

What, if anything, is wrong with being superrich?

Ingrid Robeyns

Professor of ethics of institutions, Utrecht University
&
President, HDCA

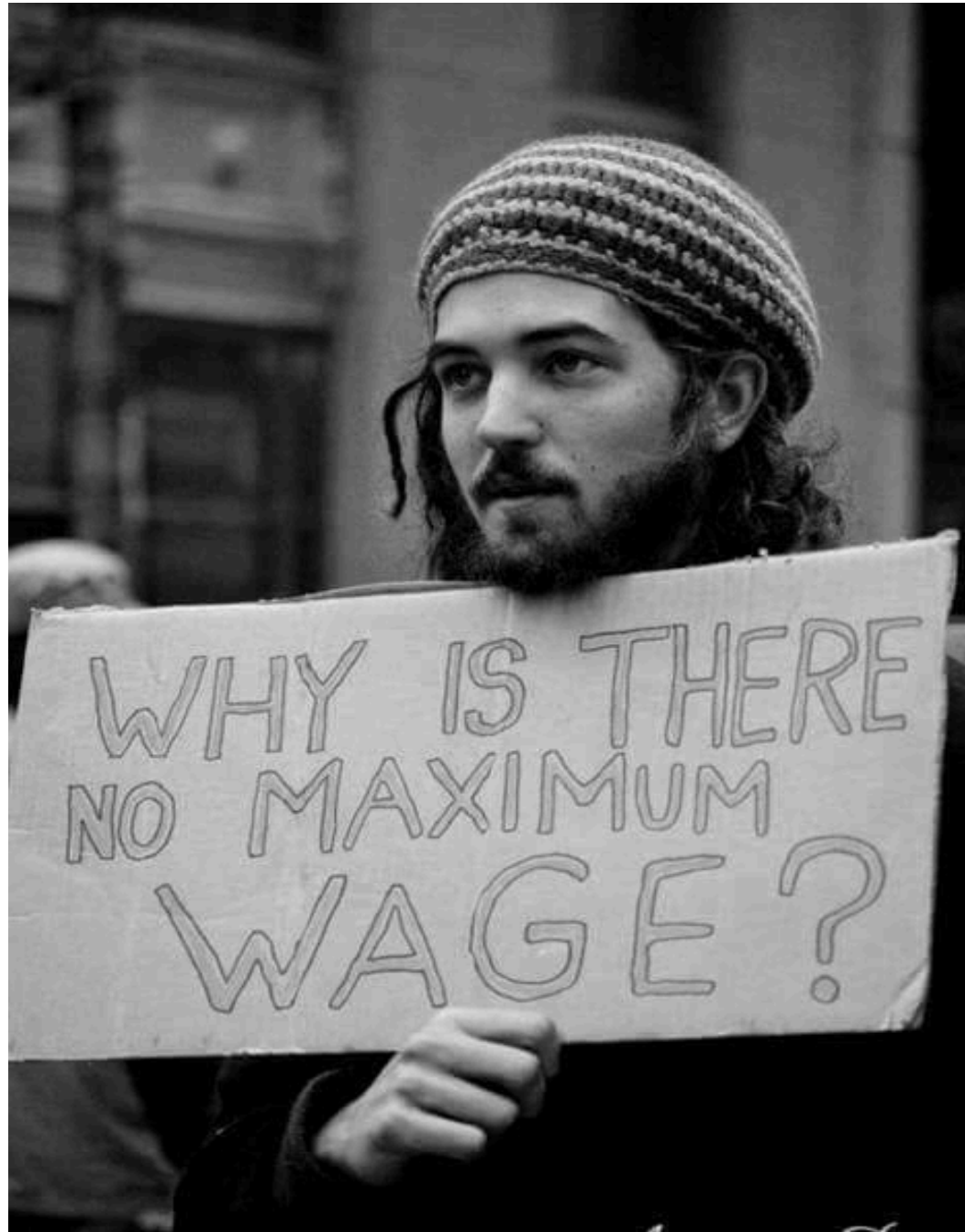
*Presidential Address at the 2018 HDCA conference,
Buenos Aires, August 30, 2018*

The starting point...

Rising inequalities in income, but especially in wealth.

After the financial crisis, there were global protests that focused on the 1%;

Academically, *Capital in the 21st Century* by Thomas Piketty drew attention to the top of the income and wealth distribution.



WHY IS THERE
NO MAXIMUM
WAGE?

Given the world as it is, should we want there to be people who are superrich?

Is this mere envy?

Caring about the poor? Yes, of course!

But why care about how the rich are doing?

Why does it matter? *Does it matter?*

To answer this question...

1. Argument I against super-riches: hurts democratic values
2. An objection to the democratic argument
3. Argument II against super-riches: the argument from unmet urgent needs
4. An urgent case of argument II: funds for climate action
5. Objection I: violates equality of opportunity
6. Objection II: hurts the economy
7. Implications for the HDA & for the world

1. The democratic argument

- Great inequalities in income and wealth/riches undermine political equality.
How? 4 mechanisms:
 1. Buying votes
 2. Gatekeeping
 3. Influencing opinions
 4. Money as an independent political power and a constraint on democratic decisions.

2. Objection to the democratic arg.

- If the problem is that economic power is turned into political power, shouldn't we find a way to block that, rather than force superrich people to part from their surplus money? E.g. legislation on campaign funding?
- Response: Yes, these measures are needed, but won't do, given that much power runs in informal ways.
- Example: abolishing dividend-taxation in the Netherlands (2018)

3. Argument from unmet urgent needs

= an argument conditional on three empirical conditions:

1. extreme global poverty
2. local or global disadvantages
3. urgent collective action problems

All three conditions are currently met.

3. Argument from unmet urgent needs

the moral value of surplus money is almost zero if spent by the rich on their *desires*, whereas it is very large when spent on the urgent unmet *needs*.

We ought to spend surplus money on meeting needs, rather than spending it on luxury desires.

4. Urgent case: climate action

- Climate change: too many GHG-emissions have (overwhelmingly) negative effects.
- The *global carbon budget* (remaining emissions in order to limit temperature increase to 2°C)
- Urgency: we have another 15-30 years of emissions at 2014 levels.



4. Urgent case: climate action

Analysis of consumption-based emissions
by Lucas Chancel & Thomas Piketty (2015)

	tCO ₂ e pp/py	Ratio to world avrg.
World average	6,2	1
North Americans	22,5	3,6
West-Europeans	13,1	2,1
Middle East	7,4	1,1
Chinese	6	1
Latino Americans	4,4	0,7
South Asians	2,2	0,4
Africans	1,9	0,3
Sustainable level	1,3	0,2

4. Urgent case: Climate action

5 questions raised by climate change:

(1) who should pay for mitigation efforts?

(2) who should pay for the costs of adaptation?

(3) how should we divide up the remaining emissions?

(4) how to make the bargaining situation in which parties bargain about these questions fair?

(5) who should compensate those who are harmed by climate change?

4. Climate justice and the argument from unmet urgent needs

it is morally justified to first tax away all surplus money to finance mitigation and adaptation efforts, before we look to the non-superrich (middle classes) to contribute their fair share.

Cfr. Henry Shue's (2014) 'greater ability to pay' principle.

5. Objection I: opportunities

The unequal opportunities objection, holds that having a cap on earnings/wealth deprives persons from equal opportunities.

Yes, it is true that those at the top of the income and wealth distribution will see their opportunities curtailed.

Yet those in the middle classes, the poor, and future generations, will have greater opportunities.

So on balance, opportunities will be *more equal*.

5. Objection II: hurts the economy

Having caps on income/wealth will create disincentive effects for the almost-rich to work harder. This will hurt the economy.

Response:

1. This is an empirically contested matter: some argue that we are rather seeing 'the winner takes all' reward structures.

6. Objection II: hurts the economy

2. Currently, we are far below the marginal income tax rate that economists regard as 'optimal' (in the sense of raising maximal tax revenue).
3. Even if the effect were empirically true, then this cannot be a decisive argument against limits to wealth:
 - (a) economic growth is a means to an ends;
 - (b) even if more growth would be desirable, one has to consider the democratic argument.

7. Concluding thoughts

For human development approach:

- Include the rich in the analysis
- Understand urgency of climate change

For capability analysis:

- A monetary analysis and a capability analysis can perfectly complement.
- Integrate the needs/wants distinction.

7. Concluding thoughts

For societies:

- The situation of the superrich is not just a matter of monetary inequality, but about other key public values too.
- Climate change is a matter of ethics and politics, and it cannot be seen separate of consumption/wealth inequalities.

*Thank you
for listening*

*the article 'Having to much' is available at
www.ingridrobeyns.info*

See also www.fairlimits.nl