



How Undermining Property Rights Has Increased Economic Inequality: a Paradox Explained

Roger Pilon

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Following is a very brief summary of a speech given on April 9, 2019, to mark the 25th anniversary of the Property Rights Foundation of America. Roger Pilon is the inaugural holder of the Cato Institute's B. Kenneth Simon Chair in Constitutional Studies and is Vice President Emeritus and the Founding Director Emeritus of Cato's Robert A. Levy Center for Constitutional Studies. The full speech is available at <https://bit.ly/2L0kmUH>.

Because we're celebrating a milestone event this evening, I thought it would be good not simply to talk about the property rights movement in which we've all played our parts, but to step back a bit and reflect more broadly on the larger context in which our struggle has taken place, for in important ways the debate today is broader, more sharply defined, and more intense than it was a quarter of a century ago when the Foundation was just starting.

Today, so ubiquitous and deeply rooted in our culture have progressive forces become that they determine the very terms of our public discourse. I believe I'm safe in assuming that those of us celebrating here this evening take liberty as our bedrock political principle, yet it's that very principle that progressives are attacking today, because liberty is inconsistent with the version of "equality" that drives their political agenda—not equality before the law but a far-reaching equality that enlists government at every turn to restrict liberty in its name.

As my title suggests, my aim is to hoist progressives on their own petard by showing that the means they promote—undermining property rights, broadly conceived—will result in greater inequality, the very thing they oppose. For if you take from the rich and give to the poor in one fell swoop, as communists tried, not only poverty but a perverse inequality arises between those with the power to redistribute wealth and stamp out liberty and those who are their victims.

But is the more modest version parading today as “democratic socialism” on any better footing? As modern public choice economists have explained, try as they might to reorder society and the economy according to their egalitarian ideal, progressives succeed only in establishing a set of incentives that result in greater inequality, larger government, and reduced social welfare. In a nutshell, while those incentives work in the long run to the disadvantage of all by reducing aggregate social welfare, in the meantime they enable large, organized, and concentrated

interests to work the political system to their advantage and the disadvantage of small, disorganized, and dispersed interests, leading to greater economic inequality.

Indeed, as redistributive taxation and regulation grow, the wealthy who can afford those taxes and avoid those regulations remain, as do the poor who benefit from those policies, while the middle class leave, resulting in net economic inequality. Do we need any better example than in the states of the Northeast—or right here in New York?

Once we grasp the nation's founding principles, we see that property was fundamental, not simply because it encourages prosperity but because, as a moral matter, it secures liberty, a point the Founders understood far better than we do today. Progressives have undermined this simple means for ordering our private affairs, believing that they could order our lives better than we ourselves could. They have made a mess of things, creating schemes that raise As my title suggests, my aim is to hoist progressives on their own petard by showing that the means they promote—undermining property rights, broadly conceived—will result in greater inequality, the very thing they oppose. For if you take from the rich and give to the poor in one fell swoop, as communists tried, not only poverty but a perverse inequality arises between those with the power to redistribute wealth and stamp out liberty and those who are their victims.

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Once we grasp the nation's founding principles, we see that property was fundamental, not simply because it encourages prosperity but because, as a moral matter, it secures liberty, a point the Founders understood far better than we do today. Progressives have undermined this simple means for ordering our private affairs, believing that they could order our lives better than we ourselves could. They have made a mess of things, creating schemes that raise problems for which they say only more schemes are the solution. And in the process, they have given us a national debt exceeding \$22 trillion dollars and growing. It's time to revive the Founders' vision and the principles that informed it.

Roger Pilon holds the Cato Institute's B. Kenneth Simon Chair in Constitutional Studies, which he has held since it was established in 1998.