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Taxes, Redistribution, and Public Provision

Our aim in this paper is to introduce and defend a distinction that is often blurred in public debate about tax policy, and whose recognition would clarify the relation between disputes about taxes and disputes about social justice.

Political conservatives usually argue for lower taxes on the ground that they are against big government. They often favor the reduction of government-run and government-financed programs, arguing that we know better what to do with our money than the government does. Leaving as much disposable income as possible in the hands of private individuals is better for society, according to this view, than extracting it for expenditure by the state through collective political decisions. Liberals, on the other hand, argue that action by government is necessary to advance social justice, and that substantial taxes are needed to provide the resources that should be used toward that end.

But there are two different issues here. One is about the size of government, and the use of taxes to support government-run programs. The other is about distributive justice, and the use of taxes to reduce socioeconomic inequality. An argument against big government is not necessarily an argument for lower taxes, since taxes may be used to promote distributive justice directly without being spent on public programs.

The position we take is this: Tax policy should be evaluated in light of a broader concern for social justice in the society as a whole. In our view—although we will not assume or try to defend it here—this does not include any requirement of respect for natural property rights. Taxes do

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Philosophy & Public Affairs 30, no. 1.

not take away from taxpayers what is antecedently theirs; pretax income has no status as a moral baseline for the purpose of evaluating the justice of the tax system. Private property is a set of legal conventions, partly determined by the tax system, and those conventions must be evaluated by assessing the justice of the overall social order that they support. However—and this is the point we will try to defend in the present paper—within the context of any conception of social justice, the level of public provision, or the “size of government,” should be evaluated not mainly on grounds of justice but on grounds of efficiency. The appropriate level of government-run programs should be determined by whether their benefits are worth their costs.

This is not the same as a benefit principle of taxation, according to which people should be taxed in proportion to the benefit they receive from government. The issue of whether more or less money should be left under the control of private individuals is distinct from the question of distributive justice, and therefore from that of the level of taxes. What we mean by this will become clear in the course of the argument.

I. TWO FUNCTIONS OF TAXATION

Taxation has two primary functions. (1) It determines how much of a society’s resources will come under the control of government, for expenditure in accordance with some collective decision procedure, and how much will be left in the discretionary control of private individuals, as their personal property. Call this *public-private division*. (2) It plays a central role in determining how the social product is shared out among different individuals, both in the form of private property and in the form of publicly provided benefits. Call this *distribution*.

Even though many tax-supported programs perform both of these functions, they are conceptually distinct. It is important to keep the distinction in mind in thinking about taxes, because it is not just conceptual but normative. Reasons for and against putting resources under government rather than private control are not necessarily reasons for or against redistributing resources among groups or individuals, and vice versa. Political rhetoric tends to identify big government with egalitarian redistribution, but there is no necessary connection between positions on the two issues.

One might favor a strongly egalitarian distributive policy of money transfers or cash subsidies while being against all but a minimal level of public provision—leaving individuals as free as possible to determine how their share of the social product is to be expended. On the other hand, one might be in favor of a high level of public provision, including public education; health care; military expenditure; environmental and social control; and support for science, art, sport, entertainment, and culture, while not being in favor of any redistribution except that which occurs as an inevitable side-effect of the financing of these goods by the unequal taxation of persons with unequal resources. Of course, one might also be hostile to both redistribution and public provision, or favorable to both; the point is only that the correlation is not necessary, and we will not get a clear view of the reasons bearing on the two questions if we do not distinguish them.

But there is another reason for distinguishing distribution from public-private division, and it is this: We cannot evaluate different answers to the public-private question except by reference to some answer to the distribution question that is taken as already given, because we cannot compare the value of public and private use of resources unless we know how the private control of those resources will be distributed among individuals if they are not used publicly.

Efficiency requires that we not employ resources publicly if their private use would do more good, and vice versa: Ideally, the boundary between the two should be drawn in a way that equalizes the marginal value, by some appropriate measure, of public and private expenditures. But if the private distribution that provides the alternative to public expenditure is unjust, that will distort the comparison: The value of public expenditure will be compared with the value of the “wrong” private expenditures. What we want, ideally, is to be able to compare public with private expenditure under a regime of distribution that can be assumed to be just as among individuals.

Some public expenditures are themselves redistributive in effect, but even with respect to those that are not, we can only address the public-private question in light of some answer to the problem of distribution. That problem is the subject of massive disagreement. There are many conceptions of distributive justice, in varying degrees egalitarian, utilitarian, or liberal. Moreover, their implementation will always involve

some public expenditure, at least for maintenance of the legal system and provision of external and domestic security, but often much more than that. Yet we need to assume at least some notional solution to the distribution problem before we can evaluate the possible levels and methods of financing of public expenditures such as these.

This will be a purely imaginary allocation of resources among individuals, representing a particular conception of justice. Any real allocation, by contrast, will be the result of some combination of private economic interaction under appropriate conditions of liberty and opportunity, perhaps some degree of taxation and transfer, some forms of direct public provision, and differential taxation. But the desired form of these mechanisms cannot be determined independently of distributive assumptions, because we cannot evaluate a public expenditure except by comparing it with the value of the private use to which those resources would otherwise be put—and to do that we have to know who would get those resources.

It is not clear how best to think about this mutual interdependence of the two elements of taxation. Any distributive aim will depend for its implementation on some form of public-private division, and any public-private division can be justified only against the background of some distributive assumption. This is not going to be a simple matter of solving a pair of simultaneous equations. The interrelationships are too complicated.

First, if we could assume a just distribution as a starting point, then we would want to set the level and type of nondistributive public provision—essentially public goods—so that people will get their money's worth, allocating to the public sector only as much as could not be better used if left, justly distributed, in private hands. Second, whatever our conception of distributive justice, we cannot implement a just system of distribution without some public expenditures, so those expenditures cannot be evaluated in the same way against the background of the just distribution that requires them as a condition. Third, some and perhaps most forms of public provision will combine the distributive and nondistributive functions, especially through the way they are financed by differential taxation, so they will both create the background conditions for their evaluation and be evaluated by reference to them. Fourth, whatever taxes are levied to pay for public provision on the assumption

of a just distribution will have secondary effects on production and distribution, perhaps rendering the assumption false and requiring compensatory adjustments. All this creates an almost impenetrable tangle of justification.

And yet it seems a desirable aim to treat distribution and public-private division to some extent separately — to want to arrange things so that individuals get their just share of the social product and so that the marginal dollar of public expenditure, in the benefits it produces, is worth the sacrifice in private expenditure that would otherwise be possible, under a fair allocation. Classical theorists such as Knut Wicksell and Erik Lindahl dealt with the problem by simply assuming a just distribution among individuals, without specifying how it was produced, and evaluating tax and public expenditure policies as if they were departures from that benchmark.¹

II. PAYING FOR PUBLIC GOODS

Any allocation of the entire social product among individuals is a fiction, whether or not it is assumed to be just. Some public expenditure is needed to sustain a legal and economic order of any kind. But let us as a thought experiment suppose a notional division of control over resources among individuals in a society, and let us for the moment bracket the question of distribution by simply assuming this division is just, by some standard.

The standard might even be the minimal one associated with libertarianism, according to which the distribution of the social product is

1. For a discussion of these writings, see Richard A. Musgrave, *The Theory of Public Finance* (New York: McGraw-Hill, 1959), chapter 4. English translations of some of the originals are found in Richard A. Musgrave and Alan T. Peacock, eds., *Classics in the Theory of Public Finance* (London: Macmillan, 1958). See especially Erik Lindahl, “Just Taxation—a Positive Solution.” Musgrave himself proposes a tripartite division of the functions of government into the Allocation, Distribution, and Stabilization branches, the first two of which are related to our distinction between distribution and public provision. For more recent discussions, with references to the literature since Musgrave, see Louis Kaplow, “The Optimal Supply of Public Goods and the Distortionary Cost of Taxation,” *National Tax Journal* 48 (1996): 513–33; Joel Slemrod and Shlomo Yitzhaki, “Integrating Expenditure and Tax Decisions: The Marginal Cost of Funds and the Marginal Benefit of Projects,” *National Tax Journal* 54 (2001): 189–201. We find Kaplow’s article particularly sympathetic because of his insistence on separating out the redistributive effects of taxation in determining the level of public goods.

just provided it is arrived at under conditions of natural liberty—through uncoerced economic transactions and free gifts and exchanges under a system of law that permits everyone to participate and enforces their property rights equally. For present purposes we are thinking of it not in its strict libertarian form, which would prohibit compulsory taxation, but rather as a distributive baseline for the financing of public goods. Essentially this would mean that there are no substantive standards of distributive justice, only procedural ones, and that justice per se does not require any redistribution at all, even to ensure equality of opportunity.²

But we could also suppose that the just distribution requires a social minimum, or equality of opportunity, or some stronger principle of equality. We will assume only that, however egalitarian in spirit the conception is, a just distribution will still involve substantial inequality of resources. This is simple realism. But we will leave indeterminate for now the nature of a just distribution, in order to focus on public provision. Since any substantive conception of distributive justice will in practice have to be realized partly through public provision, the two topics will have to be rejoined later.

If some solution to the distribution problem is assumed to be in the background, the main reason for public provision will be to supply public goods—i.e., those from the benefit of which individuals cannot be excluded, because they cannot be supplied for anyone unless they are supplied for everyone. These will include such things as external and domestic security and the maintenance of the legal system, which permits natural liberty to govern the creation and distribution of resources, but also perhaps various other cultural, social, and environmental goods that make a difference to the quality of life.

There is one complication that we shall note here but then set aside: Not everyone will “consume” each of these public goods to the same extent. The Coast Guard and hurricane warnings, for example, have limited value for residents of Nebraska—although tornado alerts may help to even things out. Political horse-trading can sometimes deal with this problem in a rough and ready way, since there are many different public goods competing for resources. The division of the tax base for different

2. A view of this type is defended by Richard Epstein in *Takings* (Cambridge: Harvard University Press, 1985), pp. 7–18. He draws consequences for taxation at pp. 283–305.

purposes among local, state, and national populations may also help to ensure that people are getting the public goods they pay for. However, we will disregard this complication in the discussion that follows, and count as a public good any good that cannot be supplied to specific individuals, but must be made generally available if it is to be provided at all.

We will also set aside for the moment a different reason for public expenditure that might appropriately be called *public duties*. Although not everyone would agree, the view is fairly widespread that—quite apart from any requirement of distributive justice—we have some form of collective obligation to contribute to the prevention or alleviation of major disasters such as famines, epidemics, and environmental degradation, and perhaps that we also have an obligation to support certain intrinsic goods such as art (including preservation of the artistic heritage). Such obligations, if they exist, transcend national boundaries, and they may be strict enough to be forcibly imposed by governments on their citizens. That would be a justification for taxing people to provide foreign aid to severely impoverished countries or government support for the arts, based not on the benefit these things provide for the citizenry, but on a duty citizens have to support them.

We shall return to this topic later, but for now we shall concentrate on public goods that are goods *for* the public. And we have bracketed the distributive question by assuming for the sake of argument an unequal but just distribution as the background.

In determining the level and type and form of financing of each of these public goods, we will also be determining what is left under the private control of each individual. And if the prior distribution is just, we should want appropriations out of it for these public purposes to give people their money's worth. Since exclusion is not possible, we cannot do this by asking everyone to purchase only the amount of military protection, for example, that they want and feel they can afford. Nor can we offer protection at the same price for everyone, excluding those who do not pay. We have to give everyone the same level of protection, at the same per capita cost in public expenditure, even though its monetary value to each of them will be different.

The main reason for this difference in value is not that some people care more about the dangers of military invasion than others, but that some people have more money than others, so that a dollar more taken from them to be spent on defense does not mean a dollar less for basic

necessities, but only for something less important. The more money you have, the less a marginal dollar is worth to you, so the marginal utility of your expenditures on defense and on alternative private purposes will be equalized at a higher level than they will for someone who has considerably less—under the unequal but presumptively just distribution that is our benchmark.

The best we can do, therefore, is to set public expenditure at a level financed by unequal contributions from individuals that come as close as possible to equalizing the marginal utility of public and private expenditure for each of them. At any given level of total defense spending, the resulting protection will be worth more money to those who have plenty of it than to those who do not, so this means efficiency will be promoted if the former pay more. Of course, the designers of the system must simply guess at these values, since they will not be revealed by a market. Whether they could be revealed by the political process is a difficult question.

This is completely different from the pricing and allocation of goods in the free market. If a good such as asparagus can be bought by one individual without being supplied to everyone, and if there is a competitive market for its supply, then two things will follow. First, people who differ in wealth or income but who are equally partial to asparagus will buy more or less or none of it at a given price. Second, all buyers will be able to get it at the same price—which for some is the maximum they would be willing to pay for a few spears of asparagus, but for others, wealthier than they, is well below the maximum or reserve price they would be willing to pay, even for all the asparagus they could possibly eat. A competitive market in private goods therefore automatically creates a large surplus—the difference between actual price and reserve price—for people who have lots of money. Poor people benefit from this surplus only with very cheap private goods such as salt and digital watches. To them, most things do not feel cheap or costless because most purchases are close to their reserve price.

With a public good, individuals cannot obtain different amounts of it and there is no need to charge everyone the same, so there is no automatic, radically unequal allocation of surplus. The question for the state then becomes what *single* amount of the good to provide to everybody, and at what *separate* price for each? This is very different from the question facing the producer of a private good: what *single* price to charge

everyone so that total sales, of *unequal* amounts to different individuals, will yield maximum profit? The government must operate more like a price-discriminating monopoly. It needs to figure out how much the public good is worth to each individual and charge each of them accordingly, financing the total cost of the good out of the sum of the unequal assessments and setting the level of provision at a point where for each person the assessment is less than or equal to that person's reserve price for that level.

Some high levels of public provision will be clearly inefficient because they cost more than the sum of what they are worth to all the individuals whose taxes must pay for them. There will be no way of distributing their costs so that their marginal utility will not be lower than that of alternative private uses of that money, by at least some taxpayers. On the other hand, some low levels of public provision will be clearly inefficient because they necessarily leave at least some taxpayers in the private possession of money that would give them greater marginal utility if it were taxed away from them to provide a higher level of provision.

In between will fall levels of provision and allocation of costs that are efficient. For these solutions, one will not be able to improve anyone's situation by a change in their taxes or in the level of public provision without worsening someone else's situation. However, since many solutions are efficient in this sense, efficiency alone will not dictate a choice among them. Even if taxpayers contribute unequally to the cost of public goods, in accordance with the different value to them of money, there will still in most cases be a surplus that can be distributed among them in different ways. That is because the total cost of a public good will usually be lower than the sum of the reserve prices of individuals for a given level of provision. So there will be levels of national security, say, or street cleaning, whose cost can be covered by more than one division among taxpayers without exceeding anyone's reserve price. Indeed there may be many kinds of public goods of which this is true at any level of provision below the satiation level—i.e., the level at which the marginal utility drops to zero and no one would want any more battleships or streetcleaners at any price.

Suppose there is a satiation level for national defense, and that Poor were willing to pay at a maximum 10% of a \$20,000 income to reach that level, and Rich were willing to pay up to 30% of a \$100,000 income, but that the cost per citizen of this level is only \$10,000. Clearly it would be

inefficient to take \$10,000 out of the private consumption of each of them to finance it, since that would make Poor worse off. It would also be inefficient to choose a lower level of provision. But if this level is supplied by the state, should Poor be assessed \$2,000 and Rich \$18,000; or should Rich pay \$20,000 and Poor nothing; or should each pay a share of the total in proportion to their reserve prices, i.e., \$18,750 and \$1,250? (Not that those are the only efficient alternatives.) Not only are all these allocations efficient, but they also equalize the marginal utility of defense and private expenditure for each taxpayer—since the marginal utility of a defense dollar for each depends on how much the other is paying.

This choice by the state in its role as a nonprofit price-discriminating monopoly does, inevitably, bring up questions of fairness and not just efficiency. It may be a kind of fairness that is not identical with distributive justice, since it can clearly arise even against the background of a distribution that is not subjected to standards of the latter sort. But even a libertarian will not be able to leave to the market, or an imaginary market, the pricing of public goods.³ So we see that distributive questions are unavoidably involved in the problem of public provision, even for those who do not in the ordinary sense believe in distributive justice.

Assessment in proportion to benefit, as measured by different reserve prices, does seem a plausible standard, and this would probably be in effect significantly progressive. So there is room for a kind of benefit principle in this restricted context. Against the background of a distribution that is assumed to be just, the funding of public goods may best be arranged according to some standard of proportionality to benefit. However, this is only one possibility: other theories of distributive justice may bear on the choice more directly.

But even though a distributive element enters these choices because of the surplus, it is important to recognize that substantial inequalities in the allocation of tax support for public goods will be dictated by efficiency alone, given a background of unequal distribution of resources. The efficient allocations of cost among which we must choose are already significantly unequal in ways that correspond to the background inequality. (In the above example, they fall between $18,000/2,000$ and $20,000/0$.)

There is a sense in which such a system will inevitably seem redis-

3. See Paul A. Samuelson, "The Pure Theory of Public Expenditure," *Review of Economics and Statistics* 36, no. 4 (1954): 387–89.

tributive in effect, if not in intent. To take another example, if the rich would be happy to pay a lot for clean streets and the poor very little, the poor will get them anyway, largely paid for by taxes on the rich, at a level that the poor could not afford on their own. But the alternative is either that the poor be required to pay more for street-cleaning than it is worth to them, or that the rich get dirty streets in exchange for extra disposable income that is worth less to them than it would be if spent on clean streets. So what is driving the solution is really efficiency, not redistribution.

III. WHICH GOODS ARE PUBLIC?

Partisans of the market are inclined to see greater efficiency in the minimization of public expenditure and the provision of as many goods as possible through private contract. Thomas Schelling has even suggested that poor people should be allowed to patronize cheaper airlines and airports that offer a lower level of safety than rich people require—since it would be worth the savings to them.⁴ In money terms, after all, rich people value their lives much more than poor people do, not because they value their lives more, but because they value money less. Often, however, there is no satisfactory individualized substitute for public goods—not only those of the minimal nightwatchman state, but others as well. Rich people can band together in restricted private communities where the streets are clean and the landscaping and security perfect, but this is not enough, even for them. They also want to be able to live and work in safe and attractive cities with diverse populations. Leaving everything to the market will in certain respects leave everyone worse off than they could otherwise be.

It may be that the justification of public provision not for purposes of redistribution but rather to provide public goods for reasons of efficiency—goods that benefit everyone—can be extended to cover a great deal. The classic public goods are defense, domestic security, the legal system, environmental protection, and public health. But there may be important aesthetic, social, and cultural goods that cannot be supplied privately. If we can ensure a decent level of education for all, independently of their ability to pay, the result will be a society that is much bet-

4. See Thomas Schelling, "The Life You Save May Be Your Own," in *Choice and Consequence*, (Cambridge: Harvard University Press, 1984): 113–46.

ter for everyone to live in, and economically better for almost everyone, than a society with high levels of illiteracy and innumeracy. A considerable support for universal education by the haves, even with a minimal tax contribution from the have-nots, will produce on balance a result that is advantageous for the haves as well as the have-nots, in both social and economic terms.

Similar things could be said of support for the performing arts in order to foster a creative cultural environment, support for scientific and scholarly research, and so forth. Finally, there is also a case, based on this type of efficiency consideration, for traditional social welfare policies guaranteeing a decent minimum standard of living, or decent minimum earnings, for everyone in the society. Such programs are usually regarded as redistributive, but the alternative to a decent social minimum is a society with real poverty, which often results in higher rates of crime, drug addiction, and single motherhood, all of which impose their own costs not only on the poor but on everyone else, too. To be grim about it, the cost of subsidizing wages for unskilled labor to make them sufficient to support a family might well be balanced by savings in the costs of prisons and law enforcement that such a change would produce, not to mention the value for everyone of the change in the social environment.⁵

Again, such programs would not be redistributive in the usual sense of benefiting some at the expense of others. The poor would benefit, but only to the extent that the rich would also. The size of the benefit to the poor would depend on what would equalize marginal benefit to the rich from among competing categories of expenditure—how much the well-to-do could contribute before alternative uses of their money, including private consumption, would be more valuable to them—the diametrical opposite of Rawls's difference principle.

The reduction of social and economic inequality is in this way seen as a public good, paid for according to its monetary value to different individual taxpayers. This case differs from that of national defense, for example, in that it makes no sense to tax the poor for some of the cost of raising their spendable income. But it is still driven by efficiency, not fairness—a direct appeal to the interests of each, with no sacrifice being imposed on anyone. There are obvious political advantages in portray-

5. Such a pure efficiency argument is persuasively stated by E. M. Phelps in his recent defense of wage subsidies. See *Rewarding Work* (Cambridge: Harvard University Press, 1997).

ing social welfare policies in this way, but that does not mean there is nothing in it.

If, however, the efficiency arguments go in the other direction, and favor the construction of prisons over provision of a social minimum—or if, for whatever reason, the well off are not unhappy to live in a society full of poor people (it solves the servant problem), then we must consider the question of distribution independently. So far we have been asking how to determine the appropriate level of public provision relative to minimal assumptions about the standards of justice that a distribution of resources among private individuals must meet. That includes the libertarian standard. Now we have to consider more restrictive alternatives to that background assumption. This is again, in theory, a question prior to that of public-private division, since there is no necessity that a more substantive conception of distributive justice will be implemented through direct public provision of benefits: The level of public provision is logically secondary and can be determined, as we have said, only against the background of a solution to the distribution question.

IV. REDISTRIBUTION

For substantively redistributive theories of justice this is problematic. It is not clear how one can conceive of a utilitarian or Rawlsian distribution being carried out while the level of public provision is left unspecified. For the moment, however, let us put that issue aside and simply observe that many people would favor a frankly redistributive standard for social and economic justice, according to which libertarian procedural conditions do not suffice to confer justice on the outcome of economic transactions. These conceptions include (a) views that require additional procedural conditions, such as some positive form of equality of opportunity, through education, health care, child care support, etc.; (b) views that require a decent social minimum for its own sake; (c) utilitarian views that require transfer of resources from haves to have-nots because of the diminishing marginal utility of most possessions; (d) liberal egalitarian views such as Rawls's, which combine equality of opportunity with priority to improvements in the condition of the worst off. We will not take up the merits of these views here, but we will concentrate on their relation to the issue of public-private division, which must now serve two purposes at once: distributive justice and the financing of public goods.

Redistribution need not take the form of public provision, but it may, and the choice between cash and in-kind redistributive transfers is important. But even if we set aside public provision that is specifically redistributive in intent, there will also be a consequence for the public provision of public goods whose point is not redistributive. Their financing out of tax revenues will now also serve a redistributive purpose rather than mere efficiency, as in the earlier discussion. Distributive considerations will influence the allocation of the costs of public goods among taxpayers beyond the allocation of the surplus, already discussed. This has to be done even though we still rely mainly on efficiency, relative to a presumably just background distribution, in determining the appropriate level of public goods.

The abstract division of the process of justification into two stages is, we have said, problematic and highly artificial. (Where the distributive principle is utilitarian, it is particularly peculiar, because we will be piling one utilitarian argument on top of another.) However, suppose we can conceive of the solution to the distribution problem as logically prior, without specifying how it is to be implemented and without yet assuming anything about public provision. We would then have a basis for determining the efficient level of a public good such as defense, by comparison both with other public goods and with private expenditures. And having determined that, we would have determined the share of defense costs to be borne by different individuals, out of their different notional resources under the just distribution. Finally, we will be able to adjust their actual shares of the cost through taxes as one way of creating that just distribution. This means that redistribution will usually take the form of a combination of direct transfers and differential contributions to the financing of public goods. But it is important to think of this as in part consisting of the support of public goods out of the resources of those who are benefited by redistribution.

Suppose Rich has a predistribution income of 100 and Poor has an income of 10, and that distributive justice would require a transfer from Rich to Poor of 10, leaving them with 90 and 20. Suppose that, relative to this just notional distribution, a level of spending on public goods to which Rich contributes 30% of 90 and Poor contributes 10% of 20 equalizes the marginal utility of public and private expenditures for both of

them. This result can be achieved by taxing Rich 29 for the public goods budget, and transferring another 8 from Rich to Poor.

V. TRANSFER OR PROVISION?

That still leaves the question of how best to implement redistribution apart from the financing of public goods. How should one decide between public provision and simple transfer of private resources? The question is further complicated by the fact that certain kinds of public provision may serve a double function, since they can be justified both as public goods and as forms of redistribution, and the actual reasons of their political supporters may be mixed. That is evident from the earlier discussion of the nondistributive efficiency arguments for a social minimum, universal education, health care, and so on. But in either case there seems something to be said for providing some of these things in kind, rather than doing it all in fungible cash. This does not have to take the form of public schools and colleges or public housing or a national health service: Some of it can be done with vouchers dedicated to certain purposes, or with food stamps or housing allowances—thus preserving some of the efficiency advantages of market mechanisms of supply and allocation. But provision in kind seems justifiable for more than one reason.

The most important is that described by T. M. Scanlon in “Preference and Urgency.”⁶ Even if the reasons for helping those in need are frankly redistributive, the measure of value that is relied on by a conception of distributive justice ought to be itself objective enough to be accepted from the point of view of the diversity of value systems represented in the society. The satisfaction of individual preferences, whatever they might be, does not meet this standard. We may feel we owe each other the conditions of fair equality of opportunity, or a decent standard of living, but that does not mean we owe an individual help in obtaining something else instead just because the individual values it even more.

In Scanlon’s example, if someone would gladly forgo a decent diet in order to build a monument to his god, that does not mean that if we feel obliged to contribute to his getting enough to eat, we should also feel

6. T. M. Scanlon, “Preference and Urgency,” *Journal of Philosophy* 72 (1975): 655–69.

obliged to contribute an equivalent amount to the cost of his monument instead. Insofar as in-kind provision discourages such tradeoffs and ensures that redistribution will be carried out in a common coin of value, it has an advantage over monetary redistribution. This holds even more clearly for the case in which the reduction of socioeconomic inequality is also justified as a public good. The improvement in question has to be of value to everyone, and it is likely that specific benefits will more reliably produce the desired social effects.

There is also some reason for paternalism with regard to the meeting of basic needs: health, education, retirement, and insurance against disability and unemployment. It may be reasonable for the community not to trust individuals to be prudent in those respects, particularly if they do not have much money. For political purposes, it may be best to make such paternalistic programs universal in application, but their most important impact will be on those who do not have substantial extra private resources to provide a buffer against the effects of imprudence.

Still, it is hard to be confident about this question. It is possible that in the implementation of substantive redistribution, the line of public-private division should be drawn to leave the lion's share of distributed resources under private control, both for reasons of efficiency and to further values of autonomy. The familiar conservative rhetoric about people knowing better what to do with their money than does the government combines two claims: (1) that the money people earn before taxes is theirs, and they should not be required to give it up for the benefit of others; (2) that whatever money is theirs, its management and expenditure is better left in their hands, to be controlled in accordance with their own values and judgments. The first point is anti-redistributive; the second point is pro-autonomy. It is possible to accept some version of the second point without accepting the first. That is, one can maintain that it is best for people to decide individually what to do with "their" money, but at the same time affirm that government has a legitimate role, through design of the tax and property system, in determining what is "theirs"—what different individuals will end up with as disposable income and wealth, after taxes and transfers.

Pure resource distribution can be implemented by a substantial personal tax exemption, by a negative income tax (or earned income tax credit), by wage subsidies, by family allowances, or by a sizable demogrant that goes automatically to everyone. On the revenue side, distribution

can be supported in various ways, of which progressive income taxation is only one. If there is a case against big government—against large public services and programs of public provision—it need not be a case against redistribution, which could in principle be carried out largely in cash, leaving people free to make their own private choices on how to use it: for health insurance, retirement annuities, and so forth. That would leave only public goods to be directly supplied by government programs, and their extent could be determined by efficiency considerations, provided a just distribution was assured.

All this leaves unaddressed the purely economic arguments against redistributive transfers, either in cash or in kind: arguments to the effect that they and the taxes needed to finance them have adverse consequences on investment, on work incentives for both high and low earners, on levels of employment and productivity—that the trickle-down effects of a hands-off policy are much better in actual outcome for the people one wants to help. Whatever may be the empirical merits of such claims, they can provide arguments about tax justice only by reference to some standard of what makes one result more just than another. On some empirical assumptions, even a strongly egalitarian conception of justice, such as Rawls's difference principle, cannot be implemented by redistribution from rich to poor, because the economic effects of such redistribution hurt the poor—for example, by leaving them with insufficient incentive to seek employment. If that were indeed the case, then the right distributive background would best be achieved by fewer transfers. This leaves in place the framework of justification that we have sketched for determining the correct level and financing of public goods relative to a conception of justice.

VI. PUBLIC DUTIES

Let us return finally to the special type of good mentioned earlier, which is neither a good for particular individuals in the society nor a public good for all of them, but rather a good in itself. If there are such things, we suggested, they might be justifiably supported by the state out of taxes under the heading of public duties rather than public goods. Examples would include foreign aid, support of the arts and sciences, and protection of endangered species. All these may have public and private good aspects as well, and foreign aid probably brings in some version of dis-

tributive justice on the global level, raising familiar and difficult questions about the interaction between international and domestic distributive justice.⁷

However, let us consider these things now in their aspect as goods that everyone has some obligation to promote if possible. One view would be that the fulfillment of this obligation should be left to individual choice, through private charity. But if one takes the other view, that the state may legitimately enforce such a contribution (against the background of a prior distribution of resources that is presumed not to be unjust), then the question will be how to decide what different people, at different economic levels, ought to be assessed for these purposes, and what the total contribution should be.

This question has a similar structure to the problem of public goods. The level of individual obligation generated by public duties will be a function not only of the importance of the good to be promoted or need to be met, but also of the resources of the potential donor. Assigning the relevant values is obviously going to be a matter of moral and political disagreement, but it has to be done in some measure that allows comparison with both public and private goods. Support for the arts, famine relief for impoverished countries, national defense, and private goods, from housing to holidays, must all compete normatively for the marginal dollar.

The appropriate foreign aid budget will be the sum of the amounts that fulfill the obligations of the individual citizens, relative to the other possible employments of their individual resources. And if there is, in this case or in some other, a satiation point where less than this sum will suffice, then we are brought back to the question of how to divide the resulting moral "surplus." People in these circumstances would be required to give less than they could in principle be required to contribute to the purpose in question if the costs were higher. So the solution to the problem of financing the fulfillment of public duties fits into the same structure as the problem of public goods.

7. See, e.g., John Rawls, *The Law of Peoples* (Cambridge: Harvard University Press, 1999); Charles Beitz, *Political Theory and International Relations*, rev. ed. (Princeton: Princeton University Press, 1999); Thomas Pogge, "Cosmopolitanism and Sovereignty," *Ethics* 103 (1992): 48–75.

VII. CONCLUSION

Because the framework we have offered contains so many evaluative and empirical variables, it has no clear tax implications by itself. But it does imply that if we are favorable to the reduction of inequality or the provision of a decent minimum standard of living to all members of the society, we should distinguish this aim from any assumptions about the level of public provision, and should also distinguish it from the independently desirable goal of financing public goods in such a way as to equalize the marginal utility of public and private outlays for all individuals. Distribution and public-private division are distinct but richly interrelated issues. We have tried mainly to distinguish the factors that bear on their evaluation.

In summary, we would emphasize three points. First, there are substantial reasons quite apart from distributive justice for apportioning the cost of public expenditures unequally among those with unequal resources. Second, many more things than might initially seem to be public goods can plausibly be regarded as having a public good aspect, and therefore are candidates for public provision without appealing to distributive justice. Third, if one accepts, as we and most other people do, a serious social requirement of distributive justice—even if only through the provision of a social minimum or the conditions of equal opportunity—then it is an open question whether this should be accomplished by transfer payments or by in-kind public provision or by vouchers dedicated to certain purposes but usable in the private market. It is compatible even with a strongly egalitarian conception of distributive justice that public provision should for practical reasons be mainly in the realm of public goods that benefit everyone, and that redistribution should be implemented not through public provision but mainly through transfer payments and differential tax assessment for the financing of public goods.