Why Does Inequality Matter?: Reflections on the Political Morality of Piketty’s *Capital in the Twenty-First Century*

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In the Conclusion to *Capital in the Twenty-First Century* Thomas Piketty issues a call for a political and historical economics.¹ The case for such an economics could hardly have been better made than it is in *Capital* itself. Piketty’s asides about economists’ obsession with mathematics, about the terrible cost of basing policy decisions on economic models that bear no relation to reality, and about idiotic received wisdom (such as the idea that if you end up with any capital when you die you must have miscalculated somehow) being perpetuated in textbooks—all these are a delight.² But the great achievement of the book is that it presents us with the better alternative: Public political discourse about how to design the institutions that structure our social and economic world requires knowledge, or at least warranted beliefs, about how markets actually work. And for that, Piketty shows us, we need to track how they have worked over the long run of history.

Piketty places economics within the social sciences, and is explicit about his admiration for the Annales school of historians in France.³ He also does us the wonderful service of making sense of the economic lives of the heroes and heroines of Austen and Balzac.⁴ But I take it that neither historical nor literary interpretation, for their own sakes, provides the main motivation for the project. Like Marx and the political economists before him, Piketty is interested in how markets work because he is interested in the rights and wrongs of institutional, especially legal, design; and he prefers their term too, “political economy,” to “economic science.”⁵ So as I read him, it is the political

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² See id. at 31-32.

³ Id. at 31-33.

⁴ Id. at 411-14, 480.

⁵ Id. at 573-74.
that dominates in the call for a political and historical economics. The great achievement of Piketty and his colleagues in mining tax and notary records to yield previously unavailable information would not have been worth the effort had it not yielded insight relevant to important political questions.

Piketty frequently notes that in his view there is no obvious or demonstrable answer to questions of social justice and that they ultimately must be resolved through the democratic process. But of course people come to democratic discussion with views, and Piketty has some of his own. No history is normatively neutral; at the very least, judgments about relative importance or interest direct the research. Piketty's history is normative in the stronger sense that it is guided by a sense that economic inequality, especially inequality of wealth, raises serious prima facie problems of social justice. Simon Kuznets is wrong, Piketty convinces me, in arguing that the natural internal dynamic of capitalism leads to decreasing inequality over time. In fact, the opposite may be true. The reason this matters to Piketty is obviously that, in his view, inequality matters morally. This very long book begins with a quote from the 1789 French Declaration of the Rights of Man and of the Citizen: "Social distinctions can be based only on common utility." Piketty's interpretation of that statement, I would say, motivates the entire inquiry.

But does inequality matter? In particular, does economic inequality matter? Pretty much everyone likely to pick up Piketty's book will agree that what we may call equality of social status—or social equality, for short—is a requirement of justice. The first formerly accepted inequality of social status to be rejected, hereditary social rank, was the main target of the French Revolution. The importance of social equality along racial and sexual lines was recognized much later and stark racial and sexual inequalities obviously continue to exist. But now we all at least avow that this is an injustice; most are prepared to go further and demand equality along lines of sexual orientation as well.
WHY DOES INEQUALITY MATTER?

That justice requires equality of social status is common ground across the full range of political views on economic matters. There is broad agreement about the moral foundations of this requirement as well. Equality of social status, we believe, is a matter of rights. The right in question could be characterized as one to equal respect. The idea is that I should not be regarded as less worthy than another because of some fundamental aspect of my social identity.

Now economic inequality can certainly contribute to inequality of social status. When King Arthur yells out “bloody peasant” in Monty Python and the Holy Grail, the insult is inextricably tied up with the miserable lives the peasants are leading (collecting filth). And when the peasants insist that that they have equal social standing with the king, it is funny—because their miserable lives relative to the life of the king seems inevitably to imply social inequality. Class stratification is one form of social inequality, and economic inequality clearly is an aspect of class stratification. (France may have abolished the legal privileges the aristocracy enjoyed during the ancien régime, but it still has social classes.) Not all cases of gross economic inequality track class; the current very great inequality among the top decile of the income distribution in the United States, for example, does not have any obvious implications for social standing, respect, or status. Class stratification is more than just economic inequality, but economic inequality could be said to play a constitutive role in the phenomenon of social class. So one thing that is bad about economic inequality is its possible role in creating class stratification and thus social inequality, which violates the rights of those of lower social status.

Economic inequality also has other, more straightforwardly instrumental, bad effects. Gross inequality of income and wealth is bad for democratic politics because it gives greater political power to the rich. To a certain extent this could be fixed while leaving the inequality in place; the fix would take the form of legal regulation of election-campaign spending and media ownership. But the power that comes with great wealth, especially, seems to have a force in po-

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13 See Piketty, note 1, at 479 (“At a relatively abstract level it is possible to find justifications for this right-based approach in various national political and philosophical traditions.”).

14 See id.


16 Piketty, note 1, at 248 tbl.7.2, 342-43.

17 See id. at 296 (breaking down the top decile into “the 1 percent,” “the next 4 percent,” and “the bottom 5 percent”).

18 See id. at 571-72.
itical life that no kind of legal regulation is likely to undo.\textsuperscript{19} Gross inequality is also likely to breed resentment, misunderstanding, and contempt, as Aristotle understood over 2000 years ago.\textsuperscript{20} This in turn can affect democratic politics by generating cynicism and disengagement. These bad effects of inequality on democracy are abundantly evident in the United States today.

Part of Piketty's concern with economic inequality evidently lies with these kinds of bad social consequences. The negative impact on democracy of inequalities of income and wealth, and of the re-emergence of a rentier class in particular, is frequently noted.\textsuperscript{21} And it is not reading too much into the text, I think, to say that he regards the existence of a rentier class as bad for the further reason that it generates social inequality. But there is yet more to Piketty's concern with a possible return to the levels of inequality found in the United States and Europe on the eve of the First World War.\textsuperscript{22} Economic inequalities, he appears to believe, can be unjust or bad not just because of their bad effects, undermining other values we have, but in themselves.\textsuperscript{23} He appears to believe, in other words, that there is such a thing as strictly economic justice, or at least injustice. In what follows I try to locate what I take to be Piketty's views about purely economic justice and indicate some reservations about them.

At the most general level, the truly striking fact about Piketty's approach to these matters is that he is not the least interested in the utilitarian or welfarist approaches to economic justice that dominate academic discussion of social policy in the Anglo-Saxon world in the form of welfare economics. The early British utilitarians themselves were all political economists, or friends or sons of political economists, and in any event deeply influenced by political economy and good at it.\textsuperscript{24} And today, it is not uncommon to find an economist who seems utterly incapable of even comprehending a nonwelfarist moral argument, let alone seeing any merit in it. So this indifference to welfarist political thought by a distinguished economist is somewhat thrilling. Piketty's approach to economic justice is deontological; it is about rights and fairness. He does not evaluate the distributive effects of capitalism just by looking at the welfare effects—how big the welfare


\textsuperscript{20} Aristotle, Politics, Books V and VI, at 1-4 (David Keyt trans., 1999).

\textsuperscript{21} E.g., Piketty, note 1, at 422-24.

\textsuperscript{22} Id. at 290, 294.

\textsuperscript{23} See id. at 1, 471.

\textsuperscript{24} As Rawls notes, with admiration. See John Rawls, A Theory of Justice, at xvii (rev. ed. 1999).
pie is and how it is distributed. Rather, he is interested in the terms of economic cooperation and whether they are fair or not.\textsuperscript{25} In this sense, his approach to distributive or economic justice is broadly Rawlsian.\textsuperscript{26} Many economists have been interested in Rawls’ difference principle, which has it that inequality in economic outcomes is justified only if it makes the worst off group better off.\textsuperscript{27} But they have typically read it as reflecting a strangely perverse obsession with the welfare of one group at the expense of the welfare of everyone else.\textsuperscript{28} Piketty understands that Rawls is interested in fair terms of cooperation, and that this means, for Rawls, that economic outcomes should be equal, unless departures from equality would be preferred by everyone, and in particular by the worst-off group.\textsuperscript{29} In Piketty’s interpretation, this is the kind of idea that lies behind the slogan from the Declaration of the Rights of Man and of the Citizen with which he begins the book: Inequality based only on social utility means inequality only if better for all.\textsuperscript{30} This sets equality as the fundamental moral demand, rather than increasing anyone’s or everyone’s welfare. Equality so understood is a moral requirement of a just society of foundational and intrinsic importance; equality is decidedly not just important because of its instrumental contribution to aggregate welfare.

To fully appreciate the contrast with welfarist views, and before pursuing Piketty’s own views further, it is important to put the welfarist alternative in its morally best light. Morally best, that is, from the point of view of those of us who are broadly in agreement with Piketty that things are going badly wrong in the distribution of income and wealth. We should first remember that even a strict utilitarian can say rather a lot in favor of redistribution from richer to poorer.\textsuperscript{31} In addition to concerns about the bad effects of inequality on a country’s

\textsuperscript{25} Piketty, note 1, at 480-81.

\textsuperscript{26} See Rawls, note 24, at xv (“[I]n a property owning democracy the aim is to carry out the idea of society as a fair system of cooperation over time among citizens as free and equal persons. Thus, basic institutions must from the outset put in the hands of citizens generally, and not only a few, the productive means to be fully cooperating members of a society.”); see also Piketty, note 1, at 630 n.21 (“To the extent that inequality of conditions is due, at least in part, to factors beyond the control of individuals, such as the existence of unequal endowments (in terms of inheritances, cultural capital, etc.) or good fortune (special talents, luck, etc.) it is just for government to seek to reduce these inequalities as much as possible.”).

\textsuperscript{27} Rawls, note 24, at 65.


\textsuperscript{29} See Piketty, note 1, at 630 n.22 (quoting Rawls).

\textsuperscript{30} Id. at 480.

political life, and so on, classical utilitarianism has a robust bias towards equality that flows simply from the diminishing marginal utility of money.\textsuperscript{32} In the usual case, setting aside exceptional cases of disabilities and so on, any given euro will do more to promote aggregate welfare in the hands of someone with fewer of them than in the hands of someone with more. In a footnote, Piketty dismisses this line of thought as follows: “This mathematical representation of the desirability of redistribution bears little apparent relation to the way most people think about the question. The idea of rights seems more pertinent.”\textsuperscript{33} One may doubt whether Piketty is right about how most people think. A utilitarian might reply that at least one reason why the salaries of those Piketty calls “supermanagers”\textsuperscript{34} are regarded by many as obscene is that, right here at home, let alone in other countries, so many people are so very badly off and the super-rich simply do not benefit that much from the money they have beyond the first million, while so many others would get a huge welfare boost from getting some of it—in short, it would do so much more good if redistributed to the badly off.\textsuperscript{35}

But the more important point is that welfarist views about economic justice are not limited to the rigid moral reductionism of utilitarianism. In saying that social policy on matters such as taxation should be driven by concern for human welfare, we do not need to be saying that what matters is only the total or average amount of aggregate utility. One very important effect of Rawls’ critique of utilitarianism was to make the inadequacy of classical utilitarianism plain to many who continue to believe that welfare (and not fairness and rights) is what is at stake in economic policy.\textsuperscript{36} Any redistributive implications of classical utilitarianism turning on the diminishing marginal utility of money flow not from there being moral significance to an individual’s absolute or relative levels of welfare, but entirely from the effect this has on the size of the welfare pie.\textsuperscript{37} This, many welfarists now believe, is a serious mistake.\textsuperscript{38}

There are two possible positions available here for a welfarist. The first, which has come to be called by the uninspiring name “the priority view,” has it that improvements to the welfare of worse-off people

\begin{itemize}
\item \textsuperscript{33} Piketty, note 1, at 630 n.20.
\item \textsuperscript{34} Id. at 265.
\item \textsuperscript{35} See Louis Kaplow & Steven Shavell, Fairness Versus Welfare, 114 Harv. L. Rev. 961, 990-91 (2001); see also Posner, note 32, at 115.
\item \textsuperscript{36} See Derek Parfit, Equality and Priority, 10 Ratio 202 (1997).
\item \textsuperscript{37} See Bankman & Griffith, note 28, at 1947-48.
\item \textsuperscript{38} See, e.g., Samuel Scheffler, The Rejection of Consequentialism 26-31 (1994).
\end{itemize}
WHY DOES INEQUALITY MATTER?

This provides an additional reason for redistribution, depending on how strong the priority is. It is not just that the money will do more good in terms of aggregate utility if the poor have it, it is also that improving the welfare of the poor matters more, morally speaking. So that even if a given resource might do more for aggregate utility in the hands of the rich than in the hands of someone very badly off, it may be right to give it to the worse-off person. This kind of view is not an ad hoc or arbitrary revision to classical utilitarianism. It is a reflection of the fact that, despite what some ideologists of welfare economics may say, utilitarianism and the welfare economics that derives from it are moral views, resting entirely on the plausibility of the thought that the primary responsibility of both government and individuals is to promote aggregate welfare. But as soon as you think about it, the optimizing nature of this moral requirement can seem absurd. At some point, after all, further increases in a very well-off person’s welfare may have no moral significance at all. What matters most urgently, on this line of thought, is that we not allow people to be badly off when we can do something about it. The importance of making people better off may peter out altogether at some high level of welfare.

The priority view is to me very plausible, and it gets much closer, I think, to how “most people think about the question” of redistribution than the utilitarian reply I suggested before. For I agree with Piketty that most people are actually not thinking, the total sum of welfare would be higher if the resources were redistributed. But I do think many people think something like this: “It is obscene how much money these people have in a country, not to mention world, where so many people’s urgent needs are not being met.”

Another possible response to Rawls' critique of utilitarianism is to broaden the range of consequences that matter. What matters is not just the total level of welfare, it could be said; levels of equality also matter. This is to treat equality of welfare as in itself a desirable social goal, one value among many to be weighed, in particular, against the value of increases in aggregate welfare. This is not to agree with Rawls and Piketty that economic justice is a matter of fair-

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39 Derek Parfit coined the term “priority view” and compares that view to the egalitarian consequentialist view (discussed in the text accompanying notes 43-44 and in Parfit, note 36.

40 Id. at 213-14.

41 Piketty, note 1, at 630 n.20.

42 See id. at 39-42. For an influential early exploration of this kind of view, see Thomas Nagel, Mortal Questions 106-27 (1979).

43 See generally Larry S. Tempkin, Inequality (1993).
ness and rights; it is to say that the world goes better, all else being equal, if welfare is more equally distributed. This view strikes me as extremely implausible. The simplest way to explain why is to mention the familiar "leveling down" problem: If, all else equal, the world goes better the more equally welfare is distributed, then there's a good reason to make a better-off person worse off even if that makes no one else better off and even if the two share no scheme of social cooperation.44

So the important alternative to Piketty's kind of view is not utilitarianism, nor any idea that equality of welfare is a good to be promoted for its own sake. Rather, the alternative view is a pluralist conception of social justice that acknowledges the role of rights—in the form, for example, of the right to equal respect that underlies the importance of social equality—but that denies that it is appropriate to think in terms of rights and fairness when it comes to purely economic justice. Economic justice, many of us believe, is about making sure that resources end up in the hands of those who need them the most—where need is pegged to some absolute scale of the quality of a person's life.

For Piketty, economic justice is about rights, but what rights? It is important to note, first of all, that his discussion is not at all about property rights. There are views on both the right and the left that insist that ownership is the central moral concept when thinking about the rights and wrongs of economic outcomes under capitalism. The libertarian right, best represented by Robert Nozick, holds that absent force and fraud, market outcomes are simply the result of the free exercise of the rights of property and contract; any attempt to redistribute away from market outcomes is therefore a violation of those rights.46 And some on the left have interpreted Marx's views about the exploitation that he held was constitutive of the wage labor relation in terms of ownership as well: Workers own their labor and also therefore the product of their labor; this is why retention by the capitalist of the surplus value produced by the worker's labor is theft.47 There is no trace of either view in Piketty's Capital, even if there might be in Marx's book of the same name, which I actually doubt.

So which rights? At a very general level, as I have said, Piketty's outlook can be seen as Rawlsian: The basic right in question is the

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right to fair terms of social cooperation. Rawls held that we each have a right to equal economic outcomes, where the metric of outcomes is what he called “primary social goods”—that include income and wealth as all-purpose means available in a liberal society for people to pursue their own conceptions of the good life.\(^{48}\) That is our right, but Rawls took it for granted that we could and would accept departures from equality if that made us better off. His difference principle is a principle for institutional design that reflects the importance of making sure that particularly the worst-off social group benefits from any inequality in the distribution of primary social goods.\(^{49}\) It is clear that this is a rights-based conception of justice. Rawls is not saying that justice requires maximizing anything; in particular it does not require maximizing the amount of primary social goods held by the worst-off group.

Both in one brief explicit passage,\(^{50}\) but more importantly implicitly in his entire discussion of capital and the return of the rentiers,\(^{51}\) Piketty makes it plain that he differs in one extremely important respect from Rawls. Rawls famously discusses a variety of possible causes of inequality in economic outcomes, judging in each case can that they cannot be morally justified.\(^{52}\) First to go are those that relate to what I have called social equality: Any inequality in economic outcomes that can be traced to discrimination (racial, sex-based, hereditary social class, and the like) are due to factors that are morally arbitrary and are therefore unfair, unjust.\(^{53}\) So too are inequalities due to luck in social circumstance; even if we are not talking about class-based discrimination, economic inequality leads to unequal educational opportunities in most existing societies and this luck in social circumstance is clearly also morally arbitrary.\(^{54}\) What at the time seemed a bolder move was that Rawls took the same view about natural talents—one’s luck in the “natural lottery” could not justify unequal economic outcomes any more than one’s luck in social circumstances, as both were equally arbitrary from the moral point of view.\(^{55}\)

What’s left? Well, some choices people make can affect economic outcomes in ways that do not seem obviously morally arbitrary. If I am worse off than others because I could not be bothered working

\(^{48}\) See Rawls, note 24, at 54–55.
\(^{49}\) See id. at 69–70.
\(^{50}\) See Piketty, note 1, at 480, and discussed in text accompanying note 61.
\(^{51}\) See id. at 418-24.
\(^{52}\) Rawls, note 24, at 47-101.
\(^{53}\) See id. at 85.
\(^{54}\) See id. at 86-88.
\(^{55}\) See id. at 89.
hard to make the best of my abilities, is not that an inequality that it would be fair to let stand? After all, here it seems that I am the responsible one, not society at large or my bad luck in the natural lottery. Rawls' response is that in fact even a person's ability to try hard "and so to be deserving in the ordinary sense" is affected by "happy social and family circumstances" and that, in any case, it is impossible in practice to isolate out the effects of chosen effort from other factors for which we are clearly not responsible. Thus, fairness requires, at the first step, equal economic outcomes—an equal distribution of primary social goods.

One conservative reaction to all of this was to say that the Rawlsian vision could not be right because economic justice must be sensitive to some idea of responsibility; fairness might require equality of outcomes for people who make all the right choices, but it cannot possibly be fair to correct inequalities where the worse-off people are fully personally responsible for their own plight. This in turn led to a response by Ronald Dworkin, whose attempt to put responsibility back into egalitarianism about distributive justice has been enormously influential. Dworkin's view, as developed in various ways by numerous people, has come to be known as luck egalitarianism, since the animating idea is that inequalities due to bad luck are unfair, whereas those for which the worse off are responsible are not.

Part of Dworkin's achievement was to propose a way around the practical problem of designing institutions that can track the contribution of choice on the one hand as opposed to unlucky or lucky circumstances on the other; he proposed an ingenious hypothetical insurance model. But my interest here is in the moral foundations of this view, the idea that economic outcomes should track choice, but should not track luck.

For Piketty is a luck egalitarian, it seems. The explicit passage I mentioned includes the remark that debates about economic justice will turn in part on "exactly what factors are within and beyond the control of individuals (where does luck end and where do effort and merit begin?)." Piketty is to be applauded, I think, for being clear that this kind of view is meritocratic. Some luck egalitarians talk breezily about the importance of choice and responsibility, as if making outcomes sensitive to choice was all in itself a requirement of jus-

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56 Rawls, note 24, at 64.
60 See Dworkin, note 58, at 331-40.
61 Piketty, note 1, at 480.
WHY DOES INEQUALITY MATTER?

But that clearly cannot be. Perhaps justice requires that outcomes track good choices rather than bad ones. Then outcomes will track merit, or desert. If our social world is set up in such a way that you do better, the better (more meritorious, more deserving) your choices, then the focus on the line between luck and what you have under your control makes sense. You do not deserve what you get from dumb luck; you only deserve what you get because of your responsible choices (in a world where socially better choices are better rewarded). But there is no sense in the idea that outcomes should track choices (and not luck) whatever the consequences that are attached to different choices and whatever the set of choices available to people. Suppose I live in a society that rewards cooperation with the corrupt or oppressive government. I cannot with a straight face say to those doing worse than me, “you can’t complain, you chose not to collaborate with the dictator (the party, the occupying forces). It’s your responsibility!” To take a less extreme case, suppose that I live in a society where the tax base is endowment: I am taxed according to my maximum earning capacity whether I choose to work at the highest paying available job or not. I could be a supermanager, but I choose to be a professor. But though my gross pay as a professor is rather good, my net pay leaves me at the poverty line because I have to pay tax on a supermanager’s income. I am told I cannot complain. Since I chose my job, I could have been a supermanager, and I am fully responsible for my miserable situation. I might suggest that the choice set I was presented with was not the right one.

Piketty recognizes that choice and responsibility do not do all the work on their own—they are dependent on some prior account of merit, or desert. But what account? Dworkin’s own view is very close to F.A. Hayek’s that justice requires distribution in accordance with benefits given to others (as measured by those others)—which is what, ideally, a free market will produce. Of course, this is not a plausible vision of distributive justice if people start out with unequal resources. So Dworkin’s response, in effect, is: Make them equal. Dworkin’s vision is that, in a world in which the effects of luck are equalized (through public funding of education and health care, and the hypothetical insurance scheme for the case of bad luck in the natural lottery), market outcomes will “reflect the cost or benefit to others of the choices people make, so that, for example, those who choose to

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63 See Piketty, note 1, at 443.
64 See F.A. Hayek, The Constitution of Liberty 85-102 (1960). Hayek defends this principle as one of reward for value produced, rather than merit, however; for excellent succinct discussion, see Nozick, note 46, at 158.
65 See Nozick, note 46, at 158.
invest rather than consume, or to consume less expensively rather than more, or to work in more rather than less profitable ways [will] retain the gains that flow from these decisions.\textsuperscript{66}

The view then is that competitive markets will naturally reward people in proportion to the desirability for others of what they do with their resources. This is a just outcome because it is a good thing to use your resources (capital, talents, time, and the like) in ways that others prefer. The problem with actual markets is that people have unequal resources; the role of institutions concerned with distributive justice is to equalize resources, or provide compensatory mechanisms when that is not literally possible. Since on this view market outcomes in a world with equal resources will be presumptively just, it is appropriate to label it "equal libertarianism."\textsuperscript{67} If market returns are determined by the marginal product of what we do with our resources, including of course human capital, then the slogan could be: to each according to his marginal product (correcting for unequal resources).

In his remarks on the salaries of supermanagers in the United States, Piketty unmasks what he calls "the illusion of marginal productivity."\textsuperscript{68} He shows that we cannot assert with a straight face that the reason for the explosion of income inequality in the United States in recent decades is inequality in skill and productivity.\textsuperscript{69} Moreover, it is very hard even to make sense of the idea of "individual marginal productivity," in the case of nonreplicable jobs such as that of CEO of some corporation.\textsuperscript{70} The real reason for the explosion in supermanagers' pay, he suggests, is that supermanagers set supermanagers' pay.\textsuperscript{71} But what if the labor market at the high end were not distorted in this way, and what if the ideal of individual marginal productivity were well-defined enough to make sense of market returns in an efficient market? Then the market might reward in proportion to marginal productivity and so in accordance with others' preferences over what we do with the full range of our resources. That would leave the business of distributive justice where Dworkin puts it: equalizing people's resources.

Is Piketty's view that so far as possible, and taking into account a variety of pragmatic factors including but not limited to incentive effects and implementation problems, people should be rewarded in proportion to the benefits they confer on others through their

\textsuperscript{66} Dworkin, note 58, at 89.
\textsuperscript{68} Piketty, note 1, at 330.
\textsuperscript{69} See id. at 330-31.
\textsuperscript{70} Id. at 331.
\textsuperscript{71} Id.
choices? Though when it comes to claims about justice and fairness Piketty is invariably suggestive rather than dogmatic, always deferring to the democratic process; the very focus of the book on capital could support this reading.\textsuperscript{72} We could put the question this way: What is so bad about the return of the rentier? Why, despite an evident very strong concern about the self-dealing of today’s supermanagers, are the rentiers perceived to be more troubling still, or at least more troubling structurally?\textsuperscript{73} On one possible reading, if supermanagers were rewarded in proportion to the amount of good they do others, Piketty would have no objection. Rentiers do good too—they invest their capital.\textsuperscript{74} But in the pure case that we find in Austen and Balzac they did not do anything that they can claim responsibility for to get that capital; they inherited it.\textsuperscript{75} And even if the initial fortune were earned through labor or wonderful ideas, once you have a fortune, it grows all on its own, without your doing anything. As Piketty puts it, “entrepreneurs . . . tend to turn into rentiers, not only with the passing of generations but even within a single lifetime, especially as life expectancy increases.”\textsuperscript{76} Bill Gates’ relationship to his fortune today is thus not that different from one of Austen’s heroes, in the sense that it keeps growing and, given that he has so much of it, at a higher rate of return than the average return to capital.\textsuperscript{77} And as for the “choice” whether to consume or save, when it comes to the really rich, “an individual with this level of wealth can easily live magnificently on an amount equivalent to only a few tenths of one percent of his capital each year, and he can therefore reinvest nearly all of his income”\textsuperscript{78}—and still live magnificently, of course.

Pure income from capital, unearned income, seems for Piketty to be in a morally different place than earned income. When discussing the “great passion for equality” reflected in Anglo-Saxon tax policy from the 1930’s to the 1970’s (before the United Kingdom and the United States, as he so well puts it, “veered off with equal enthusiasm in the opposite direction”), Piketty notes that “the urge to tax unearned income more heavily than earned income reflects an attitude that is also consistent with a steeply progressive inheritance tax.”\textsuperscript{79} As I read him, Piketty shares this attitude.

\textsuperscript{72} See, e.g., id. at 480.
\textsuperscript{73} See id. at 410-11.
\textsuperscript{74} See id. at 278.
\textsuperscript{75} See id. at 240-41.
\textsuperscript{76} Id. at 443-44.
\textsuperscript{77} See id. at 440.
\textsuperscript{78} Id.
\textsuperscript{79} Id. at 508.
An equal libertarian approach to inheritance implies (all else equal) confiscation of all inheritance, since all inheritance is a matter of luck.\(^{80}\) An approach to distributive justice that rejects the significance of the choice/luck divide altogether, by contrast, should certainly favor the taxation of inheritance, but only by including inheritance in the income tax base of the donee (spread out over several years).\(^ {81}\) On this view there is no morally significant difference between income in the form of gifts or bequests and income in the form of work that should be reflected in the tax code. The tax code should not track any conception of worth, desert, or merit, at all. It should be designed to achieve just and favorable social outcomes and, on this view, justice is not about rewarding people in proportion to some notion of merit.\(^ {82}\)

My own view is that market returns even in a world of equal resources and perfectly efficient markets would not track merit, or at least not the only kind of merit that might plausibly be thought to be relevant to economic justice. Suppose they did track perceived benefits to others. Is that a principle of desert we would come up with if we did not already have markets? We cannot equate perceived benefits to others with the social good. As Nozick points out, the principle, properly spelled out, is this: "To each according to how much he benefits others who have the resources for benefitting those who benefit them."\(^ {83}\) Even if we all start out with equal resources, some of us will end up with none. Not only is this considered just, on the equal libertarian view, since it was all our own fault, the interests of us slackers will not even count any more when society is figuring out how to distribute fairly among the rest. Equal libertarianism embraces a particularly thoroughgoing and unforgiving version of what T.M. Scanlon calls the "forfeiture view" of responsibility.\(^ {84}\) But the bigger point is this. Markets are clearly very desirable for making everyone better off, and if properly regulated, the distributive outcome may be just. But, Calvinist theology aside, it is highly implausible to find an intrinsic virtue or merit in doing well in (even idealized) markets. And even if there is such a virtue, it surely is not the only social virtue that might be relevant to economic justice. What about the virtue of working towards world peace? Of course no one would suggest that market institutions should try to track that virtue. The incentives would be all wrong. But that just shows that it is the incentive effects that matter, not some notion of desert or merit.

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\(^{80}\) For criticism of this view, see Murphy, note 62.

\(^{81}\) For defense of this kind of view, see Murphy & Nagel, note 67, at 142-59.

\(^{82}\) See id. at 147.

\(^{83}\) Nozick, note 46, at 158.

\(^{84}\) T.M. Scanlon, What We Owe to Each Other 258 (1998).
Piketty is too pragmatic and reasonable to suggest anything like confiscation of all gratuitous transfers of capital. Even less, I would imagine, would he be inclined to inquire whether some gifts and bequests were deserved after all. He finds distasteful the kind of popular moralism that ranks the very wealthy on a merit scale, depending on how they got their money. We need to focus instead, he says, on the “general laws that govern the dynamics of wealth.” Piketty is also devastating in his critique of the meritocratic rhetoric ones finds in the United States today and at other times and places to justify inequalities of wealth and income. He is right to say that the notion of individual marginal productivity “becomes something close to a pure ideological construct on the basis of which a justification for higher status can be elaborated.” So in the end, I believe he would reject equal libertarianism, for at least two reasons. First, I doubt that he accepts that market returns under any set of feasible economic and legal institutions would in fact track benefits to others. Second, the whole tenor of his book suggests a more pragmatic and broad-grained approach to economic justice.

But some account of merit is driving Piketty’s concern with the return of the rentier nonetheless, and this inevitably introduces an element of moralism—in the sense that moral evaluation of exactly how someone gets their income and wealth plays a role in the account of economic justice. Piketty probably does not believe in the slogan “to each according to how much he benefits others” but there is a clear attitude in the book that rentiers have simply done nothing to deserve their wealth and that economic policy should take account of this fact. This is why, although we should not simply confiscate the wealth, we should tax wealth progressively, with potentially very high rates at the very high end where, as he explains, anyone with that much capital is essentially a rentier.

I fully agree with Piketty that the most urgent institutional question with respect to economic justice we now face is how to tax income from capital in a context of an international race to the bottom on taxation of capital income and the inability of even domestic tax schemes to reach capital income effectively. The very best-off peo-

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85 See Piketty, note 1, at 444-47.
86 Id. at 445.
87 Id. at 311.
89 See note 83 and accompanying text.
90 Piketty, note 1, at 571-73.
91 See id. at 515-40.
ple are, in the current institutional setup, contributing far less than they would under a just arrangement, and increasing marginal income tax rates will not fix this because income from capital is out of reach. Perhaps he is right that a progressive global wealth tax would be the best way to tackle this problem. I would favor that approach, rather than a global tax on capital income, for the additional reason that wealth as such contributes to welfare and so is appropriately part of the tax base. And I would also favor the "more ambitious goal" of setting the highest rates high enough not just to put a stop to increasing wealth inequality but to begin to reverse it. One important reason for that is that the instrumental bad effects, especially on our politics, of the kind of wealth inequalities we current see are morally very serious.

So where is the disagreement? It could be put like this. Set aside for the sake of argument the (very real and very important) instrumental bad effects of inequality and its contribution to inequality of social status. Imagine that a very good life is available to everyone in the world—say the life of a professor of law in New York. In terms of income, we might say that no one earns less than the lowest income in the top decile of the current distribution in the United States. Now add two groups: young financiers earning the average of the top centile of the labor income distribution in today's United States, but who have not yet amassed a fortune, and the rentiers of Paris, the Liliane Bettencourts who have never done a day's work in their lives. I do not believe that either group deserves to do better than the rest of us. But neither do I think that either group deserves not to. The question for me has nothing to do with merit, and so I would not distinguish between the high salary earner starting out and the rentier. Whether either of these two groups should be taxed more heavily than they are depends on what the government would spend the money on (along with any differences in the economic effects of taxing capital rather than income from work). By hypothesis, increasing the welfare of the rest of us is not terribly urgent, since we are all very well off. So there seems to me to be no clear problem of purely economic injustice in this hypothetical world.

What if we drop the idea of desert, and revert to Rawls' desert-free requirement of equality unless inequality benefits everyone, in particular the worst-off group? Here too, I am unmoved. So long as the existence of the rentiers and the inequality this involves does not have

92 See id. at 515.
93 See Murphy & Nagel, note 67, at 117-21.
94 Piketty, note 1, at 430.
95 See id. at 440.
96 See Rawls, note 24, at 273-77.
instrumental bad effects, which seems unlikely, and so long as the worst-off people are really pretty well off, as I have stipulated, the demand for economic equality in this world seems unmotivated.

It is not surprising, but striking nonetheless, that *Capital* is not at all about the poor. Of course, if the aim is to uncover just what is going on with capital in the twenty-first century, all that needs to be said about the poor is that they do not have any. But the reason why we need to uncover what is going on with capital is that we want to know where the money is, and how to get it, in order to do something about the humanitarian catastrophe that is our current and future world. Piketty, by contrast, appears to be motivated at least in part by a sense that where possible and practicable, it makes sense to distinguish at least among those who are obviously more or less meritorious with respect to their economic situation, and that in a fair society institutions would be structured to reduce the role of gross luck in circumstances.

This to my mind dubious strand in *Capital* does not, however, make the book any the less a masterpiece. Piketty is right that there is substantial overlap in the implications of different (nonlibertarian!) theories of justice, especially once pragmatic considerations are taken into account. Everyone interested in capitalism and how it can be made more just needs to learn what Piketty has come to understand about the dynamics of capital in the twenty-first century. Political philosophy will certainly benefit greatly from this magnificent contribution to what we can hope is the return of political economy.

97 See id. at 260-62.
98 See id. at 439-47.
99 See id. at 480.