

Piketty's book has brought the subject of inequality back to the centre of political debate. Rutger Claassen connects the position of liberals towards inequality to their concept of freedom, and argues that, in the end, appreciating both the concept of positive freedom and that of negative freedom is necessary. That liberals will, as a consequence, keep struggling with not only the concept of freedom, but also the idea of inequality, is not, however, all that bad.

By Rutger Claassen

Economic Inequalities for Liberal Thought

Recent debates about Piketty's book *Capital in the Twenty-First Century* have brought an old question to renewed prominence: what to think about economic inequalities? (I use the term to capture both inequalities in income and in wealth). Are they a moral problem? And if they are, should the state redistribute income and/or wealth? In this brief essay, my main question is: how does liberalism answer these questions? *Does liberalism consider economic inequalities to be a problem?* I will argue here that the correct answer to that question is: yes and no.

The issue of economic inequalities unavoidably divides liberals in two camps. Some liberals

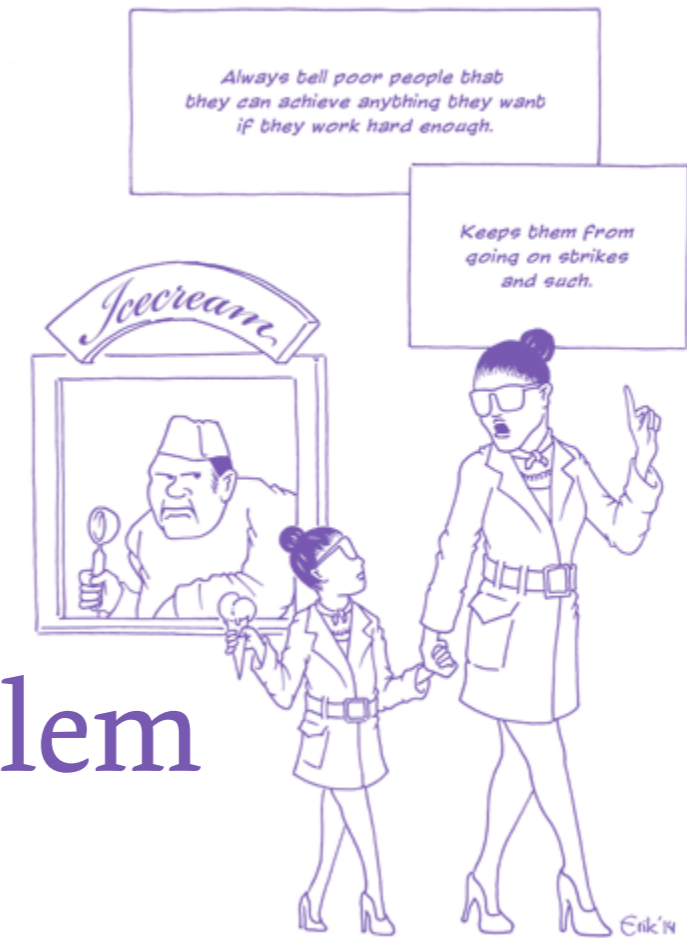
consider inequality problematic, while others do not. In the history of political thought, the first have been called "modern liberals", "welfare liberals", or "social liberals" while the latter have been called "classical liberals" or "free-market liberals". The schism within liberalism is fundamental and cannot be resolved. It will probably always remain a dividing line. The only thing that I can do is first, show the position of these two camps and second, diagnose why they hold these positions, or what the underlying cause of the divergence is. There is a long history of both camps reproaching the other for not being "really liberals" at all, but merely socialists (for the welfare liberals) or conservatives (for the free-market

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liberals) in disguise (Levy 2003). In my opinion this is wrong: both camps have ideals of individual freedom at the core of their thought, albeit different ones.¹

Free-market liberals tend to equate justice with market-based outcomes. Any income generated through market transactions is well deserved and should remain with its owner. The only legitimate reason for taxing income and wealth is to generate revenues to pay for essential services: government, policing and courts, military defense and some other services. Such taxes should be proportional (flat tax) rather than progressive. The underlying ideal for these liberals is *negative*

freedom: the freedom to go about one's business without being hindered by others.² The main task of the essential government services just mentioned is to make this possible, i.e. to ensure that citizens do not hinder each other in their daily business. In this framework, governments set up markets and enforce property rights but this is their only interference in economic life. Their only concern is to ensure a market game between free participants, who are equal in the sense that they all have the same rights to participate. As we all know, market transactions generate inequalities. Some are more productive, lucky or smart than others and generate more income and start



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to amass wealth. For free-market liberals, that is all part of the game.

Welfare liberals, on the other hand, hold that market transactions are not always fair, and that the inequalities generated on the market should therefore sometimes be redistributed by the state. This underlies efforts to make taxation progressive and to enlarge the scope of the state and provide welfare services (education, health care, social housing, social security benefits), and to spend more on these services for those who succeed less well in economic life on their own. Why are unequal market outcomes sometimes unjust, according to welfare liberals? A host of reasons is given (Scanlon 2003), but I think the core reason is this: a game between unequal participants is not a fair game. Merely formal equality between citizens is not enough. To be fair, market competition should be between individuals who are more or less equally *autonomous*. This idea of autonomy, or *positive freedom* is a more demanding notion of freedom. Positively free individuals should not just be unhindered by others; they also have the capacities to make use of this unhindered existence. Education trains our mental faculties and health care cures our physical and mental capacities when these are struck by diseases. By helping citizens with these services, governments make sure that some citizens do not have an unfair head start over others in the market place, but that they all have an equal opportunity to win the competition. The welfare state is born.

These positions are caricatures. They represent opposite poles on a spectrum from left to right. In reality, we find mixed positions; there are many shades of grey. Nonetheless, it is important to see

what causes the fundamental opposition behind this spectrum, which is the two very different notions of freedom: negative and positive. This can also be expressed in terms of choice and responsibility (Dworkin 2000). Of course free-market liberals understand that some people have more capacities to be successful in the market place than others. Economic inequalities are caused by natural inequalities (talents, genes) and social inequalities (social environment, upbringing, the neighborhood we live in). No two people will ever be exactly equal in terms of natural and social endowments. However, for free-market liberals, these inequalities are no reason for compensation. Individuals are themselves responsible for their own position in life. Welfare liberals, by contrast, tend to see these natural and social inequalities as factors that are beyond the reach of people's own choices. They cannot be held responsible for these factors, and therefore there is a social responsibility to level the playing field. If some have bad luck in life, born in the wrong place with the wrong capacities, then others should help them.

Other prominent arguments about inequality are best seen, I think, in connection to this fundamental divide. For example, using some species of trickledown economics, free-market liberals have often argued that inequalities are beneficial for everyone. They stimulate the economy by giving entrepreneurs the incentive to create wealth that will eventually lead to jobs and income for even the poorest members of society.³ Such an argument can and has been disputed empirically: does all wealth creation really trickle down? But it has also been criticized normatively. Even if wealth did trickle down, does this make all individuals in society autonomous? A key prob-

lem for welfare liberals has been that at some point large inequalities may prevent citizens from engaging with each other on an equal basis. Rich people would then start to feel superior to poorer people, dominate key positions in business, the media and even politics and thus one-sidedly dictate important politics and the future direction of social and economic development. Autonomy is self-government, and overly large inequalities would undermine the possibilities for effective self-government at the lower end of the income distribution and put the least well off in positions of structural dependence.

The same fundamental divide provides the deep structure of disputes about inherited wealth, which have been reinvigorated since Piketty has predicted that such wealth will again become more important in the 21st century (Piketty 2014). Free-market liberals tend to emphasize the negative freedom of the giver (the parent). Assuming that he or she has earned the money in legitimate ways, she should have the freedom to consume it herself or to donate it to whoever she wants, including her children. Welfare liberals tend to emphasize the positive freedom of the receiver (the children). Let us assume that the wealth in generation X is divided very unequally but that this has happened through legitimate earning activities. Even so, a welfare liberal will argue that the same unequal distribution should not be transferred to generation Y. Members of the latter generation should all have an *equal opportunity* to lead an autonomous life, and this requires that none of them should receive unearned favours at the start of the game of life.

As is hopefully clear by now, the two liberal positions represent opposite sides of the same coin: free-market liberals cherish individuals freely *exercising* whatever talents and capacities they happen to have, while welfare-liberals emphasize the *development* of individual capacities for free action (autonomy). Restricting the exercise of freedom (of some) is painful for a (any!) liberal, but – for welfare liberals – these restrictions are a legitimate sacrifice insofar as this is necessary to give truly equal opportunities to all. One could compare this to redistributive measures from the

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Champions League's top clubs to the smaller clubs, to ensure that all have at least some chance to be successful in the competition (something that does not happen in the Champions League but does happen in American football). A competition in which the winners can be identified before the game has even started is not a competition in the true sense of the word.

Portraying the exercise and the development of freedom as two sides of the same liberal coin is a reconciliatory metaphor. The exact details of such a program of compromise between welfare and free-market liberals remain to be worked out: exactly how much restriction on the exercise of freedom is legitimate in order to create equal opportunities? Liberals will continue to debate these borderlines, and in doing so some will be more strongly drawn to the free market side of the coin and others to the welfare liberal side. But in contrast to the customary reproaches that I mentioned earlier (about both positions not being really liberal, from the perspective of the other side), I would say that a position that completely neglects one of two sides is not a truly liberal position. To understand the ideal of freedom in its full significance means seeing the

value of today's freedom in the market place, as well as seeing the dangers for tomorrow's freedom that market-generated inequalities will entail. This makes liberalism a doctrine with an inevitable internal tension – but living with such tensions may not be a bad thing after all.

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Noten

- 1 A longer version of this can be found in (Claassen 2011, 39–53). For excellent accounts of the split between the two camps in the academic literature, see (Arnold 2009; Freeman 2011; Tomasi 2012).
- 2 For the distinction between negative and positive freedom, see (Berlin 2002).
- 3 This kind of justification for inequality was approved by (Rawls 1999) in his famous 'difference principle', although he remained agnostic about the empirical correctness of trickle down economics. For a vehement criticism of Rawls on this point, see (Cohen 2008).

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Liberals' discomfort with inequality

The discussion on inequality touches an open nerve in the Netherlands. Usually, liberals are not the biggest proponents of a more equal society, as to a certain degree inequality is part of their meritocratic premises. Piketty's inequality should, however, especially worry liberals.

By Mark Sanders