

# Of Obligation and Transfer Taxation

In today's redistributionist society, government promises a more equitable distribution of wealth than the market's actual allocation. It does so by transfer taxation: taxing everyone and subsidizing some. Of the several arguments for this transfer taxation, one of the most common runs as follows: *those who are well-off have an obligation to care for those who are not well-off; therefore the government may justly tax the former to support the latter.*

This argument is false: its premise is a partial truth from which the conclusion does not follow in any case. A well-off individual may or may not have a moral obligation to care for those who are not well-off. But even where he does, it is not the government's business, because this positive kind of obligation derives

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from the values and standards of that individual, not from others' rights. It is the government's business to defend rights, nothing more. Where rights are not involved, it is solely the individual's business to make use of his own property in accordance with his own values and standards. Indeed, as far as *rights* are concerned, the individual even has a right to act at odds with his values and standards, to be mean and selfish, so long as he respects others' rights. The proponents of liberty must understand and affirm this if they are to answer fully this argument for transfer taxation.

## The Conclusion

*"The government may justly tax the former to support the latter."* Consider this conclusion to see where the argument is leading. What is logically implied in the notion that the government may take the property of the well-off to sup-

port the worse-off? One implication is that the worse-off have a right to the property of the well-off, a right which justifies the transfer. Some make this point explicitly, speaking of "welfare rights," or contending that the right to life itself includes the right to such property of others as is needed to support life. But if property is owned by A in the first place, then B can have no right to it—to own something is precisely to have a right to it. Another implication is that the majority in power has just authority to threaten A with force to make him give up his property, which they then turn over to B—taxation, remember, is ultimately backed up by the policeman's gun. But this authority negates both the rights of minorities against tyrannical majorities, and the right to pursue happiness—to use one's talents and property in pursuit of one's own ends.

This argument's conclusion that some may justly be taxed to support others thus collapses before fundamental principles. One is tempted to let the argument rest there: with a conclusion so far out of line with basic rights, the reasoning to it simply must be invalid. But this rebuttal is not enough. The reasoning is so persuasive that we must deal with it, too. Many who are troubled by transfer taxation believe also that people *should* give to those in need, that it is wrong for them not to. Gov-

ernment responds to other wrongs, they reason; surely it should respond to this one. Let us now see where this reasoning breaks down.

### The Confusion

The crucial error in the argument is a confusion of two meanings of *obligation*—meanings which are evident in the ways we use the word *should*. One usage pertains to fundamental obligations deriving from other people's rights; in this sense it is synonymous with "must." A man should pay his debts—because the people from whom he has borrowed have a right to their property. He should allow others to assemble, worship, work and trade as they please—because others have a fundamental right to act free of restraint (so long as they act peacefully). He should not murder—because others have a right to life. When we say a person "should" do this sort of thing, we refer to obligations that derive from basic rights. Notice that in each example here, what is immediately at stake pertains not to the individual obliged, but to the others: *others'* property, *others'* liberty, *others'* lives. The individual is obliged because he is dealing with things to which others have a right.

A second usage of *should* pertains to what is desirable or preferable. In this sense it is synonymous with "would do better to." One "should"

eat healthful food—because that is preferable to eating tainted food. One should change the oil in his car periodically—because that will help preserve the car. One should be pleasant in dealings with others—because such treatment will make life more agreeable. When we say a person “should” do this sort of thing, we refer to “obligations” that derive from what is best. Notice that in each of these cases, what is immediately at stake pertains to him, not others: *his* health, *his* car, *his* behavior. He is “obliged” not because of anybody’s rights, but because of what is sensible, what is best under the circumstances.

The critical factor determining which kind of obligation exists in any situation is ownership of whatever is involved. If it belongs to someone else, be it some material thing or life or liberty, then the individual has a “must” obligation, a basic duty to respect the owner’s rights. Consider the case of a thousand dollar debt, for example. The money belongs to the lender; hence there is a “must” obligation for the borrower to return the money as per agreement. Likewise consider the case of some person’s physically injuring another. The person injured “owns” his own body; therefore the person who injured him must make restitution.

But if what is involved is the individual’s own, then he has only the

“obligation” to do what is preferable. Consider the case at issue in this argument for transfer taxation, for example: care for those who are worse off than some well-off individual. What precisely is “care,” in this context? It is not the psychological feeling of wishing others well, but the physical realization of that feeling: the money, food, clothing or shelter provided: it is whatever the well-off individual gives or might give to help the worse-off person. And whose is it? Ah, yes—here is the question. Until it actually has been given (if the notion of property rights is to have meaning), it is the property of the giver. He alone has a right to these things that might, if he decides to give them, become “care” for someone else. The individual is thus “obliged” to do with these things whatever is preferable, whatever is best among the many uses to which he might put them.

### The Premise

With this distinction between kinds of obligation in mind, let us consider again the premise of the present argument. Does one who is well-off have an obligation to care for those who are not well-off? When one does, clearly, the obligation is of the second kind—a matter of what is preferable among available choices. But this idea raises additional questions: Preferable to whom? According to what standard?

The answer to these questions is inherent in each individual's inescapable responsibility for his own actions: each individual is bound to make his decisions according to his own values, his own sense of right and wrong, good and bad, better and best. About situations involving others' rights, this decision is relatively simple: the primary value of respecting rights is inherent in man's nature, and anyone thinking clearly will recognize this. But where one's own property is concerned, one does not have the primary value of rights as a guide, and he must therefore weigh the importance of lesser values. Would it be more valuable, in his honest judgment, to devote a certain amount of his time and property to caring for a certain group of people less well-off than he? Or would it be preferable to devote that time and property to the future security of his family, or to recreation, or to increasing his job skills, or to cancer research, or to a struggling symphony orchestra? He must choose; he cannot do all. What should he do? No one can answer this but the individual himself. With his property, it is his responsibility to decide. Where he is responsible, his proper basis for decision is his own standards, his own values. If he acts contrary to these, he betrays himself. What he is obliged to do is what is preferable according to his own values.

### **Personal Values Depend on Many Variables**

We must note in passing that a person's values are not arbitrary. They result from our common human nature, the nature of the world, and from each person's individual attributes and situation. These values are not chosen by whim; they must be discovered and understood by long effort (this process is the core of education). Of course people are prone both to misapprehend their actual values and to rationalize away their knowledge of them when prompted by fear, shortsightedness or other human failings. But this does not make their actual values any less actual. It merely demonstrates the difficulty of understanding and acting on them.

One does not really do what is preferable to himself in the complete sense if he gives in to temptation and injures another or lets petty selfishness stifle a more fundamental generosity. This is to sacrifice more important to less important values. On the contrary, one serves himself best when he suits his highest values, when he is *selfish* in the sense of following the dictates of his best self.

Well, then, does a well-off person have an obligation to support those who are not well-off? That depends on his own (honest, actual) pattern of values. If, in a given situation, he sees others' need and believes he

should do something to relieve it, then he has a moral obligation to do so. But this obligation derives from his own standards. It does not derive from the standards of the government, or "society," or any other individual. If, on the other hand, he sees that need but believes he should devote his time and money elsewhere, then he has a moral obligation to do that instead.

Any obligation for an individual to care for the less well-off is secondary. It exists to the extent that the individual values such care above all the other purposes to which he might devote his time and attention. Anyone who values more highly some other purpose (such as, for example, securing the future well-being of one's family) does not have any such obligation.

### The Logic

The premise of this transfer-taxation argument is thus a partial truth, an over-generalization. *Some* of those who are well-off have an obligation to care for some of those who are not well-off, but some do not; obligations vary from individual to individual and situation to situation. No sound argument can be based on a partial truth, of course, but also the logic here is invalid: even where the premised conditions are true, the conclusion does not follow. Even where one does have an obligation to care for cer-

tain others, the government may not justly enforce this obligation by taxation.

In the first place, of course, no one but the individual himself can know his actual standards and values for the use of his own property, and hence what sort of obligation he has to care for others, if any. And how could the government enforce obligations that it could not identify? In the second place, since government has no power over the individual will, mind and spirit, transfer taxation does not really make an individual *give to*, or *care for* others. In transfer taxation the *government* gives . . . what it has taken by force. Caring has nothing to do with the matter. Thus the alleged obligation to care or give, is unenforceable by its nature.

But these considerations are irrelevant anyway, since, in the third place, *only obligations based on rights may rightly be enforced at all*. Obligations apart from rights, to do what one believes best with one's own resources, are a matter for individual conscience, not for extraneous busybodies. The use of force on behalf of a certain individual or group can be justified only where the rights of that individual or group are threatened. Government exists not to take the place of individual conscience and good judgment; on the contrary, inverting Jefferson's phrasing, "governments

are instituted among men . . . to secure . . . rights." Government should and must make people pay their debts and refrain from restraining or murdering others. But it should not and must not force people to eat sensibly, to maintain their cars, to be polite—or to "care for" others.<sup>1</sup>

It is well for others to try to *persuade* someone when they think he is selfishly rationalizing away an obligation he actually does feel towards others. But no group, whether the majority, the "society," the ruling junta or the government, may rightly force someone to act against his wishes in what is fundamentally his affair.

In passing, let us affirm the implication of this: that individuals have a right to *ignore* their personal, moral obligations to those who are worse off. Indeed, they have a right

<sup>1</sup>If this idea seems strange, consider that even such a clear moral obligation as telling the truth is not enforceable in our legal system except where rights are at stake, nor should it be. A lie must be punishable when it constitutes fraud or perjury, but not when it wounds a lover or deceives a voter. These latter wrongs are injuries, but not injuries of rights (fortunately for many politicians!).

### Paternal Care

IDEAS ON FEDERAL AID in such cases encourages the expectation of paternal care on the part of the Government and weakens the sturdiness of our national character, while it prevents the indulgence among our people of that kindly sentiment and conduct which strengthens the bonds of a common brotherhood.



LIBERTY

even to be selfish, mean-spirited, ungenerous and miserly, as long as they do not intrude on others' rights. They *should* not behave this way, of course—they and everyone else will lose by their doing so—but they have that right. And the rest of us, in private and through government, are obliged to respect that right.

In the final analysis, what can be said for the contention that "*those who are well-off have an obligation to care for those who are not well-off; therefore the government may justly tax the former to support the latter*"? Nothing. It is fallacious throughout. The well-off may or may not have such an obligation, but even where they do, it is a personal obligation entirely beyond the proper scope of government. The premise is a partial truth, unrelated to the conclusion, which in any case proposes a bald violation of fundamental rights. There is no ethical justification for transfer taxation. On the contrary, transfer taxation itself is at odds with ethical principles. Care for those who need care is a matter of individual values and individual responsibility. ☉

GROVER CLEVELAND

## Demand Side Economics in Medicine



SUPPOSE that a pot is boiling over on the stove. What should you do? a) put a heavy lid on it; or b) turn down the fire.

What is it that fuels rising prices? A seller can ask whatever price he wants—but if it's too high, he won't get it. If customers throng to him, he can ask more. If only a few straggle by, he'd better think about asking less. High demand (relative to supply) raises prices.

If sellers are doing a brisk business, chances are that more people will see an opportunity to get into the act. More booths spring up in the marketplace. As competition increases, prices tend to go down. Supply and demand come to

equilibrium. At an efficient farmers' market, most trucks go back to the farm nearly empty, and most customers go home with something to eat for dinner. If any money or produce changes hands without consent of both parties, the thief is hauled off to jail.

To stimulate the economy, Keynesian economists suggest "pump priming." Pour in some money, and increase demand. This has certainly worked in medicine; demand seems to be unlimited. The founders of Britain's National Health Service had the naive hope that as soon as the backlog of medical problems was taken care of and everybody became healthy, demand for services would be saturated. This just didn't happen. For one thing, prolonging life increases the toll of the expensive and chronic illnesses of old age.

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