

The Economics of Envy



by Theodore Dalrymple

The relationship between intelligence, education, knowledge, and good sense is far from straightforward. Bad and foolish—but allegedly sophisticated—ideas can beguile the educated, or important portions of the educated, for decades at a time. The Marxian labour theory of value was one such which held much of the European intelligentsia in thrall for a long time, despite its obvious untruth. They wanted it to be true, so for them it was true, and in the process, they often became learned in their own fundamental error. For them, the wish was father to the conviction.

My late friend, the eminent developmental economist, P.T. Bauer, used to lament that, notwithstanding the large increase in the numbers of educated people, the capacity for connected thought seemed to have declined catastrophically. In part, he said, this was because of hyper-specialisation: fundamental principles, such as that of the law of supply and demand, were forgotten in masses of mathematical formulae or highfalutin

verbiage.

The recently-appointed British Chancellor of the Exchequer, Kwasi Kwarteng, is a highly intelligent and educated man, but he managed, within a few days of his appointment, to produce a crisis by announcing measures which I, almost infinitely less educated in economics than he, would have told him were imprudent. To introduce tax cuts without reduction in government expenditure, thus increasing borrowing requirements in times of rising interest rates and already high indebtedness, in the hope and prayer that the tax cuts would stimulate economic growth sufficiently, at a time of near recession in the world economy, to pay for them, was of doubtful wisdom, to say the least. Unsurprisingly, he was quickly forced to change course, jettisoning the portion of the plan that reduced taxes for the very wealthy. This eminently-foreseeable embarrassment has now cast a dark shadow over Mr. Kwarteng's efforts at economic reform, and perhaps even the idea of reform itself.

It seems strange that such an intelligent man could make such an obvious blunder. But perhaps my reasoning is simplistic, perhaps I am missing something important. The interconnectedness of things makes certainty in these matters difficult; there were even some economists who thought that Mr. Kwarteng had been bold and radical in the best sense. Prudence is a virtue but not, after all, the *only* virtue. Perhaps this was after all a lost opportunity.

Commentators in Britain immediately alighted on the fact that Mr. Kwarteng's proposed tax cuts would benefit principally the rich: which, to its credit, the government freely admitted and did not attempt to hide.

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But in the eyes of most people, the fact that the rich would benefit from the tax cuts more than the poor was enough in itself to condemn them, irrespective of their outcome for their economy as a whole: that is to say, even if they *were* to increase general prosperity, they would still be undesirable because they would have increased inequality.

I emphasise here that I never believed that Mr. Kwarteng's measures *would* in practice have the desired effect. But the opposition political party immediately announced that it would restore the taxes, without a caveat that it would not do so if they proved to be beneficial. (The promise to restore them would, of course, have undermined any possible beneficial effect that they might have had, by making it likely that they would not last for more than two years, thus discouraging delayed financial gratification.)

A dog-in-the-manger attitude to the rich is now morally de rigueur, even among those whom the majority of their fellow citizens would consider rich. To hate the rich is, ex officio almost, to sympathise with the poor, and therefore be virtuous: but hatred and sympathy are not two sides of the same coin. Hatred not only goes deeper than sympathy but is easier to rouse and to act upon. It is quite independent of sympathy. Hatred of the rich in the name of equality was probably responsible for more death and destruction in the twentieth century than any other political passion. The category of the rich tends to expand as circumstances require: 'Rich bastards,' Lenin called the kulaks, the Russian peasants whose wealth would now be considered dire poverty, and which consisted of the possession of an animal or two, or a farm tool, more than other peasants possessed. What Freud called the narcissism of small differences (the psychological equivalent of marginal utility) means that grounds, however trifling, can always be found for hatred and envy.

This is not to say, I hope I do not need to add, that wealth is coterminous with virtue, that the rich always behave well,

or that no wealth is illicit. We have probably all known in our time some rich bastards, but it is their conduct, not their wealth, that we should revile.

An obsession with relative rather than absolute measurement of people's situation can only foster discontent and envy, if not outright hatred. What matters it to me if someone is three or a thousand times wealthier than I, provided that his conduct or activity does me no harm? Of course, there are those who would say that his wealth was intrinsically harmful to me, irrespective of his actions, but this can be so only if I allow myself to dwell upon the difference between us and stew it in my mind, so to speak. To encourage people to do this (which admittedly is not difficult to do, given man's nature) is to increase the sum of human misery.

Let us conduct a little thought experiment on a hypothetical case that is not very far removed from possibility. Suppose the infant mortality rate (the number per thousand of children born alive who die within a year of their birth) is 3 per thousand among the richest decile of the population and 6 per thousand among the poorest decile. Let us also suppose that the rate declines to 2 in the richest and to 5 in the poorest decile. Although the rate has improved for everyone, the decline could be presented by those obsessed with relative situations as a deterioration, even a large deterioration. The relative difference between deciles has increased from 200 per cent to 250 per cent. The improvement is twice as great (33.33 per cent) for the richest decile as for the poorest (16.66 per cent). Therefore (presumably), it would have been better to let the children die than to save them.

Now I am not saying that Mr. Kwarteng's tax cuts would ever have acted like the reduction of the infant mortality rate in the example above: indeed, I think it very unlikely. I want merely to point out that it is no criticism in itself of tax cuts that they benefit the rich more than the poor unless relative positions are more important than absolute ones. And

this, it seems to me, can only be so where the ground has been prepared intellectually, by those who confound equity, justice, and equality.

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