

Forbes

What If The Income Tax Is All About Envy? Would That Be So Bad?

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Judging by the rhetoric, liberals are worried about inequality and conservatives aren't. Last month, President Obama called inequality the "defining challenge of our time" and "a fundamental threat to the American dream." But conservatives have refused to panic. "One has to ask," writes Michael Tanner of the Cato Institute, "why, aside from envy, is income inequality an issue at all?"

That's a good question with many good answers. But let's back up to consider just one — the same answer, in fact, that Tanner dismisses out of hand: envy. Conservatives like to invoke envy when trying to talk about inequality, and especially when attacking possible remedies:

- "Envy is the core emotion driving the current debate about income inequality and the notion that the poor are poor because the rich are rich." — *Washington Post* columnist Kathleen Parker
- "Income 'inequality' is a part of the greed-envy-entitlement philosophy promoted by liberals who want to addict more people to government and entice them to vote for the party that is effectively buying their loyalty." — syndicated columnist Cal Thomas
- "Of course, the left is prepared with an armful of charts of its own to illustrate its message of class envy." — *Washington Times* editorial

The conservative penchant for envy-baiting is understandable; deadly sins are valuable ammunition in the battle for rhetorical advantage. (Liberals understand this, too, hence their fondness for dropping "greed" into debates over financial sector reform.)

But the envy talk really gets going when the discussions turn to tax policy. Consider the recent remarks of Lee Bright, a South Carolina state legislator challenging Sen. Lindsey Graham for the GOP Senate nomination. "The tax code is where they control us," Bright declared, with "us" presumably referring to statists, Democrats, and other nefarious characters. "I mean, you can point it all back to the income tax for much of our problems. It plays on coveting, you know what I mean? It is all sin. I want what my brother has, so why don't I and my other brother get together and we'll vote away what my brother has. I mean, it is legalized plunder, it is theft. That's what it is."

For the sake of argument, let's assume that Bright has a point — that all this talk about coveting your brother's cash is accurate. What if the income tax really *is* all about envy? Is that the end of

the discussion? The end of the income tax? Or at the very least, the end of any useful argument on its behalf?

History suggests that envy might have a legitimate place in discussions about tax policy — for reasons of prudence if not principle.

In a 2006 article, “The Three Goals of Taxation,” Michigan law professor Reuven Avi-Yonah considered the possibility that inequality might be dangerous for countries, even when living standards are rising for everyone. He refers to the pioneering work of Ted Robert Gurr on the causes of political instability, especially the observation that “revolutions are most likely to occur in societies that have experienced a period of economic growth that lifts the standard of living and expectations of all members of a given society, followed by an external or internal shock that reduces the standard of living of the majority while leaving the rich unaffected.”

In other words, even if a rising tide lifts all boats, the relative size of everybody’s boat still matters. If some boats are much bigger than others, then a society is vulnerable to political instability.

Now, you can object that all the people with little boats are just feeling envious. But that doesn’t make the envy disappear; moral indignation may be satisfying, but it’s not a particularly effective means of keeping the peace. What’s needed, if you’re trying to fend off revolution, is some sort of actual policy response to feelings of relative deprivation.

In American history, the income tax has sometimes served this purpose. Cynics, in fact, have cast the levy as a subtle means of subjugation, arguing that it provides the appearance of meaningful redistribution without the unpleasant reality of actually doing much. As historian Robert Stanley has argued:

To the centrist lawmakers [who created it], income taxation represented not an expression of real economic democracy through a reduced burden on the poor and middle classes, but a rejection of the far more fundamental institutional change advocated by intellectuals and street dissidents of both left and right.

Other historians have made similar arguments about New Deal taxation, describing Franklin Roosevelt’s high tax rates on the rich as “symbolic” rather than genuine reform.

There are problems with this interpretation. In particular, if the income tax was such a fiendishly devious plot to hoodwink the masses, it’s hard to understand why so many rich capitalists fought it tooth and nail.

But a softer version of this argument about social stability and income taxation is easier to sustain. The income tax was, in fact, a response to rising discontent about wealth inequality (and about fairness in the distribution of the tax burden — a related but distinct issue). It was not intended to eliminate inequality, or even to give that appearance. But it was intended to be a serious policy response to the social pressures that flow from inequality.

Ultimately, that response may have been more symbolic than substantive. But sometimes symbolism counts.