LIBERAL EQUALITY AND INHERITED WEALTH

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I am sure there are no men marked of God above another; for none comes into the world with a saddle on his back, neither any booted and spurred to ride him.

A Leveller Commonplace, *circa* 1647

. . . the day will come when the individual will no more be permitted to bequeath his property to his descendents even by means of a will than he has been permitted (since the French Revolution) to bequeath his offices and his status.

Emile Durkheim, 1892

. . . despite the ideology of the 'open society' and social democratic attacks upon inherited wealth through the imposition of estate and death duties, inheritance remains an important factor in the distribution of control over resources, especially wealth.

Roderick Martin, 1977

INHERITED WEALTH resembles a living fossil, curiously surviving the liberal egalitarian ethic of western societies. From John Locke's *First Treatise* attack on patriarchalism through functionalist theories of stratification,[1] liberal egalitarian theorists have continually challenged the ascriptive role of family in political and economic life. It is also true that inherited wealth remains a significant source of inequality and social differentiation in liberal democratic societies.[2] The inheritance laws of these societies are caricatures of this tension, usually amalgams of symbolic levelling and hereditary advantage with symbol and fact

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often combined in inverse ratio. The exemplar is Great Britain whose estate taxes are both the most confiscatory and the easiest to avoid—a "voluntary tax" according to one economist.[3]

At first glance this situation seems to be a simple case of societal practice falling short of normative theory. A closer look at the body of liberal egalitarian theory, however, reveals a similar, deeply rooted ambivalence. Theorists writing in this tradition—at once egalitarian and individualistic—have not failed to act in a manner consistent with their principles so much as their principles have helped make it impossible for them to act consistently. In fact, the historical responses of these writers to the question of inherited wealth simply mirror the ambivalence of the practice of liberal democratic societies.

The following article is an attempt to describe and explain this paradox rather than resolve it. It is my contention that it is impossible to fully resolve the question of inheritance within the full matrix of values associated with this tradition. At the same time, I shall suggest that liberal egalitarian theorists can lessen the conflicts which inherited wealth reveals by reexamining those of its functions that are valued by their tradition and searching for more egalitarian, yet liberal alternatives to fulfill them. This tack places much of the discussion in a consequentialist mode. I no more assume an inviolable natural right of the dead to bequeath property to the living than I assume an obligation of the living descendent to assume the debts of a profligate forebear.[4] Nor do I begin with an idea of property that necessarily entails bequest, although there may be good reasons for bequest to exist. With few exceptions, liberal thinkers have consistently treated inheritance and bequest within the framework of such assumptions.

To be sure, in recent years a libertarian position, usually associated with Robert Nozick, has gained some favor. This position begins with arguments of right and entitlement similar to those that I have just dismissed. While a serious argument, and one that a serious critic of inheritance must at some time confront, it is not one that I can consider here. Instead it is my purpose in this article to examine the position of those who reject ideas of entitlement in favor of egalitarian views and yet still hold to the need for inherited wealth. Furthermore, it will not be my purpose to attack liberal inheritance practices from nonliberal premises, nor to defend liberalism from its critics, but simply to investigate internal dissonance and structural limits within the liberal egalitarian tradition itself.

THE PROBLEM DEFINED

Inheritance takes many forms of which descended wealth is only one. Obviously individuals inherit genetic characteristics such as intelligence, beauty, strength, and athletic prowess which influence their life chances in powerful ways. Nongenetically acquired assets such as discipline, skills, professional interests and contacts similarly may qualify as inheritance in that we may obtain them through our family. If the scope broadens beyond the divisible benefits that one receives through the family, it makes sense to include additional forms of collective inheritance that individuals receive from associations as narrow as a subcultural group and as extended as the nation-state. The Amish child in central Pennsylvania or the Hasidic child in Brooklyn is profoundly affected by his "accident of birth." The average American child speaking an international language, living in the vortex of an integrated world system, taking an adequate diet for granted, attending publicly supported schools and universities inherits a world staggeringly different from that available to the child of sub-Saharan herdsmen.[5] To the child who inherits that world, these are public goods; to the child excluded, they are highly divisible. Simply, individuals receive a variety of legacies from past generations which are unearned accidents of birth and which differentiate them from others and profoundly influence their opportunities for wealth, power, and personal development.

All of these legacies create inequalities which concern liberal egalitarians especially if they take a view beyond the bounds of the nation-state.[6] Why then the special concern with *wealth* inherited through the family?

The answer lies in the nature of liberalism and the attempts to accommodate equality within it, as much as with inherited wealth itself. By no means the most consistent of ideological and philosophical systems, liberalism has generally held two ideals in common: (1) a commitment to maximizing liberty and opportunity for individual development and (2) toleration for a wide variety of world-views and life plans.[7] Generally liberals, including egalitarian liberals, have accepted some variant of capitalism, i.e., market exchange and private property, as a necessary vehicle for achieving these ends. Since property and exchange could exist without the right to bequeath or inherit, there is no prima facie reason for the egalitarian liberal to include inherited wealth as a constitutive part of liberalism's supportive material structure.[8]

In fact, liberal notions of equality seem to argue against it. Equality and inequality in this scheme are necessary prerequisites and consequences of individual development. Thus liberal equality is of a very special kind.[9] If individuals are to develop beyond the limits formerly imposed by family, class or region (i.e., if they are to have equal *liberty*) they require exposure to a full range of opportunities and an equal voice in the political institutions which shape much of their environment. The logic of this enterprise has led egalitarian liberals to espouse equal rights (political, social, and economic), and equal opportunity. At the same time, they have rejected equality of reward, which necessarily denies to individuals the consequences of their unique development, and which in any event would require a level of coercion destructive of the liberty liberals hope to foster. Often to the dismay of egalitarians from other traditions, liberal egalitarians usually have accepted a notion of earned or meritocratic inequality as a legitimate element in their theory of justice. This should strengthen the case against inherited wealth; it is unearned, it prevents full equality of opportunity and conceivably equality of liberty, and it seems to be in direct conflict with the liberal egalitarian ethic.

Functionalist stratification theory is the perfect contemporary academic expression of meritocratic, egalitarian sentiment and similarly seems to reenforce this conclusion. Essentially, the functionalists have contended that all societies with interdependent divisions of labor must reward unequally in order to encourage people to develop skills and apply them in the marketplace. Since the value attached to a skill or function may vary according to supply and demand, and since the degree of unequal reward required to adequately allocate labor will vary in a like fashion, Richard Simpson has labelled the original functionalist perspective a "pure demand-supply" model of stratification.[10] Nominally an explanatory theory of stratification, functionalism indirectly offers a legitimating rationale that is traditionally liberal, egalitarian, and meritocratic, a logical update of Bentham's consequentialist dictum "inequality that has no special utility to justify it, is injustice."[11]

Leaving aside the question which has primarily concerned sociologists, i.e., the social *origins* of those who actually occupy the most remunerative positions, one point becomes obvious. Even if the world and the functionalist model were completely isomorphic and a natural elite held the most remunerative occupations, the functionalists' argument could neither explain nor justify the distributive share allocated to the heir. The wealth that the inheritor receives from his or her family is unearned, unrelated to personal contribution, and irrelevant to a socially necessary stratification. In this light, the heir appears more a parasitic rentier than a successful and deserving market competitor of traditional liberal and contemporary functionalist theory.

Nevertheless, theorists as different as Milton Friedman and John Rawls have refused to see inherited wealth as a special distributive case. Both consider it as legitimate as any other inherited assets (speed, beauty, intelligence, the work ethic, etc.) which give one a competitive advantage. All are equally neutral from the standpoint of justice. Although they agree on this point, Friedman and Rawls move toward different ends. Friedman posits the radical opposition of liberty and equality, chooses liberty, and hopes to uphold the validity of all uncoerced exchanges—even those between the dead and the living.[12] Rawls prefers more equality (seeing it as necessary for liberty) even if achieved through extra-market transfers which alter the outcome of individual exchange and competition.[13] Yet in accepting inherited wealth, both attempt to unburden their distributive theories of traditionally egalitarian liberal notions of merit or desert which have legitimated marketplace distributive patterns in the past.[14]

The easy dismissal of desert, and the subsequent acceptance of all inherited assets as identical, is too simple and misunderstands the place of desert in the history of liberal thought. First, Rawls and Friedman are right to point out that intelligence, skills, or even discipline may not be fully earned assets; but they fail to see that such assets are forms of "human capital" which must be manifested in labor before they can bring a return to their owners or a benefit to society. Unless put to use, they have no value and provide no income. As long as a system eschews direct coercion to allocate labor—as a liberal society almost by definition must do—it can only use moral incentives or unequal rewards (prestige or wealth) to transform these personal traits into social factors of production. The desert or merit that is being rewarded (paid to the contributor) is in return for a contribution to socially desired ends as expressed in the market. As long as one cannot question the legitimacy of owning these assets (they are part of one's personality), different rewards for their use have been considered both useful and just. Furthermore, the measure of desert is not static but directly reflects changing expressions of social utility (or at least demand) and thus, like other factor prices, remains subject to change.[15] This again points up that one is not rewarded for an inherited asset per se (e.g., intelligence) but for the use of a developed asset (e.g., "expertise") in publicly useful or privately demanded labor.

Second, lumping together all forms of inheritance ignores programmatic responses that egalitarian liberals have designed to equalize the many forms of inheritance which are neither material nor genetic. Public education, school nutrition programs, early learning centers, university scholarships, and subsidized job-training are all attempts to approximate equality of opportunity and substitute public alternatives which reduce many of the unequal advantages gained through the family. Whatever their weakness in practice or execution, these programs offer a policy direction consistent with their principles and further explain why most egalitarian liberals have not felt the need to view every inherited asset as equally legitimate or, conversely, equally unfair.

Only inherited wealth remains unearned, unnecessary for the efficient social allocation of labor and less easily rendered benign by programmatic equivalent. Since it is by no means obvious that inherited wealth is intrinsically legitimate,[16] and moreover since it can be separated from the decedent at the time of death,[17] the status of inherited wealth must remain problematic for anyone holding a liberal worldview.

REVISIONIST DUALISM: THE EXAMPLES OF MILL AND RAWLS

Despite a natural antipathy, modern liberal egalitarians—C. B. Macpherson's "revisionists"—have been unwilling to advocate the abolition of inherited wealth. By maintaining a critical acceptance, the egalitarian liberal combines the two opposing positions that have defined the outer bounds of the broader spectrum of liberal responses to the question of inheritance.

One of the great insights of classical liberal political economy centered on the importance of capital accumulation for economic growth. This emphasis, found in writers such as Smith and Bentham, concentrated on the need to free owners of capital from the fear of confiscation. When applied to the question of inherited wealth, this meant at most very light estate taxes which would not discourage savings, accumulation, or long-term investment.[18] This tradition, which we can call "accumulationist," dominated late eighteenth and early nineteenth century liberal thinking on the subject, and undergirds the neoclassical writings of contemporaries such as Gordon Tullock and Richard Wagner.[19]

Especially in America, however, it was opposed by a radical, "confiscatory" liberalism which remained outside of the mainstream. Using the language of liberal equality (equal opportunity, equal liberty, desert), lesser known polemicists such as Orestes Brownson, Thomas Skidmore, Harry Call, Harlan Read, and in the later twentieth century, James Conant and Hal Varian[20] argued for confiscatory estate taxes even as they accepted the capitalist market as necessary for freedom. This literature usually has had the flavor of a populist "return" to an original equality untainted by seemingly permanent class divisions. For Orestes Brownson in 1840, confiscation was "the logical conclusion from the admitted premises of the American people";[21] for Hal Varian in 1975, the basis for a "people's capitalism."[22] Yet in each case, the confiscatory liberals have failed to confront the relationship between inheritance, capital accumulation, and growth. Capitalism has been, in Daniel Bell's words,

> a social system which united the two broad institutions of property and family, and through the marriage system and inheritance provided for the continuity of that system.[23]

Families have been networks for accumulating capital over generations. To confiscate wealth at death would destroy this process and leave most future accumulation to either the state or the few joint stock corporations capable of generating their own funds internally.[24] Even on a purely theoretical level, both of these alternatives would be unacceptable to liberals of all varieties. In either case, capital would become concentrated in ways that might be detrimental to liberty. Furthermore, individual savings and thus future economic growth might suffer, affecting negatively the welfare and opportunity of future generations. Brownson's simple call for confiscation and redistribution is perhaps understandable given his memories of a world of artisans and farmers, but it is far less so given the subsequent course of the industrial revolution. While satisfying in their egalitarianism, later representatives of this tradition have refused to confront the other side of the liberal dilemma—who shall accumulate capital and how will that effect future economic development, the availability of opportunity, the distribution of power, and thus the survival of a liberal polity.[25]

Revisionist liberals have combined the confiscatory and accumulationist positions into an uneasy synthesis. Two examples are John Stuart Mill and John Rawls. Mill's desire to eliminate unearned inequalities, i.e., "accidents of birth," is most often associated with his writings on feminism. Yet he was equally hostile to those inequalities which stemmed from inherited wealth[26] and the consequent distribution of society's benefits in "inverse ratio to labor."[27]

> the largest portions to those who have never worked at all, the next largest to those whose work is almost nominal, and so on in descending scale.

Essentially Mill advocated two reforms to deal with the problem of inheritance in a capitalist political economy:[29] (1) a "limitation of the sum which any person may acquire by gift or inheritance to the amount sufficient to constitute a moderate independence"[30] and (2) a progressive tax upon all inheritance above a certain minimum, set at a rate to produce the greatest revenue without inducing "evasions by *inter vivos* or concealment of property, such as would be inadequate to check.[31] Since inheritances were not earned by their recipients, Mill had no philosophical aversion to taxing them at rates well above that of earned income.[32] In practice however, the severity of the tax might be far less than he might have preferred, if higher tax rates had the effect of lowering actual revenue.

However strident Mill's egalitarian rhetoric, it is striking how these impulses were constrained by others that were individualistic. His proposals allowed for large transfers of wealth (although they encouraged a larger number of beneficiaries since it was an inheritance rather than estate tax) and retained almost full discretion over the funds in the hands of the individual testator. Furthermore, he placed utilitarian constraints on the severity of the tax in order to increase tax revenues and discourage evasion, a position remarkably similar to that of Tullock.

Mill's liberal compromise contains the essence of John Rawls' treatment of inherited wealth, despite the latter's conviction that *A Theory of Justice* is an egalitarian work that pushes beyond the individualism of liberalism and the aggregate hedonism of utilitarianism.[33] Even with all the innovation of the hypothetical original position and two principles of justice, Rawls finally retains Mill's balancing act between liberty, equality, and economic growth. Surprisingly for an avowed egalitarian, he legitimates as well as limits the transfer of large amounts of inherited wealth.

> The unequal inheritance of wealth is no more inherently unjust than the unequal inheritance of intelligence . . . the essential thing is that as far as possible inequalities founded on either should satisfy the difference principle. *Thus inheritance is permissible provided that the resulting inequalities are to the advantage of the least fortunate and compatible with liberty and fair equality of opportunity*[34] *(emphasis mine).*

We have already seen that Rawls views most capabilities as inborn or unintentionally acquired, in no way deserving of special reward, and neutral from the standpoint of justice. While Rawls hopes to remove all types of inheritance—genetic, psychological, or economic—as the cause of unequal advantage, he succeeds only in removing them as its justification.[35] By equating inherited wealth with intelligence, Rawls insures that it will not be threatened by a pure conception of equal opportunity, equal liberty, or reward by desert. Inherited wealth, like many other inequalities, becomes just as long as it satisfies the difference principle and doesn't destroy the *fair* value of liberty (unoperationally defined, but unequal) or *fair* equality of opportunity (fair *in*equality of opportunity, operationally defined).[36] While far from a laissez-faire theory of "entitlements," this is equally far from the egalitarian, meritocratic ideal of a Brownson. Once the logic of this position is clear, it is apparent that Rawls legitimates inherited wealth with a system that may require little more than economic growth, "trickle down," and transfer mechanisms. In the process, he diffuses the most radically egalitarian directives in liberal thought.[37]

As with many classical liberals, Rawls, also cannot accept the monopoly of capital formation by the state or in those few corporations capable of generating their own capital needs. Even if vague about measuring the fair value of liberty, he expresses very traditional concerns about public and private monopolies of power.[38] Without exploring alternatives, Rawls returns to the need for individual incentives and asks us to lower our egalitarian sights.

> We are more ready to dwell upon our good fortune now that these differences are made to work to our advantage, rather than to be downcast by how much better off we might have been had we had an equal chance along with others if only all social barriers had been removed.[39]

Ironically, Rawls gives inequalities perpetuated by family life new permanence by appeals to mutual class benefits, the mainstay of most conservative hierarchical political philosophies.[40]

For both Mill and Rawls, wealth left at death becomes a means for society to apply the resources of individual families to collective goals, but neither wants to press an egalitarian vision beyond what they perceive to be the structural limits imposed by the need for capital accumulation in an economy whose actors are inevitably possessive individualists and simultaneously heads of households. As with their classical predecessors, they exhibit a concern for consequences; neither wanted to "kill the goose to get at the egg."[41] Mill differed from earlier classical theorists only in that he believed the need for capital accumulation was far less in mature capitalist economies, allowing room for egalitarian reform.[42] Rawls similarly is open to any egalitarian reform which would not injure the capital accumulation process in ways detrimental to the liberty or the absolute material position of the least advantaged. Like Mill, Rawls differs from both the radical confiscatory and classical accumulationist positions. Neither sanctifies inequality and inherited wealth, yet each remains remarkably tolerant of both.

UTOPIAN VALUES AND PRAGMATIC FUTURES

Rawl's treatment of inheritance points up again the limits of egalitarian liberalism—its inability to maximize a set of values in which each separate value necessarily conflicts with others when taken to its logical fulfillment. The egalitarian shares this problem with every variant of liberal who is not willing to ignore at least one value that is traditionally part of the overall liberal worldview.[43] Faced with the prospect of not being able to fulfill all values in practice, classical and revisionist theorists alike have been willing to eliminate one value altogether, whether it is equality for the sake of liberty as with Friedman, or merit for the sake of the material well-being of least advantaged as with Rawls. In each instance, theory has become more consistent and less compelling. This tendency robs all liberalism of what we might usefully describe as its "utopian" character,[44] but in the end it may also weaken its practical ability to guide policy.

Perhaps it is odd to speak of liberalism as a utopian body of thought. With the exception of the early bourgeois rationalism of a Turgot or Paine, liberalism—egalitarian or otherwise—has been an eminently pragmatic tradition which has guided the adjustment to modernity as much as it has offered a set of abstract modernizing principles. Moreover, ever since Marx associated utopian thought with unscientific yearning, it has been unusual for theorists to identify themselves as utopians, much less as liberal utopians. Nevertheless, it makes sense to speak of a utopian side of liberalism and to examine its usefulness in confronting a nettlesome problem such as inherited wealth.

An appreciation of the utopian side of liberalism begins with the realization that liberalism has functioned on two different temporal levels: first as a pragmatic guide to the immediate, and second as a long-range vision of a fully just society. The combination of these two sides of liberalism was especially characteristic of the thinking of neoliberals such as Dewey and Hobhouse, who consciously set out to revitalize liberal ideals from the seventeenth and eighteenth century for twentieth century circumstances that were far different.[45] From this perspective, a "utopian" constellation of values prods the liberal to shape the world along liberal lines, while a pragmatic understanding of the relationship between ends and means requires that he or she act in ways that are presently practicable. In effect, the utopian element in liberal thought rejects the idea that a value must be dropped *as a value* or as a desirable end, simply because one cannot fully realize it at that moment. When applied to the question of inheritance, the shift in our perception of time reduces the need to eschew part of the constellation of liberal values. For example, from a Rawlsian framework, both reward to merit and equality of full opportunity conflict with family life—the former because we are often rewarded for the accident of good birth, and the latter because such accidents will inevitably exist as long as there are children with different parents. From this point of view, therefore, full equality of opportunity and reward based on merit are unrealizable goals and must be dropped. But if we shift our approach to time, the rejection of liberal egalitarian values becomes unnecessary.

For example, holding merit and equality as values certainly requires that liberal egalitarians seek to eliminate the unequal effects of family, but not the family itself. Obviously, eliminating the family would eliminate its effects, but it would eliminate as well so much else that all liberals hold dear. However, as long as the theorist sees ways to continue to lessen those effects of family life which prevent all from better realizing their natural talents, without eliminating the family itself, values such as equality of opportunity and merit continue to be useful and legitimate. Although it is obviously true that "ought" statements (i.e., that we ought to do x) imply "can" (that we can do x), this philosophical axiom does not require that x be fully realizable in an immediate sense. To have meaning as a proposition, the statement that "we ought to eliminate the accident of birth" does not have to require that "we can eliminate the accident of birth" at that moment, but only that we can continue to lessen its effects. To accept the opposite approach—discarding a value altogether in the face of temporally experienced limit—removes the possibility of that value helping move us in the desired direction. This stymies egalitarian liberal thinking about inherited wealth.

As utopian, the liberal egalitarian must argue that inherited wealth is illegitimate under most conditions and beyond certain limits. The pragmatist must interject that for the foreseeable future parents will seek to establish their children's future wellbeing, and therefore will look for ways to pass on wealth, power, and access to leisure. The pragmatist might also emphasize that to precipitously sever that link could remove the clear-cut perception in one generation that it has an interest in and obligation to those generations which follow. The pragmatist will also point out that parents of children who are disadvantaged or handicapped and presently dependent upon their parents will want to provide for their future when the parents are no longer alive. Since seriously disadvantaged children can hardly compete in the liberal race of life and may never be able to earn much of what they will need to sustain a decent livelihood, receiving an inheritance is probably a far better and far more dignified form of dependence than many others.

The evidence on the extent to which concern for one's heirs actually influences the propensity to consume or save is unclear.[46] Most would agree that total confiscation of an estate is dysfunctional in that it destroys any motive to save wealth unrelated to one's own well being. The utopian impulse demands a tax on an estate that is as progressive as possible up to the point at which it effects revenues and the amount of capital saved. In this pragmatic compromise, the utopian differs little from Rawls except that there is a refusal to eliminate a principle even while lowering sights to achieve a reasoned policy.

The utopian as liberal also asks what consequences of private inheritance remain desirable from a liberal point of view, and again how these might be accomplished in a more egalitarian fashion. Liberals can easily argue that inherited wealth makes a positive contribution to nurturing liberty and diversity, just as they have recognized that the inequality generated by inheritance can hinder these same ends. On the positive side, inherited wealth has enabled individuals to support charities, foundations, the arts, and unpopular political causes that the public as a whole might choose to ignore or even suppress. Marx's ironic dependence on Engel's family wealth has many analogues. In addition, inherited wealth can help finance unusual or innovative businesses, churches, universities, and countless other activities that we would not want to see unfunded or held hostage to bureaucratic or majoritarian demands. Not least of all, inheritance is the institution which allows family businesses and farms to devolve to the next generation, a practice which helps maintain the diversity and decentralized power that liberals usually favor. This is the same institution which facilitates unearned and unequal access to resources, power and wealth; however, other of its outcomes are desirable.

The vehicle to deal with these tensions is classically liberal: reform. The goal of inheritance reforms must be to take the natural propensity to provide for one's family and to use this impulse as far as possible to achieve more egalitarian ends. The liberal reformer must attempt to transform private inheritance into social inheritances which are available to all individuals in the community as a new form of birthright. Like Mill and Rawls, liberal reform must attempt to convert individual assets into collective assets. Moreover, it must aim at a Rawlsian a "chain—connectedness"[47] that links the good fortune of each to everyone but in ways more directed and specific than the difference principle of Rawls.

The proposals which follow are simply attempts at formulating alternative methods of dealing with inherited wealth. They are guided by the full set of liberal values while at the same time conscious of the limits of realizing any of them completely. They are also attempts to offer alternatives to the present dichotomy of wealth devolved through the family or wealth taxed for general use in the welfare state.

1. The Social Inheritance Fund. A steeply progressive estate tax should be used to directly fund a social inheritance system similar in spirit to that of Orestes Brownson. Therefore progressive rates must be limited by the desire to maximize revenues. On the birth of every child, a fixed sum of money—financed directly by estate taxes—should be placed in a special interest bearing account or government bonds. Upon reaching the age of 18, the appreciated value of the investment would be made available to the individual to finance an education, start a family, or to use as he or she wishes. Payment could be deferred until marriage, birth of a child, purchase of a first house, later job retraining, investment, or even retirement, with the value of the account continually increasing as it accumulates. This proposal achieves the additional policy goal of increasing savings, while it clearly expands the individual recipient's meaningful choices in ways reflective of the goal of equal liberty and opportunity. In providing everyone with a tangible asset, this proposal enhances the ability of individuals to choose a life plan in ways that are compatible with traditional liberal values. The proposal ignores individual desert for each new beneficiary, except to spread more evenly to the undeserving of one generation the fruits of the past generation's activities. It also recognizes that while individuals of a generation hold wealth unequally, wealth is generated in a social context in which each individual's contribution cannot be accurately measured. This system would create a new social right for each member of the receiving generation, and it would also create a corresponding moral obligation to help finance the next generation. The result would be a social debt, but not a social dependency, and thus a system most compatible with fostering a liberal political community.

2. Regional Banks and Terminal Annuities. Utilitarian arguments against increased progressivity of estate tax rates hold that at some point there develops a greater incentive to evade, consume, or simply not work. One possible alternative would be to allow the option of converting a portion of one's taxable estate into terminal annuities which will pay dividends to the heir while the principal is held by regional development banks. The bank will pay a yearly income to the heir, but upon the latter's death the principal would revert to the bank. Regional development banks would have the special function of making loans to businesses that offer the promise of innovation and diversity and also loans to individuals for advanced education or job training. These special missions for the regional development banks again would provide an example of "chain-connectedness," linking the good fortune of the heir to others who lack access to resources but have need and/or merit. The heir, again, receives a share of the income stream that he or she does not deserve, but that share also makes funds available to entrepreneurs and individuals who might not otherwise have had access to them. Like the earlier policy proposal, this is a compromise which allows inequality to pass between generations and allows for benefits without desert, but also transforms private assets into public assets with an egalitarian dimension. Similarly, this is a liberal proposal which keeps in mind the importance of maintaining a political economy supportive of liberty.

3. *The "Expanded" Family Firm.* Severe estate taxes may endanger the cash flow of family firms. Insofar as egalitarians hope to preserve these firms they should take steps to encourage their success. One important reform of the estate tax has been to allow a family firm to defer estate tax payments over a number of years with a very low rate of interest paid on the debt. In addition to keeping this device, egalitarian liberal values could justify a lower estate tax rate on family-held firms that have cash flow problems, but in return make family stockholders liable to higher capital gains taxes if they should later sell their assets. Tax rates should also be used in such a way, however, as to encourage broadened employee stock ownership. Again, this option seeks to create new property holders and chain-connects the good fortune of the heirs with their workforce. This proposal reflects liberal values of desert and equality in that it recognizes the contribution of established workers to the value of the firm and through stock ownership creates the possibility of greater worker participation in the management of the company. Employee stock ownership plans already receive some encouragement through the tax system and are often favored by firms as useful devices for accumulating capital.[48] Although the transference of stock upon death does not accumulate new capital, it would obviate part of the cash flow problem that estate taxes can create. Once again, this proposal

satisfies no liberal value completely, but aims to compromise a variety of claims partially.

4. Tax Free Bequests to Non-Profit Firms. Schools, charities, churches, foundations, hospitals and many more non-profit institutions are traditional recipients of tax-free bequests. While some may object to this as a means of preserving the influence of wealth over institutions of broad social significance, these institutions are not easily controlled by the dead, and their contribution to a vital pluralism is great. As long as the law prevents non-profit institutions from becoming conduits designed to provide tax-free sinecures for one's heirs, tax-free status should be continued.

5. Tax Exemptions for Handicapped Heirs. Children who are unable to provide for themselves because of severe handicaps are understandably the cause for great concern for parents. It is in no one's interest that parents not be able to provide for these heirs if they can do so. An estate large enough to guarantee a comfortable independence should be theirs, subject to little taxation. Anything beyond this would be treated as any other estate. Arguments about desert are irrelevant in these circumstances, since whatever a handicapped individual receives will be undeserved if measured by contribution or market value. Here we are in areas beyond liberal justice where benificence and need are the chief criteria for determining policy.

CONCLUSION

None of these proposals fully satisfies the full demands of a liberal egalitarian theory; yet each is guided by the totality of that ideal and, taken together, they move in the direction of its greater fulfillment. This article has attempted to demonstrate that inherited wealth necessarily violates the liberal egalitarian ethic, and therefore points to the limits of that ideological tradition. Yet it also stresses that liberal egalitarian values remain useful for guiding policy choices even if they are limited by the demands of immediate practice. In stressing the conscious linking of private inheritance to public inheritances, especially those which create new property holders, these proposals remain true to values of individualism and pluralism as well as equality. Desert legitimates this conversion of inheritance, and increased equality (of liberty and opportunity) is its final end.

Inheritance remains an anomaly for liberal egalitarian political theorists. It is an anomaly they should not ignore if they hope to reinvigorate the broader liberal tradition as more than an outmoded class ideology.

NOTES

1. John Locke, *Two Treatises of Government,* ed. Peter Laslett (New York: Mentor, 1965); Gordon Schochet, *Patriarchalism* (Oxford: Basil Blackwell, 1973). The classic works of functionalist stratification theory which best express an underlying achievement ethic are: Kingsley Davis and Wilbert Moore, "Some Principles of Stratification," in *American Sociological Review,* X, (April 1945); Kingsley Davis, "Reply to Tumin," *American Sociological Review,* XVIII (August 1953); Richard L. Simpson, "A Modification of the Functional Theory of Social Stratification," *Social Forces,* 35 (December 1956); Dennis H. Wrong, "The Functional Theory of Stratification: Some Neglected Considerations," *American Sociological Review,* 24 (December 1959). These articles are reprinted in Joseph Lopreato and Lionel Lewis, *Social Stratification: A Reader* (New York: Harper and Row, 1974). For a good summary discussion see Joseph Lopreato and Lawrence Hazelrigg, *Class, Conflict and Mobility* (San Francisco: Chandler, 1972), p. 93-112.

An extensive discussion of a distinct liberal egalitarian tradition is Amy Gutmann's *Liberal Equality* (Cambridge: Cambridge University Press, 1980). For a useful discussion of equality of opportunity and liberal values see Lawrence B. Joseph, "Normative Assumptions in Educational Policy Research," *Annals of the American Academy of Political and Social Science,* 434 (November 1977), pp. 103-106; Charles Frankel, "The New Egalitarianism and the Old," *Commentary,* 56, 3 (1973).

2. C. D. Harbury, "Inheritance and the Distribution of Personal Wealth in Britain," *Economic Journal,* 72 (December 1962), pp. 845-868; C. H. Harbury and D. M. Hitchens, "The Inheritance of Top Wealth Leavers: Some Further Evidence," *Economic Journal,* (June 1976); A. B. Atkinson, *Unequal Shares* (London: Penguin, 1972); Paul Menchik, "The Importance of Material Inheritance: The Financial Link Between Generations," Discussion Paper #474-78, Institute For Research on Poverty, University of Wisconsin, Madison); John Brittain, *Inheritance and the Inequality of Material Wealth* (Washington, D.C.: Brookings Institution, 1978); J. R. Kearl and Clayne L. Pope, "Intergenerational Effects on the Distribution of Income and Wealth: The Utah Experience, 1850-1900," *Working Paper No. 754,* (Cambridge, Mass.: National Bureau of Economic Research, 1981).

3. Cedric Sandford, "Death Duties," *Political Quarterly* (January/March 1971), p. 62; see also Gerald Jantscher, *Trusts and Estate Taxation* (Washington: Brookings, 1966), pp. 4-14; G.S.A. Wheatcroft, *Estate and Gift Taxation: A Comparative Study* (London: Sweet and Maxwell, 1965), pp. 107-119; Joseph Pechman, *Federal Tax Policy* (Washington: Brookings, 1971), pp. 190-208.

4. Robert Nozick, *Anarchy State and Utopia* (New York: Basic Books, 1974) pp. 150-158, 207-208 is one of the very few writers tangentially related to liberalism that sees bequest as an inviolable natural right. For a convincing refutation of Nozick's position see Hillel Steiner, "Justice and Entitlement," *Ethics* 87, 2 (January 1977), p. 151; and "Slavery,

Socialism and Property," in *Property: Nomos* XXI, ed., J. Roland Pennock and John W. Chapman, pp. 255-258. Alan H. Goldman, "Entitlement Theory of Distributive Justice," *The Journal of Philosophy,* 73, 21 (December 1976) is an excellent discussion from the perspective of "desert."

5. Kenneth Boulding, "Equality and Conflict," *Annals of the American Academy of Political and Social Sciences,* 409 (1973), p. 5-6.

6. Charles Beitz, "Justice and International Relations," *Philosophy and Public Affairs,* 4, 4 (Summer 1975), pp. 364-389; Robert W. Tucker, "Egalitarianism and International Politics," *Commentary 60* (September 1975), pp. 27-40.

7. E.g., "Basically liberal democracy emphasizes the facilitation of individual self-development and self-expression as the primary goals of government. The object of government is to keep open for the individual a wide range of options and values." Michael Margolis, *Viable Democracy* (New York: St. Martin's Press, Inc. 1979), p. 26. See Phillip Abbott, *Furious Fancies: American Political Thought in the Post-Liberal Era* (Westport, Connecticut: Greenwood Press, 1980), p. 14-25, for a useful discussion and typology of various trends in liberal thought.

8. Hal R. Varian, "Distributive Justice, Welfare Economics, and the Theory of Fairness," *Philosophy and Public Affairs,* 4, 3 (Spring 1975), p. 244: "This is the formalization of the concept of 'people's capitalism' I discussed earlier. Property—in particular productive property—is privately owned. All of the incentives of capitalism are present, as are all the liberties, with one exception—the liberty to transfer wealth to others."

9. See note 1 above.

10. "Some Principles of Stratification," p. 243:

> Social inequality is thus an unconsciously evolved device by which societies insure that the most important positions are conscientiously filled by the most qualified persons.

"Modification of Functional theory of Social Stratification," in Social Stratification: A Reader, p. 110: "The supply and demand of the services performedly the incumbents of social positions help to determine their social rewards."

11. Jeremy Bentham, *Escheat without Burthen,* in *Economic Works of Jeremy Bentham,* ed., W. Stark (London: Allen and Unwin, 1952), vol. 1, pp. 328-329.

12. Milton Friedman in *Whatever Happened to Equality,* ed. J. Vaissey, (London: B.B.C. 1975).

13. John Rawls, *A Theory of Justice* (Cambridge, Mass.: Belknap Press, 1971), pp. 73-75.

14. For a critical discussion of Rawls' position see James Sterba, "Justice and Desert," *Social Theory and Practice,* 3, 1 (Spring 1974). For a neoconservative critique of the Friedman/Hayek position see Irving Kristol, *Two Cheers for Capitalism* (New York: Mentor, 1978), pp. 243-249.

15. James Lowell Dietz, "A Note on Human Capital," *Journal of Economic Issues,* IX, 3 (1975), p. 527, for a similar discussion. "Human Capital, however, is by its very nature, inseparable in capitalist societies, from its owner and possessor. Without the labor power of the human capital being expended and used, there can be no (monetary) return to such investments. Labor power must be expended by the owner and possessor of a human capital investment or that capital becomes worthless."

16. For a defense of all rights of transfer see Robert Nozick, *Anarchy, State and Utopia* (New York: Basic Books, 1974), pp. 150-158, 207-208; for an argument which excludes inheritance as a right of transfer see "Justice and Entitlement."

17. The problem of gifts *inter-vivos* is more complex since it limits the absolute property rights of the living. However, empirical evidence indicates that few are willing to alienate the bulk of their wealth and its attendant power while still alive, despite the far more favorable tax rates. Lester Thurow, "Popular Mechanics: The Redistribution of Wealth," *Working Papers for a New Society,* III, 4 (Winter 1976), pp. 24-27.

18. Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations,* ed., Edwin Cannan (New York: Modern Library, 1967), Ph V., II, 2 Appendix to Articles 1 and 2, p. 814; Adam Smith, *Lectures on Police, Justice, Revenue and Arms,* ed., Edwin Cannan, (New York: Augustus M. Kelley, 1964), p. 129; pp. 113-127 for a discussion of the development of inheritance laws; Jeremy Bentham, *Collected Works of Jeremy Bentham,* ed. J. Bowring (Edinburgh: William Tait, 1843), "Civil Code," Vol. I, p. 112; and *Escheat Without Burthen,* p. 329; Thomas Cooper, *Lectures on the Elements of Political Economy* (New York: A.M.K. Reprint, 1971), p. 67; Max West, *Inheritance Tax* (New York: Columbia University Press, 1908), p. 191; Joseph Cropsey, *Polity and Economy* (The Hague: Martinus Nijhoff, 1957), discusses the relationship between liberty and capitalism in Adam Smith's thought. Donald Winch, *Adam Smith's Politics* (Cambridge: Cambridge University Press, 1979) places this discussion in the context of a dialogue with civil humanist republicanism.

19. Gordon Tullock, "Inheritance Justified," *Journal of Law and Economics,* XIV, 2 (October 1971); Richard Wagner, *Inheritance and the State,* (Washington: American Enterprise Institute, 1977).

20. Confiscatory tracts include Thomas Spence, *The Real Rights of Men* (1775), reprinted in Max Beer, *Pioneers in Land Reform* (London: G. Belt and Sons, Ltd. 1920); Thomas Skidmore, *The Rights of Man to Property,* (1829); Orestes Brownson, "Laboring Classes." *Boston Quarterly Review,* III, 4 (October 1840); Harry Call, *The Coming Revolution* (New York: Lowell Brothers, 1896); Harlan Read, *The Abolition of Inheritance* (New York: Macmillan, 1919); James B. Conant, "Wanted American Radicals," *Atlantic Monthly* (May 1943); Larry Sawers and Jim Wisman, "Wealth Taxation for the U.S.," *Journal of Economic Issues,* VII, 3 (1973); "Distributive Justice, Welfare Economics, Fairness."

21. "Laboring Classes," p. 481; Brownson's goal was "to emancipate labor by raising up the laborer from a mere workman, without capital, to be a proprietor, and a workman on his own farm or in his own shop" (477). His attacks based on equality of opportunity and desert offer rhetoric typical of this tradition:

> But heriditary property, unless the amount inherited by each individual could be rendered equal, is unquestionably a privilege. It gives and always must give, to one portion of the community an advantage over the rest, to which they are entitled by no natural superiority of intellect or of virtue. (478)

22. "Distributive Justice, Welfare Economics, Fairness."

23. Daniel Bell, "Dilemmas of Managerial Legitimacy," *Proceedings of the First National Conference on Business Ethics* (Waltham, Massachusetts: Center for Business Ethics, Bentley College), p. 17. For a useful case study in familial accumulation strategies see Peter Dobkin Hall, "Marital Selection and Business in Massachusetts Merchant Families 1700-1900," in *The Family: Its Structures and Functions,* ed., Rose Laub Coser (New York: St. Martin's Press, 1974).

24. Charles K. Rowley and Alan T. Peacock, *Welfare Economics: A Liberal Reappraisal* (New York: John B. Wiley and Sons, 1975), p. 157; Fritz Machlup, *Political Economy of Monopoly,* (Baltimore: Johns Hopkins University Press, 1952), pp. 238-256; Roswell Magill, *The Impact of Federal Taxes,* (New York: Columbia University Press, 1943), pp. 73-120; *Inheritance and the State,* throughout.

25. Sawers and Wisman are the latest example of confiscatory liberals who do not discuss this problem.

26. Alexander Bain, *J.S. Mill: A Criticism with Personal Recollection,* (1882; reprint ed., New York: Augustus M. Kelley, 1969), pp. 88-89.

27. John Stuart Mill, *Principles of Political Economy, Collected Works of John Stuart Mill,* ed., J. M. Robson, (Toronto: University of Toronto Press, 1965), vol. 2 and 3, Book II, 1, p. 207; also II, 16, 383, and *Utilitarianism,* ed., Samuel Gorovitz (New York: Bobbs-Merrill, Inc. 1971), ch. 5, p. 49.

28. *Principles,* II, 1, p. 207; III, 14, p. 383.

29. I am ignoring in this discussion Mill's views on property and inheritance once the stationary state had been reached. It is clear, however, that the normal limits of capitalism would not apply under these circumstances.

30. *Principles,* V. 2, p. 811.

31. *Principles,* ibid.; Letter to Horace White (1166) *Collected Works,* vol. XVI.

32. Letter to Charles Eliot Norton (1569), *Collected Works,* vol. XVII, p. 1740.

33. *A Theory of Justice,* pp. 3-4, 16, 211, 262, 106.

34. *Ibid.,* p. 278.

35. For a discussion of the distinction between "fortune," i.e., good birth, talent, etc., and "luck," i.e., unpredictable accident, see J. E. Meade, "The Inheritance of Inequalities: Some Sociological, Demographic, Social, and Economic Factors," *Proceedings of the British Academy,* vol. 59, 1973 (London, Oxford Univ. Press). Meade contends that recent egalitarian works such as Christopher Jencks' *Inequality* (New York: Basic Books, 1972) have overplayed the role of luch and ignored fortune. Ignoring fortune leads them away from the decisive role of inheritance as a generator of inequality.

36. *A Theory of Justice,* p. 73, 301, 511.

37. The extent to which Rawls can accept inherited inequality is especially clear when he discusses the conditions under which primogeniture would satisfy the difference principle. He sympathetically reflects on the arguments of Burke and Hegel that "restrictions on equality of opportunity" may be necessary to "insure a landed class especially suited to political rule in virtue of its independence from the state, the quest for profit, and the manifold contingencies of civil society." However, he rejects these as ends which do not satisfy the demand for justice (*A Theory of Justice,* p. 300). Primogeniture would be just, however, if it increased the opportunity of those least well-off. Equal opportunity, fully operationalized, requires only equal opportunity "for those similarly endowed and motivated," not equal opportunity for all. Thus any inherited asset which might contribute to economic growth, thus expanding opportunity appropriate to the class of those less well-off, would satisfy the requirements of justice (p. 301, 74).

38. For a revealing discussion of the problems of measurement in Rawls see Benjamin Barber, "Justifying Justice: Problems of Psychology, Politics, and Measurement in Rawls," in *Reading Rawls,* ed. Norman Daniels, (New York: Basic Books, 1975), pp. 300-315; *A Theory of Justice,* pp. 272-273, 280.

39. *Ibid.,* pp. 511-512.

40. p. 74, esp. fn. 12.

41. "Thornton on Labor and Its Claims," *Collected Works,* vol. V, p. 657. This passage discusses taxes on wages, but the logic of the argument remains the same.

42. Mill's belief in the *long-term* tendency of the rate of profit to fall and the ultimate rise of the stationary state alters his final view. However, in those passages Mill is discussing a post-capitalist political economy that is well into the future.

43. Obviously I am suggesting that the confiscatory egalitarian ignores economic growth and its effect on liberty as well as happiness; the classical liberal gives up on equality of opportunity altogether; and the revisionist can give no place to reward for merit or a full theory of equality of opportunity. Although I know of no self-consciously liberal writer who argues that market socialism would resolve this problem in ways that would satisfy the full range of liberal demands, this is a plausible argument. However, far more than an antiliberal command model, market socialism would keep self-interested individuals at the center of its market economy. As long as men and women chose to accumulate for their children, any attempt to prevent this would be dysfunctional. Thus the problem would remain, although its contingent form would change. Obviously, market socialism presents a whole host of interesting problems and possibilities which are beyond the scope of this article.

44. *Furious Fancies,* pp. 23-25, pp. 55-58 for a useful distinction between "utopian" and "scientific" notions of liberalism. Abbott emphasizes the "hyper-individualism" of the liberal utopian to the exclusion of its egalitarian note. On this we differ greatly.

45. "Liberalism is committed to an end that is at once enduring and flexible: the liberation of individuals so that the realization of their capabilities may be the law of their life." John Dewey, *Liberalism and Social Action,* (New York: Capricorn Books, 1963), p. 57; see also pp. 9-11.

46. *"Inheritance and the State,"* throughout; *"Popular Mechanics,"* pp. 24-27.

47. *A Theory of Justice,* pp. 80-83.

48. William F. Whyte and Joseph Blasi, "From Research to Legislation on Employee Ownership," *Economic and Industrial Democracy,* 1 (1980); Louis Kelso, *How to Turn Eighty Million Workers into Capitalists on Borrowed Money* (New York: Random House, 1967); Robert Stern and Philip Comstock, *Employee Stock Ownership Plans,* 23, Key Issues Bulletins. (Ithaca, New York: New School of Industrial and Labor Relations, Cornell University). For arguments that are interestingly similar despite Belloc's reputation as a conservative, see Hillaire Belloc, *The Restoration of Property* (London: The Distributionist League, 1958).

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