

An Egalitarian-Libertarian Manifesto

Presentation notes for Ethics at Noon, May 16, 2002
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“The social problem of the future we considered to be, how to unite the greatest individual liberty of action, with a common ownership of the raw materials of the globe, and an equal participation of all in the benefits of combined labour.”

John Stuart Mill, *Autobiography*, p. 138

Do you want to be an Eg-Lib?

Can a leftist be a libertarian? My purpose today is to suggest that the tension between egalitarianism, the central goal of modern leftism, and libertarianism, has been overstated. And further, I will argue that egalitarian-libertarianism has some attractive qualities as a way to organize society and define the proper role of the state. At the same time, I will point to some serious ethical and practical problems with the Eg-Lib goal.

The perceived tension, which often places egalitarianism and libertarianism at opposite ends of the political spectrum, is partly a result of a historical association between the ideal of egalitarianism and a large, intrusive state in the 19th and 20th centuries: Marxism as the theoretical foundation for strong egalitarian ideals, and its perversion by Stalinism; and in the democratic West, the rise of the welfare state, especially during and since the 1930s. Many actual or proposed government regulations are to some degree justified by distributional concerns: e.g., rent control, minimum wage, price caps on prescription drugs, protectionism (President Bush’s recent steel tariff aimed to “save jobs,” but at an estimated cost in the hundreds of thousands of dollars per job per year!).

There has also been a tendency among libertarians and free-market types not to care much about inequality. This is largely due to an emphasis on a particular conception of property rights and their primacy, under which taxation is the moral equivalent of theft.

But there are in fact many streams of thought that link egalitarianism and liberty. In this presentation I’ll begin with an overview of the Eg-Lib platform; then suggest why it is attractive from the point of view of justice; draw attention to some historical antecedents; consider some difficult choices that must be made in implementing Eg-Lib in the real world; and summarize what I see as Eg-Lib’s most serious flaws.

The Eg-Lib platform

I begin with two observations:

- Free markets and freedom of contract are both intrinsically and instrumentally desirable.
- Unfettered free markets and free contract often generate unjust inequality.

The basic structure of Eg-Lib is designed to achieve a mix of liberty and distributive justice that mitigates this apparent contradiction between liberty and distributive justice. The core components of an Eg-Lib system would include the following:

- (1) Free markets and freedom of contract, subject to some constraints imposed by

redistributive goals. Minimal regulation of the activities of individuals and transactions between consenting adults.

- (2) Substantial redistribution of income and/or wealth, toward greater equality. A strong preference for improving the situation of the worst off.
- (3) The means of redistribution— raising and distributing funds— designed to minimize restrictions of liberty and inefficiencies.

In sum, Eg-Lib envisions a minimal redistributive state. One might think of it as Adam Smith's "system of natural liberty," with the crucial addition of redistribution:

"According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain..." (Smith 1937, p. 651)

What does it look like?

Imagine a country much like the United States, with the government getting out of most of its regulatory activities: no minimum wage, rent control, trade protection, price or product quality regulation, farm subsidies, FDA/ FCC/ OSHA/ antitrust/ NLRA, or Medicare. "Victimless" crimes are not prohibited (e.g. recreational drug use). There are no public schools, although the education of children is financed through a system of generous vouchers.

Redistribution takes the form of substantial, broad-based, but simple tax and transfer programs. These take the place of all existing transfer programs, including welfare, social security, unemployment insurance, etc. An example might be the negative income tax (NIT), whereby each person receives a lump-sum cash transfer (demo-grant) from the government each year, and then pays taxes on any other sources of income to finance the grant. There are in fact many alternative schemes for achieving redistributive goals, some of which I consider below.

Eg-Lib and the theory of justice

Eg-Lib has appeal from several justice perspectives that I find attractive. First, a number of liberal theories of justice defend a high degree of *egalitarianism* as a distributive goal. These theories range from versions of utilitarianism, to John Rawls's justice as fairness, to Ronald Dworkin's notion of redistribution as a form of social insurance, to some common property rights traditions (a la Henry George).

At the same time, the importance of *liberty* is also widely acknowledged, both as a good in itself and as an instrumental good. Rawls has argued for the priority of liberty in his theory of justice; allowing people to pursue their own conception of the good is central to the liberal tradition, with its presumption of equal respect for persons. Instrumentally, individual liberty often leads to desirable outcomes from the point of human welfare: individuals have the local knowledge to decide what is best for themselves; and voluntary exchange in markets has well-known efficiency properties. Furthermore, even if the state could in principle improve upon some aspects of voluntary exchange, in practice states often abuse their coercive power. By

constraining the activities of the state to certain essentials (security of person and property, redistribution), Eg-Lib reduces the scope for governmental failure and abuse of authority.

Although freedom and egalitarianism are often seen to be at odds, they can be reconciled to some extent through ideas related to the notion of *positive liberty*: the “freedom to do.” A useful way to conceptualize positive liberty is provided by the economist Amartya Sen, who writes of freedom as a question of available *capabilities*: the set of choices or actions (what he calls “functionings”) that are available to a person. A person’s capability set is determined not only by the presence or absence of legal constraints on action (negative liberty) but by the resources and personal abilities the person has a claim on. The Eg-Lib objective is fundamentally to provide greater equality in terms of capabilities or life chances, which enhances the real freedom of the less well off. This is a goal closely related to fair equality of opportunity.

The emphasis on egalitarianism as promoting equal (positive) liberties is consistent with viewing people as responsible for their own welfare. “In dealing with responsible adults, it is more important to see the claims of individuals on the society (or the demands of equity or justice) in terms of *freedom to achieve* rather than *actual achievements*” (Amartya Sen 1992, p. 148).

Because Eg-Lib minimizes government regulation of the economic system, outside of broad tax and transfer schemes, it can achieve greater equity with minimal efficiency losses. Economic theory has two well-known “welfare theorems.” The first (“direct”) theorem says that a market equilibrium is Pareto efficient¹ under certain conditions. The second (“converse”) theorem says that any Pareto efficient allocation can be achieved as a market equilibrium: thus, it is theoretically possible to redistribute endowments (individuals’ initial property holdings) and allow the market to achieve efficiency. It is then possible to obtain many of the benefits of free markets within a more egalitarian distribution.

The egalitarian-libertarian must reject conventional libertarian views on property rights, such as those espoused by Robert Nozick (1974) or Israel Kirzner (1989). If individual property owners had a natural right or entitlement to their holdings, it would be difficult to justify the substantial redistribution of holdings demanded under Eg-Lib. Thus Eg-Lib must maintain either that property rights rest on a social convention and are therefore not natural or absolute, or that natural property rights do not necessarily imply unencumbered individual ownership. A useful discussion along the latter lines is offered by Allan Gibbard (1976).

Historical and modern precedents for Eg-Lib

The historical roots of egalitarian-libertarian thinking can be found in various left-liberal and anarchist traditions. The epigraph from Mill suggests that he shared a vision of egalitarian-libertarianism. The notion that liberty could be consistent with the common ownership of at least some forms of property (in particular land) was shared by Thomas Paine and Henry George (1955).

The ideal of a stateless society with a highly egalitarian distribution of resources was central to nineteenth-century anarchism, although the anarchists typically envisioned a society organized around non-market cooperatives rather than market exchange and competition. The place of

¹ Pareto efficiency describes a state of affairs in which it is impossible to make one individual better off without making another worse off. Goods and resources are being allocated and employed efficiently in the sense that there are no costless ways to improve wellbeing.

positive freedom or fair equality of opportunity is evident in this passage from Mikhail Bakunin:

“We do not propose here, gentlemen, this or any other socialist system. What we demand now is the proclaiming anew of the great principle of the French Revolution: that every human being should have the material and moral means to develop all his humanity, a principle which, in our opinion, is to be translated into the following problem:

To organize society in such a manner that every individual, man or woman, should find, upon entering life, approximately equal means for the development of his or her diverse faculties and their utilization in his or her work...

The only thing which, in [our] opinion, the State can and should do, is first to modify little by little inheritance law so as to arrive as soon as possible at its complete abolition. That law being purely a creation of the State, and one of the conditions of the very existence of the authoritarian and divine State can and should be abolished by freedom in the State. In other words, State should dissolve itself into a society freely organized in accord with the principles of justice.” (“Socialism, the State and Revolutionary Tactics”, c. 1871)

In contemporary political philosophy, perhaps the most direct proponent of Eg-Lib is the Belgian philosopher Philippe Van Parijs, an advocate of a universal basic income (UBI). The UBI proposal, which is essentially the same as a negative income tax in providing a fixed payment to each individual, has a following particularly in Europe and Australia, among Greens, and notably in Brazil, where it has been pushed by the Workers’ Party. The connection between equal liberty and equal opportunity, evident in the above excerpt from Bakunin, is also central in Van Parijs’s thinking:

“What is, then, a free society? It is a society whose members are all really free-- or rather, as really free as possible. More precisely, it is a society that satisfies the following three conditions:

1. There is some well enforced structure of rights (*security*).
2. This structure is such that each person owns herself (*self-ownership*).
3. This structure is such that each person has the greatest possible opportunity to do whatever she might want to do (*leximin opportunity*).” (Van Parijs 1995, p. 25)

Finally, something akin to Eg-Lib thinking is quite common among left-liberal economists, who are attracted to the efficiency advantages of the market but troubled by its distributional properties.

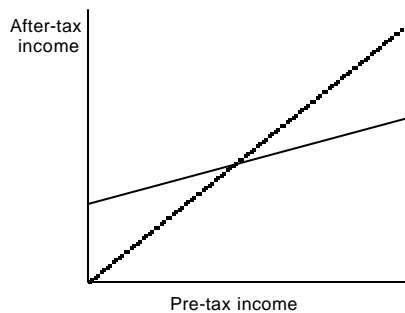
Difficult choices

My sketch of the Eg-Lib platform is short on details, in which, it is widely known, the devil resides. Some of the decisions that would have to be made in implementing Eg-Lib in the real world include the following.

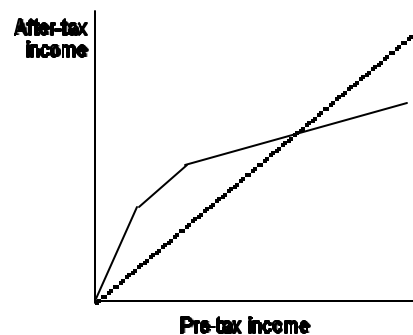
- *Global or national redistribution?* The ideal of equal respect for persons that underlies the liberal tradition should ultimately recognize no national boundaries, but from a practical standpoint, redistribution is undertaken by and within states, and rights and liberties are enumerated in national constitutions.
- *Redistribute income, wealth, or something else?* Eg-Lib has a bias against in-kind redistribution, in favor of more fungible resources such as cash, because cash leaves

individuals freer to choose. But this leaves open the question whether to redistribute wealth (claims on society's assets) or income (the flow of resources, say annually). The economist Hal Varian (1975), for example, suggested that upon reaching adulthood each person could be provided with a fair share of society's means of production, a system he referred to as "the people's capitalism." More recently a similar idea was proposed for a "stakeholder society" (Alstott and Ackerman 1999). An alternative to a one-time transfer of assets would be an annual income supplement, such as the UBI or NIT, or a wage subsidy such as the earned income tax credit (EITC). An advantage of transferring income instead of assets is that an annual payment can function as social insurance or a safety net.

- *How much redistribution?* One approach to deciding how generous the redistributive scheme should be rests on the notion that certain types of income or wealth are or should be owned collectively, while others should not. For example, Henry George argued that private ownership of land (or its proceeds, rent) was illegitimate. In this case the size of the transfer is dictated by the value of the collective assets. An alternative is to begin with a definition of fairness. One such is Rawls's difference principle, which only tolerates inequality to the extent that it improves the situation of society's worst-off members. An approach derived more directly from a conception of equality of opportunity or capabilities is the idea of an envy-free initial allocation, which is developed by Dworkin (1981) and Varian (1975).
- *Unconditional transfer or tied to work?* The NIT or UBI proposal is to grant each individual an unconditional payment, whether or not they work. Alternatively, the transfer could be made conditional on the recipient working. An example of the latter is the earned income tax credit (EITC), which is presently the single largest source of assistance to the poor in the United States. The EITC provides a tax credit (payment) that increases with earned income up to a maximum amount (currently about \$4,000 per year for a family with children), and then phases out for higher earners. The following diagrams compare the after-tax (disposable) income under the UBI and EITC alternatives. Advocates of the EITC or other work subsidies point to the benefits of encouraging work and the unfairness of an unconditional grant (see Phelps 1997). On the other hand, UBI advocate Van Parijs has insisted that justice actually demands an unconditional transfer or, as he put it, that "surfers should be fed."



Negative income tax (NIT) or universal basic income (UBI), with flat marginal tax rate



Earned Income Tax Credit (EITC), with flat marginal tax rate

- *Redistribute to individuals or families?* A universal basic income is usually conceived of as a grant to each individual. In contrast, qualification for the EITC is determined on the basis of family income. The choice of which social unit has a claim on redistributed resources has numerous implications for justice as well as behavioral incentives. For example, if redistribution targets individuals, and parents can control the grants to their minor children, this may create an incentive for larger families. There is also a potential conflict between the interests of parents and the opportunities of their children (see Fishkin 1987).
- *How to deal with poorly defined property rights, such as environmental externalities?* A consistent Eg-Lib approach would be to emphasize market-based solutions, such as marketable pollution permits.
- *Open borders?* It seems unlikely that a true libertarian can justify restrictions on immigration, or denying immigrants their share of the transfer. In practice, making a generous redistributive grant available to all comers would create a tremendous incentive for immigration.

An illustrative example with numbers: the universal basic income (UBI)

What might a generous UBI look like, and how much would it cost? Suppose the U.S. government provided a per capita payment of \$7,000 per year. This is on the order of 20% of current per capita personal income. It would provide a family of four with about half the median family income (\$25,000), a commonly proposed definition of the poverty level (the official poverty line for a family with 2 adults and 2 kids is now about \$18,000). As I mentioned above, the EITC currently maxes out at about \$4000 *per family*.

This UBI could be financed using a 20% flat income tax, absent significant efficiency losses. Under such a scheme, someone at the mean income would just break even. Of course, taxation does create efficiency losses, but there is considerable debate among economists about how big they are. An Eg-Lib must be prepared to accept that there will be some shrinkage of the economic “pie” in order to slice it more equally.

How about a global income guarantee (GIG)? The following table (see Frankman 2002) represents one recent attempt to calculate the cost of some different hypothetical guaranteed income levels, again assuming no efficiency losses. Considering the first row, a GIG set at 20% of per capita world income would require total annual funding of 6.1 trillion dollars, which could be raised by taxing the income of the top 25% of global incomes at 25.7%. Because those relatively rich individuals would receive their GIG back, the net taxation would be 19.3%. The point here is that even a rather generous GIG, which would undoubtedly significantly raise the incomes of the world’s poorest people, would not require taxing the wealthy to utter destitution.

Cost of global income guarantee for different levels of guarantee

Global Income Guarantee (GIG) as a share of Per Capita World Income	Income (Y) top 25% (\$ trillion)	Total cost of GIG (\$ trillion)	GIG/Y top 25%	Net GIG/Y top 25%
0.20	23.58	6.1	0.257	0.193
0.25	23.58	7.6	0.322	0.241
0.50	23.58	15.2	0.644	0.483

Can your heart stand it? Real problems with the Eg-Lib vision

I close these notes with some serious caveats. I do believe that our world could use both more liberty and more equality. But no thoughtful person should ignore the fact that what many would consider important elements of a good society may be sacrificed in embracing a radical vision of egalitarian-libertarianism:

- *Risks of radical deregulation.* Real-world markets suffer from a variety of imperfections, including externalities, asymmetrical information, business cycles, and monopoly power, which can be mitigated by state action. Furthermore, individuals may not always do a good job looking after their own interests, which is to say that state paternalism may sometimes be justified. However, it is worth noting that the case for paternalism is weakened under Eg-Lib to the extent that redistribution mitigates the costs of bad individual decisions.
- *Liberté, égalité, but no fraternité?* Eg-Lib springs from a conviction that the proper role of the state is to procure justice, not social solidarity. It thus repudiates communitarianism as a political ideal. But note that libertarianism is not social Darwinism: it merely leaves the task of building and sustaining community to civil society, not the state.
- *Children and other animals.* Children and some non-humans have moral status but are not necessarily capable of looking out for their own best interests. To what extent should parents be granted the authority to decide for their children? Are there compelling reasons for the state to step in and represent the interests of children? Note that school vouchers may be a means to provide children with part of their basic income in a way that requires parents to spend it in a way that benefits the kids.

May the state also be responsible for representing the interests of non-humans? Will unregulated private action sufficiently protect biodiversity, and the interests of sentient or conscious animals?

- *Open the borders?* (see above)
- *Political feasibility/ stability.* Given the substantial state power involved in egalitarian taxation and redistribution, is it not likely that the state will eventually exercise its power in areas it should not meddle in under the Eg-Lib ideal?
- *Limiting democracy.* The ideal of a minimal state necessarily places severe constraints on popular power in a democracy. This may be the implication of Eg-Lib most at odds with modern political liberalism.

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