Justice and Redistributive Taxation: James Buchanan versus Ludwig von Mises

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The phrase “redistributive taxation” is in a sense misleading. The modifier “redistributive” suggests that some taxation is not redistributive. A moment’s reflection will show that this is not the case. There would be no point in taking money from someone in taxation and returning to him precisely that amount. Unless taxation shifts resources, it achieves nothing. (It can of course work out that some people receive in benefits about what they pay in taxes; but this can hardly be the aim of the system.)

I address redistribution in a narrower sense here. It has sometimes been argued that the poor or those in other ways needy ought to receive compulsory benefits from those better off than they. Along the same lines but neither implying nor implied by the view just stated, some argue that too much difference among members of a society in wealth or income is usually undesirable and that the state ought to level income or wealth.

The arguments for these positions are many and various, but two limitations render the topic proposed for discussion here more manageable. First, only redistribution confined to a particular society (understood as equivalent to a modern nation-state) will be addressed here.1 Claims that, e.g., citizens of the United States ought to give substantial amounts of their income to the impoverished in other parts of the world will be passed by. Also,

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1Gordon Tullock has noted that most people who are poor by U.S. standards are well off by comparison with Third World inhabitants. Why, then are the usual arguments in favor of redistribution restricted to a particular society? Gordon Tullock, The Economics of Wealth and Poverty (Sussex: Harvester, 1986), p. 19.

ISSN 0889-3047
our subject is redistributive taxation, within an economic system not centrally directed by the state. Some writers maintain that egalitarian (or other) reasons require the replacement of a market system with socialism or some other system, e.g., an economy controlled by workers' cooperatives. Others believe that a market system is not morally objectionable, provided that it is supplemented by measures deliberately aimed at redistributing income or wealth. It is the latter position that will be addressed here.

More specifically, I shall first discuss the arguments for redistribution advanced by James Buchanan, probably the leading free market defender of this policy. Then, more briefly and by way of contrast, an Austrian approach to the issue will be presented.

I

A standard libertarian contention is that everyone possesses the right to acquire and hold property. Once acquired, persons' property may not be taken from them even if, in the opinion of some, others need it more. To deny this seems at first sight to endorse robbery: What else can one term the forcible taking of property? That the takers assume the role of Robin Hood, taking from the rich and giving to the poor, hardly seems good moral justification for their activities.

One might expect James Buchanan, usually a strong supporter of the free market, to sympathize with this argument. In fact he does not. Redistributive taxation counts as robbery only if those who are taxed own the resources that are extracted from them. But suppose that they own their income only subject to the limit that part of what they own may be taken for purposes of redistribution. If so, no theft is involved; on the contrary, withholding one's money would violate the rights of those entitled to it.

The most direct argument in favor of this view is that justice demands such redistribution of property. Buchanan avoids completely this defense of redistribution. Although, as will soon become apparent, his defense of redistribution strikingly resembles the contractarianism of John Rawls, he makes no appeal whatever to the requirements of morality. In Buchanan's conception, all moral values are subjective preferences. The statement "it is wrong to kill for fun" tells us nothing about the world. It is neither true nor false; rather, those people who act in accord with it rank "not killing for fun" higher than "killing for fun" on their preference scales.²