 trillion in the federal budget for 2019 will $3.645 trillion come from tax revenues (the remainder derived from borrowing) of which only $23 billion will come from wealth, that is, estate and gift taxes? That is, $1.8 trillion (or 50 percent of total tax receipts) in revenue will be derived from personal income taxes, $1.3 trillion (or 36 percent of total tax receipts) from payroll taxes, $255 billion in corporate income taxes (or 7 percent of total tax receipts), with excise taxes and tariffs contributing $157 billion (4 percent of total tax receipts).[32]

We might ask, therefore—given the rise of socialism and various schemes of redistribution—why, short of the complete collectivization of all property, haven't socialists and other critics of capitalist inequality proposed a progressive wealth tax when it was disparities in wealth that they sought to reduce? Inheritance and estate taxes have proven to be entirely inadequate instruments for significantly altering the distribution of wealth in Western societies. According to Thomas Piketty, the United States has in the twentieth century taxed estates at "levels higher than those found in France and Germany."[33] And yet, due to devices mentioned above (such as lead charitable trusts, grantor annuity trusts, or family foundations), it collects very little ($22,943,348 in 2018 out of a total $3,465,466,627 in federal revenues).[34] The estate tax has certainly not prevented the Pritzkers, the Waltons, the Murdochs, the Kennedys, and many others from retaining and transferring their wealth from one generation to the next.

As I have previously discussed,[35] Piketty has made two suggestions to remedy the failure of the income and estate tax to significantly alter disparities in wealth. His first proposal, a significant increase in the top rate on incomes to "80 percent on incomes over $500,000.00, or $1 million a year,"[36] would have little effect on wealth distribution since the primary source of wealth is unrealized capital gains from business enterprises, not savings from income.

[32] Kimberley Amadeo, "U.S. Federal Budget Breakdown," The Balance, March 4, 2019, https://www.thebalancemoney.com/u-s-federal-budget-breakdown-3305789.

[33] Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA: The Belknap Press of Harvard University Press, 2014), 504.

[34] "Internal Revenue Service 2018 Data Book," 3.

[35] Jeffrey Paul, "Why Income Taxation? A Moral and Historical Inquiry," *Social Philosophy & Policy* 39, no. 1 (Summer 2022): 33–47.

[36] Piketty, *Capital in the Twenty-First Century*, 513.

Recognizing this, Piketty has proposed what he characterizes as a "utopian idea,"[37] namely, a progressive global tax on wealth. Why global? Because he recognizes that any country foolish enough to impose such a tax by itself would encourage owners of capital in that country to shift their assets to other countries. Indeed, the handful of countries that have wealth taxes keep their rates very low to avoid this problem—and even these few are losing members over the years as countries are fearful of losing capital. Since socialism, that is, collective ownership of the means of production, has failed universally, any egalitarian project that requires substantial wealth expropriation not enacted globally is doomed.

What is left are today's dramatically inegalitarian countries in which the after-tax income of the middle class is paltry, while the unrealized capital gains of wealthy investors increase untaxed. Little wonder that political parties purporting to be egalitarian increasingly are filled with billionaires willing to endorse the plundering of employee incomes, knowing that their "social-democratic" allies will not dare to touch their wealth.

Soros, Buffett, Ray Dalio, Thomas Steyer, Illinois Governor J. B. Pritzker (with a net worth of $3.2 billion), and Penny Pritzker (Secretary of Commerce under President Obama with a net worth of $2.4 billion) are enthusiastic members of this aristocracy. It is not surprising that Piketty suggests contemporary China with its "no-exit" capital controls as a realistic alternative to his utopian dream.[38] There is some irony in this, as China's one-party Marxist state has evolved into a twenty-first-century version of its fascist precursors in twentieth-century Italy and Germany. To the late Friedrich A. Hayek I say, sadly, perhaps we have come full circle.

We can now resolve two of the paradoxes affecting egalitarianism. The wealthy egalitarian has no risk to his net worth in social democracies since those countries overwhelmingly derive their government revenues from taxation of income. Their contributions to the political campaigns of left-wing candidates and parties jeopardize neither their present or future wealth nor their capacity to transfer it to their heirs or their charitable foundations. Indeed, the election of these candidates and the control of the government by these parties secure it, as these organizations and politicians would not dare to propose that their wealth be expropriated.

The only politically popular figure from one of the two major political parties to propose extensive wealth redistribution via wealth expropriation in the United States since the U.S. Civil War has been Democrat Huey Long (with his "Share Our Wealth" campaign in the early 1930s). Instead of being the favorite politician of American egalitarians, he was almost universally despised by them. One reason is that beginning with the New Deal, most egalitarian academics and intellectuals realized that the funding for any extensive welfare programs could not be provided by wealth or income

[37] Piketty, *Capital in the Twenty-First Century*, 515.
[38] Piketty, *Capital in the Twenty-First Century*, 535, 536.

expropriation of the richest Americans. There were too few of them. Therefore, they supported higher income tax rates on the middle and lower-middle classes.[39]

Western social democracies, including the U.S., have followed the path recommended by these groups, not the one prescribed by Huey Long. Hence, we can understand not only the comfort but the enthusiasm many of the super-rich have felt for the Left in recent years. Given that only those dependent upon income are burdened by a tax system that extracts virtually all of its revenues from them, billionaires such as James Simons, Buffett, and Soros feel no threat from progressives. Indeed, they can recommend policies and programs that will have no effects on them and handsomely support the groups, politicians, and advocates for them. The estate tax poses no encumbrance to them, given the multiplicity of devices available to the very rich to escape it. If this were not the case, there would be no wealthy Rockefeller, Kennedy, Walton, Murdock, Getty, or Pritzker heirs.[40]

Moreover, progressive intellectuals today continue to advance proposals that can only be funded by greater revenues extracted from middle- to upper-middle-class income earners, among whom, ironically, are many academic intellectuals. The multimillionaire and multibillionaire financiers of their schemes are only too happy to deprive them of their income as long as they present no threat to their wealth.

V. Conclusion

What seemed paradoxical to Cohen is, on examination, perfectly reasonable. Two schemes might achieve an egalitarian society: one that requires expropriation of wealth, the other of income. The first elicited wealthy enthusiasts who could retain their residences in countries that shunned collectivization while they applauded from afar those that did not. The second elicited wealthy enthusiasts who understood that it was the middle class, not them, that would suffer the burdens of income taxation. The John

[39] See Mark Leff, *The Limits of Symbolic Reform: The New Deal and Taxation, 1933–1939* (Cambridge, MA: Cambridge University Press, 1984), 104–06, for a detailed discussion.

[40] In 2005, Michael Graetz, then a law professor at Yale Law School, and Ian Shapiro, a political scientist at Yale University, published a book intended to repel efforts to rescind the estate tax. They devoted 252 of the 282 pages in *Death by a Thousand Cuts: The Fight Over Taxing Inherited Wealth* (Princeton, NJ: Princeton University Press, 2005) to defending the importance of retaining a levy tax that never raises more than .5 percent of federal expenditures and never impedes the transfer of wealth from the super-rich to their heirs. The mystery of this hysterical defense of what is both an insignificant source of federal revenues and a completely ineffectual instrument of "redistribution" is resolved in the book's final 30 pages. There it surfaces that the authors' real concern is that a successful effort to repeal or reduce this insignificant source of government revenue might encourage the principal funders of federal operations—income earners—to petition for lower income and payroll taxes. "And if progressive taxes and progressive tax rates are purged from the system," the authors write, "the amount of taxes the government can raise becomes limited" (277). How dare these peasants? Imagine the impudence of the income earner who wants to retain most of what rightfully belongs to him and limit the functions of government to those appropriate for a natural rights republic.

Kerrys, Al Gores, Clintons, and Nancy Pelosis have nothing to fear from the Tides Foundation, Paul Krugman, Rachael Maddow, the Sulzberger family's *New York Times*, or Jeff Bezos's *Washington Post*. No one of consequence has proposed wealth expropriation. And no U.S. Congress would dare confiscate the wealth of Senators Mark Warner, Richard Blumenthal, and Diane Feinstein or that of Governors Phil Murphy and J. B. Pritzker. On this matter, I can only conclude that there is no mystery. Cohen's rich Communist Party acquaintances would only consider living in a socialist society over which they presided—like Castro, Stalin, or the Kims—not one in which they were the governed. Otherwise, a "social democracy" that collectivizes income, not wealth, has presented a comfortable and unthreatening abode for their aristocratic appetites.

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