

Two Just Taxes Abstract

Practical rationality is the art of acting so as to allocate one's scarce resources among competing ends. If one's ends do not exceed the resources available to satisfy them, then questions of rationality do not arise at all. Hume made a similar observation concerning the virtue of justice, which does not arise in an Edenic state in which everyone's ends are jointly satisfiable. Justice and rationality are both virtues that arise only under conditions of scarcity: they concern how to best allocate scarce resources to competing ends, in the social and individual cases.

There are two kinds of scarcity: contingent and necessary. A set of preferences is *contingently unsatisfiable* when there are not enough resources to satisfy all of the preferences, though all of the preferences could be satisfied if there were more resources. We are perpetually faced with this kind of scarcity because we have a limited amount of money and a virtually unlimited number of valuable things we could spend it on. A set of preferences is *necessarily unsatisfiable* when satisfying all of the preferences is logically impossible.

Incoherent sets of preferences are always bad for the people who have them. When all preferences in a necessarily unsatisfiable set of preferences are had by a single individual at a single time, this is a paradigm of irrationality. One cannot act rationally if the ends that guide one's actions are inconsistent, and someone with inconsistent ends could not be made better-off, since the satisfaction of one of her ends entails the dissatisfaction of another. Necessarily unsatisfiable preferences present even more interesting and deep problems when the incompatible ends are possessed by different individuals. When our ends are collectively incoherent, there is a ceiling on the amount of well-being that can be achieved. We cannot cooperate with one another, as we can when our ends are unsatisfiable because we lack sufficient resources.

Unfortunately, the collective incoherence of our ends is a ubiquitous social phenomenon. After discussing the nature of individual and collective incoherence in the first section, I introduce Veblen's (1899) account of conspicuous consumption in the second section. One of the main sources of collective incoherence is the fact that everyone desires positional goods: goods whose value to the person who consumes them is determined not by intrinsic features but rather by whether the good is better or worse than the goods consumed by others. When we all strive for positional goods, we are collectively irrational and waste resources. In the third section, I identify a striking parallel between Veblen's account of positional goods and his contemporary Henry George's (1879) account of land. Unlike labor and capital, human beings cannot increase the supply of land. As such, our desires to use land are collectively incoherent, and competition to use land generates waste and precludes cooperation. George proposed a land value tax to end this destructive competition. A progressive consumption tax would have the same effect on our pursuit of positional goods. Since both taxes are laid on features with fixed supply, they are efficient and do not generate waste like other taxes do. Rather, they reclaim waste by preventing us from engaging in destructive competition over a fixed stock of resources. In other words, these taxes penalize people who have and act on ends that are inconsistent with the ends of others, so they can replace collective irrationality and destructive competition with cooperation. The final section discusses how these taxes have the potential to make us all better-off by reconciling our collectively incoherent ends.