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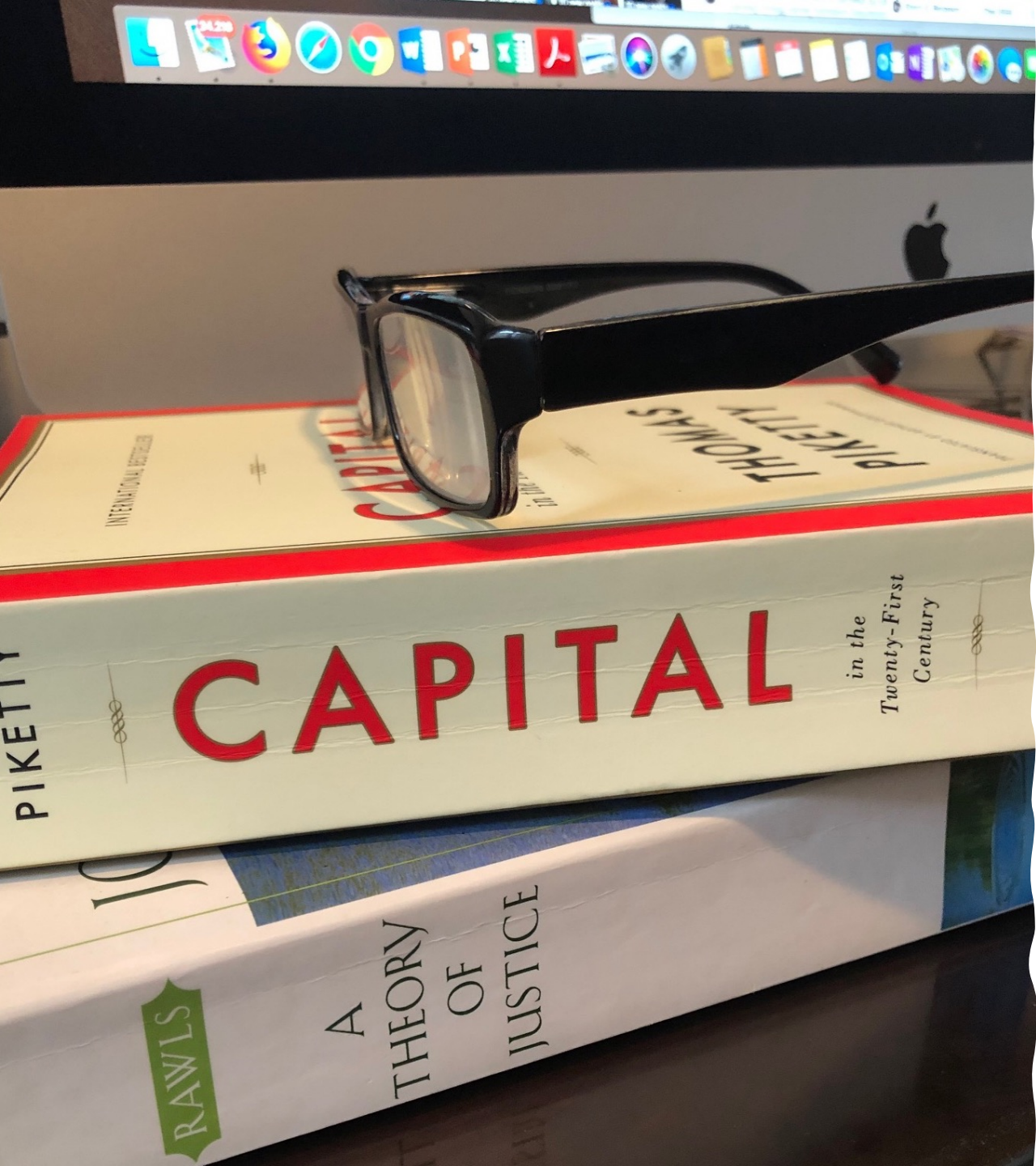
Rawls and Piketty

A Critique

Professor Hannes H. Gissurarson

Free Market Road Show

Amsterdam, 20 April 2023



Two Left-wing Gurus

Rawls: Worried about the Poor



Piketty: Worried about the Rich



Some Weaknesses in Rawls' Theory of Justice

- Why worry only about the worst-off? Why not take into account the best-off? Are they not at the bargaining table?
- Does it not matter how they came to be worst-off? Some through sloth or gluttony? (Alcoholics, addicts, criminals, etc.)
- Why presume a craving for security and ignore risk-taking under the veil of ignorance? Why only maximise the minimum and not the maximum? Why not negotiate just a safety net?
- What is the collective? The political unit of cooperation and sharing? 'Socialism in one country'

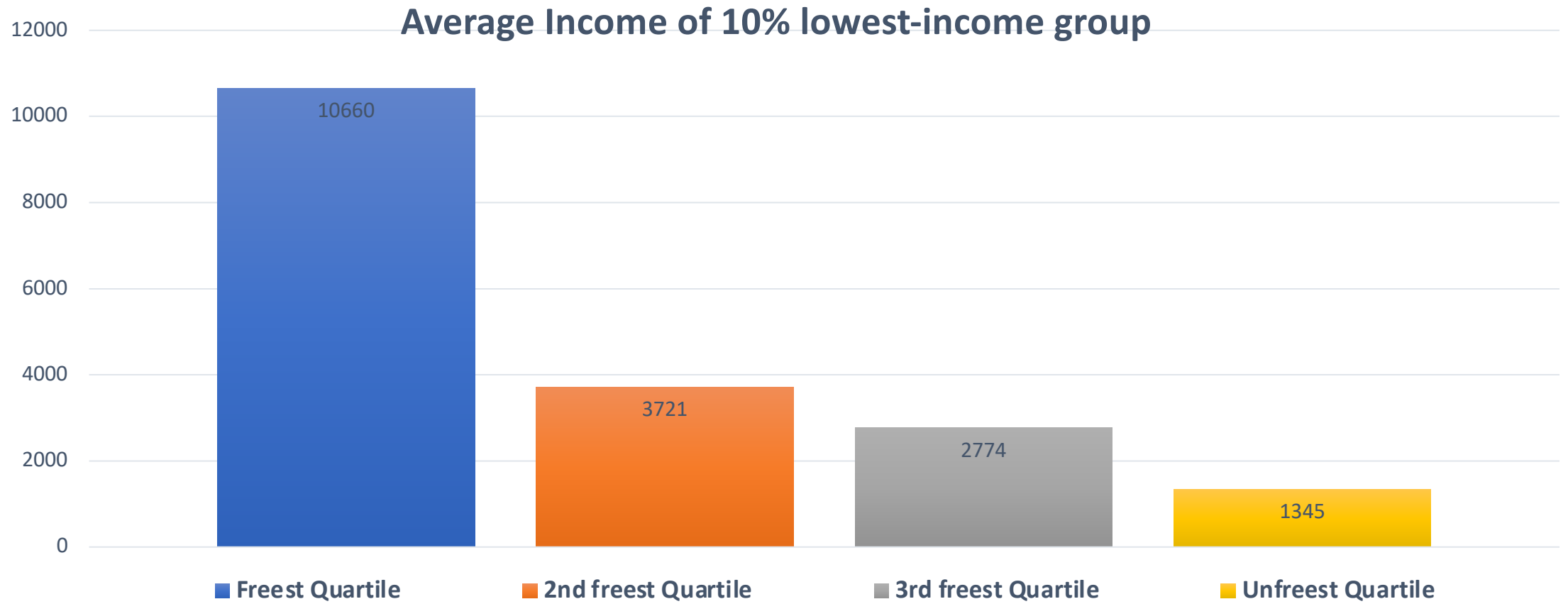
Does Mozart
Make Salieri
Worse Off?





Friedman
Goes to
Iceland:
Where is the
Injustice?

Capitalism Passes the Rawlsian Test



Some Weaknesses in Piketty's Proposals

- Inequality (Gini Coefficient) has not increased globally, only in Western countries
- Exaggerates disparity in wealth because of the real estate boom in Western countries
- Exaggerates income of wealthy which became more visible as a result of tax cuts
- Ignores beneficial consequences of the rich: resistance to power, reduction of innovation costs, source of venture capital
- Wealth does not cling to the rich, it is fragile
- Recent developments: Created, not inherited, wealth

Envy as a Capital Sin



Hayekian Response to Rawls and Piketty

- We utilise knowledge of others transmitted through the price mechanism
- Income distribution by choice transmits crucial information to us about how we can use and develop our talents and abilities to the benefit of ourselves and others
- Perhaps incentives are not removed by redistribution by confiscatory taxes, but information is distorted



