Equality of opportunity and inheritance taxation

Steinar Bøyum, Department of Philosophy, University of Bergen.

Jørgen Pedersen, Department of Business Administration, Western Norway University of Applied Sciences.

Abstract: In this chapter, the relationship between inheritance and equality of opportunity is examined within the context of the increasing socioeconomic inequality in recent years. While equality of opportunity is often cited as a justification for inheritance taxation, the relationship between inheritance and equality of opportunity is quite complex, depending both on how equality of opportunity is interpreted and how it is integrated with other normative ideals. The chapter begins by outlining the main versions of equality of opportunity and then turns its attention to John Rawls' notion of fair equality of opportunity. This allows for a discussion of the tension between equality of opportunity and family autonomy, a central topic in debates on inheritance taxation. Next, the chapter examines Anne L. Alstott's resource egalitarian treatment of inheritance taxation and her views on the implications for inheritance taxation of a single-minded focus on equality of opportunity. Finally, the chapter outlines Thomas Piketty's recent proposal for a broader institutional scheme. Piketty's work is here viewed as developing Rawlsian ideas, emphasizing how equality of opportunity must be integrated with other normative ideals and inheritance taxation with other forms of taxation.

Key words: Inheritance, taxation, family, social inequality, equality of opportunity

Introduction

Wealth inequality has increased in many countries in recent years, and the amount of wealth due to inheritance has also grown. This trend is expected to continue if asset prices keep growing. That raises the issue of wealth transfer taxation. 24 of 36 OECD-countries now levy an inheritance tax, but the tax is highly controversial and has been abolished in nine countries since the early 1970s (OECD 2021, p. 9).

Equality of opportunity is one of the most prominent justifications for an inheritance tax. According to this ideal, it is unfair for some to get a head start compared to others. On one influential version, if two children have roughly the same natural abilities, justice requires that they have roughly equal prospects in life. Since inherited wealth is likely to give people different opportunities, taxing wealth transfers seems necessary to ensure equality of opportunity. However, equality of opportunity comes in different forms and is also incorporated into different theories of justice where other ideals might override it. The relation between inheritance and equality of opportunity is therefore more complex than it seems at first.

This chapter examines equality of opportunity as it is employed in egalitarian theories. In modern democracies, the term “egalitarian” is usually employed to describe anyone who favors a more equal distribution of income and wealth compared to the current distribution (Arneson 2013). In political philosophy, two versions of egalitarianism dominate. Luck egalitarian theories are developed from the work of Ronald Dworkin, who argued that a just society should hold people responsible for their choices and compensate them for unchosen circumstances (Dworkin 2000). Social (or relational) egalitarian theories draw on John Rawls and hold that the main point is not to eliminate the effects of luck, but instead fight repression, inherited status hierarchies and class privilege, and ensure a democratic distribution of power (Scheffler 2003).

The chapter starts by outlining the main versions of equality of opportunity. It then proceeds to treat one of the most important theories of equality of opportunity: John Rawls' notion of fair equality of opportunity. This allows for a discussion of the tension between equality of opportunity and family concerns, prominent in discussions of inheritance. In the fourth section, other ideals are bracketed, and it is asked what follows for inheritance taxation from a single-minded focus on equality of opportunity. Here, the chapter concentrates on Anne L. Alstott's influential article, "Equal opportunity and inheritance taxation". Alstott's approach provides important insights, but there are also problematic aspects of her analysis. In the fifth section, the scope is widened to an examination of Thomas Piketty's recent proposal for a broader institutional scheme and how this scheme allows for equality of opportunity. Piketty is here read as an economist developing Rawlsian ideals about which institutional mechanisms are necessary to realize equality of opportunity (as well as other ideals). High inheritance taxation is one such crucial mechanism.

Equality of opportunity

On the surface, equality of opportunity is almost universally accepted. It enjoys support along the entire political spectrum, from left to right, and can be used to defend everything from market liberalism to socialism, but consensus is transformed into conflict as soon as one tries to specify what it really means. Like many other normative ideals, equality of opportunity is only uncontroversial as long as it is unclear. In this section, the principle is unpacked, starting with some general clarifications.

Generally, an ideal of equality of opportunity consists of a positive and a negative part: it specifies what should and what should not impact the distribution of some good. Roughly speaking, the positive half of the principle says that social position should depend on things like ability, effort, and competence, while the negative half says that it should not depend on things like family, class, and background. Here, though, there is an internal tension in the principle, since the two parts are obviously not independent of each other. Ability and competence are strongly influenced by family and background, both through genetics and upbringing. Moreover, it is hard to see how it could be otherwise. Your abilities, as well as your effort, do not arise *ex nihilo*, but have their causes, and when these causes are traced back in time, one will in the end arrive at the parents and the home environment (in combination, of course, with other influences). Resolving this tension is a challenge for every theory of equality of opportunity, but it is set aside here.

It is also essential to differentiate between equal opportunity (as a normative ideal) and equal probability (as a social scientific fact), which also means that equality of opportunity and (relative) social mobility are not identical, although probably related. The point of the normative ideal of equality of opportunity is to make some room for individual responsibility — that is what all ideals of equality of opportunity have in common against equality of outcome, although different versions disagree about what it means to leave room for responsibility. Statistical correlations between groups and results are therefore not in themselves proof of unequal opportunity, but at most an indication of it. Note that if one were to understand equality of opportunity as equal probability, then lotteries would guarantee equal opportunity. If you roll a dice, everyone has an equal chance of getting a six. But this conflates equal probability and equal opportunity. The latter ideal not only says something about what should *not* matter in distribution, but also about what *should* matter.

It is common to distinguish between three different types of equality of opportunity: minimal, fair and radical. One should be wary of plotting these variants into the political spectrum from right to left, but Cohen's terms still give us a clue: he calls them bourgeois, left-liberal (or liberal-egalitarian), and socialist equality of opportunity (Cohen 2009, pp. 14-18). One might add purely formal equality of opportunity as the fourth, least demanding type, but since most commentators regard it as obviously insufficient, it is left out here. Minimal equality of opportunity includes formal equality of opportunity but is more comprehensive. While formal equality of opportunity refers to the absence of legal barriers, minimal equality of opportunity also requires the absence of prejudice and discrimination. If prejudice results in women being passed over in the competition for positions by men, it violates even minimal equality of opportunity. The same is true if stereotypes mean that members of minority groups are discriminated against in grading.

Fair equality of opportunity includes minimal equality of opportunity but goes a step further. One may capture the distinction between fair and minimal equality of opportunity by distinguishing between competence (actual knowledge and skills) and talent (innate potential): talent develops into competence depending on the social environment, especially upbringing and education. While minimal equality of opportunity is the view that social position should be a function of competence (and effort), fair equality of opportunity is the view that position should be a function of talent (and effort). The decisive difference is that fair equality of opportunity also requires equalizing the effect of social background, so that there are equal chances to achieve competence. Hence, it is not sufficient to eradicate prejudice, discrimination, and legal obstacles.

The difference between the two types of equality of opportunity comes out clearly if one compares society with a sports competition, for example running. To achieve minimal equality of opportunity, one must first ensure that no one is prevented from taking part. Furthermore, it must be ensured that the judges are neutral and that the rules are not unfairly designed. Everyone knows what the rules are, and whoever reaches the finish line first is the winner, regardless of race or class. In short, results are determined by ability and effort. To achieve fair equality of opportunity, more is needed. One must also make sure that some people do not have better shoes than others. Differences in training conditions must also be reduced. One may fund excellent coaches for the disadvantaged and build sports halls for those coming from areas with a bad climate. Fair equality of opportunity is not realized until these prerequisites for becoming good runners are equalized. In short, in a fair competition, results are determined by effort and natural talent.

The third type, radical equality of opportunity, goes even further. This luck-egalitarian principle states that position should be a function of effort alone, for that is all one can be held responsible for. The idea is that since natural talent is as much a matter of luck as family background, one should also equalize the effect of talent on distribution. This ideal does not translate easily into the comparison with sports competitions. It may be best explained by saying that society should not be like a competition at all, though inequality due to differences in effort (which some might argue should not count as inequality at all) may be acceptable.

There are crucial differences between these three ideals, which lead to very different approaches to social and educational justice. Yet strikingly, all three models of equality of opportunity, despite their differences, seem, at least prima facie, to provide a strong argument in favor of high inheritance tax rates. If two children grow up, with one either having or expecting a plentiful inheritance, and the other not, then all things equal (talent, effort etc.), the first has more opportunities open to him and a greater chance of doing better in life than the second, almost no matter how one measures the outcome (resources, welfare, advantage etc.). For however the positive half of the principle of equality of opportunity is defined, that is, whatever is meant by "ability" and "effort", it is clearly not due to ability and effort that one inherits and the other does not. All versions of equality of opportunity are united in their opposition to family background determining opportunities in life, and therefore also united in their suspicion of bequests playing a part.

As always, though, things get more complicated when one looks more closely into the matter. The chapter returns to some of the complexities in the discussion of Alstott, but one important qualification can be noted already here. It was said above that all else equal, A has more opportunities in life than B if A inherits and B does not. However, the all-things-equal condition can be defeated, and that means that bequests can, in particular cases, *promote* equality of opportunity. Imagine, for instance, that the first child, A, with wealthy parents, suffer from chronic depression or multiple disabilities. Especially in the absence of sufficient state support, receiving an inheritance may serve as a compensation that equalizes opportunities for doing well in life compared to B, who is, let us suppose, averagely talented in all respects. Or imagine children suffering from bad parenting, abuse, or parents dying early (Halliday 2018, p. 38; Mason 2006, p. 146). Similar concerns may apply to those facing racism and discrimination. In all these cases, inheritance can be a way of realizing or approaching equality of opportunity, compensating for various disadvantages that limit opportunities in life. To be sure, the various ideals of equality of opportunity may come apart in judging these cases. Proponents of minimal equality of opportunity may argue that the effects of unfavorable social circumstances, like bad parenting or parents dying early, are not to be equalized at all, while those who advocate for fair equality of opportunity may argue that conditions such as chronic depression should be considered a lack of natural talent and therefore not compensated for. Still, it is hard to deny that inheritance may promote equality of opportunity in *particular* cases.

One might reply that this amounts to non-ideal theory, depending on one's interpretation of "in the absence of sufficient support from the state". Egalitarians often argue that the state has a responsibility to provide equalizing compensation, such as health care and special needs education. It is still true, though, that in the absence of that compensation, inheritance can serve to equalize opportunities. Additionally, it is unlikely that state aid will ever be sufficient to fully equalize opportunities, and it may not be able to compensate for all disadvantages in life.

It is nevertheless a question how much consideration should be given to individual cases, when the aim is to design a more just tax scheme. There will probably always be exceptions, which one will have to deal with as best one can with exemptions and qualifications, or with other areas of policy. Besides, there is likely no statistical correlation between having wealthy parents and experiencing the various disadvantages mentioned. If anything, it is the other way around: poverty is probably correlated with a higher risk of these disadvantages. This serves as further justification for taxing inheritances as a policy measure, despite the existence of individual exceptions.

Fair equality of opportunity and the family

Although equality of opportunity is widely accepted, even if only in theory, and although most versions of this principle seem to imply that inheritance is morally dubious, there is significant opposition to inheritance taxes. This opposition likely stems from the fact that inheritance typically involves the transfer of property within families. On the one hand, most people consider it unfair that some have greater opportunities in life simply because their parents happen to be wealthy. On the other hand, many will feel that inheritance taxes constitute an unwarranted intrusion into family affairs. It therefore seems as if there is a tension between the goal of equal opportunity and the defense of family autonomy (for elaboration, see Pedersen and Bøyum 2020). That tension is also found in John Rawls, whose views will be discussed in this section.

Famously, Rawls argues that the parties in an original position of equality, behind a veil of ignorance that prevents knowledge of one's social position or natural talent, would choose two principles of justice. The first principle, in short, guarantees equal basic rights and liberties, such as freedom of speech, religion, and assembly, to all individuals in society. This also includes the right to personal property. The second principle consists of two parts. The difference principle says that social and economic inequalities should be to the greatest possible benefit of the least advantaged members of society. The principle of fair equality of opportunity is not as well-known as the difference principle, although Rawls believes it has priority over the difference principle. It says that acceptable social inequality must not only benefit the most disadvantaged, but must be linked to positions, for example occupations, which are open to all and which everyone has a reasonably equal chance of attaining.

When considering the implications of Rawls' theory for inheritance taxation, it is important to distinguish fair equality of opportunity from the more comprehensive ideal that results from combining all three principles. While fair equality of opportunity is the most pertinent principle in evaluating inheritance, the other two principles may also have significant implications for inheritance tax policies. In this section, however, the focus is on fair equality of opportunity, before returning to a more comprehensive policy proposal in the final section.

In some versions, equality of opportunity has been a staple of liberal-democratic thought for several centuries. Immanuel Kant wrote, for example, at the end of the 18th century: "Every member of the commonwealth must be permitted to attain any degree of status ... to which his talent, his industry, and his luck may bring him; and his fellow subjects may not block his way by [appealing to] hereditary prerogatives" (Freeman 2007, p. 88). Rawls calls this classic liberal principle of equality of opportunity "careers open to talents", and it can be understood as equivalent to what was previously referred to as minimal equality of opportunity (1999, p. 57). However, Rawls argues that this kind of equality of opportunity is not sufficient. Simply ensuring that that those with the appropriate qualifications can attain advantageous positions is not enough if one's qualifications, or the opportunities to develop them, are largely determined by social background. On its own, the principle of "careers open to talents" is compatible with a rigid class system with negligible social mobility.

Rawls therefore formulates a more ambitious principle of *fair* equality of opportunity: those with similar talent and the same willingness to use it, should have equal life chances, regardless of their place in society from the start (1999, p. 63). This principle requires far-reaching measures to either eliminate disparities in initial conditions or to compensate the disadvantaged for starting behind. This has important implications for educational justice, but for the purpose of this discussion, another conclusion that Rawls draws is more relevant: "it imposes a number of inheritance and gift taxes, and sets restrictions on the rights of bequest". The purpose of these taxes, he explains, is not to raise revenue, but to "gradually and continually to correct the distribution of wealth and to prevent concentrations of power detrimental to the fair value of political liberty and fair equality of opportunity" (1999, p. 245).

Rawls expands on this view in his later works. In *Justice as Fairness – A Restatement*, he gives his support to John Stuart Mill's opinion of how to regulate inheritance:

> … an estate itself need not be subject to tax, nor need the total given by bequest be limited. Rather the principle of progressive taxation is applied at the receiver's end. Those inheriting and receiving gifts and endowments pay a tax according to the value received and the nature of the receiver (Rawls 2001, p. 161)

Mill suggests establishing a limit on the amount people can receive through inheritance during their lifetime. This proposal is based on a differentiation between the right to bequeath and the right to receive bequests. Mill argues that the freedom to leave an inheritance is an important aspect of the institution of private property, but that it does not necessarily imply an equivalent right to receive inheritance. He defended his proposal by stating that it would address unearned wealth as opposed to earned wealth and thereby enhance equality of opportunity, ultimately promoting the greatest overall happiness. This proposal is not only of historical significance, but also remains one of the most influential suggestions for wealth tax reform today. In addition to influencing John Rawls, Anthony Atkinson's scheme for taxing inherited wealth is modeled after Mill's original proposal (Mill 1976; for discussion see Cappelen and Pedersen 2018).

Yet fair equality of opportunity is more radical than it sounds at first. It seems to demand that one must abolish the family and introduce compulsory collective upbringing (Munoz Darde, 1999). Rawls himself raised this question (1999, p. 448). If children grow up in families, some children will receive a more stimulating upbringing than others, which may give them better chances to succeed in education and working life. Eliminating social differences based on background therefore seems to require that one also eliminates the family. If all children grow up in well-run children's homes, with ample care, it will be avoided that the family environment gives some children good chances and other children bad chances, although it will of course have other negative effects. As Michael Young wrote: "If all went to orphanages, all would have equal opportunity, true, but at the cost of making everyone equally unhappy" (1958, p. 30).

Rawls himself did not want to go this far: "Is the family to be abolished then? Taken by itself and given a certain primacy, the idea of equal opportunity inclines in this direction. But within the context of the theory of justice as a whole, there is much less urgency to take this course" (1999, p. 448). On Rawls' account, equality of opportunity must be incorporated into a wider set of ideals, and the institutional setting must be arranged to reduce inequalities of income and wealth. Assuming that the basic structure of society is egalitarian across the board, there is no pressing reason to abolish the family. Rawls' view seems to be that in an egalitarian society, inequalities in upbringing do not have the same pernicious effects as under conditions of great inequality.

Later in the chapter, in section five, an institutional structure inspired by Rawls is presented. Here, though, the focus shall be on a different question, namely, whether this concession to the family also implies a modification of equality of opportunity, and if so, whether that modification reinstates the legitimacy of inheritance. Put differently, if fair equality of opportunity ought not to be realized completely, since doing so would require abolishing the family, where does that leave inheritance taxation? Does preserving the family also imply preserving inheritance?

Brighouse and Swift (2014) offer a solution to this issue through their theory of the family. They begin by examining the fundamental value of the family, claiming that the family provides certain "relationship goods" that are of immense and irreplaceable value for both children and parents, and which even the best orphanage cannot replace. This relationship is characterized by a distinctive blend of intimacy and authority, which is crucial for the healthy development of children and the well-being of parents. According to Brighouse and Swift, these relationship goods provide a guideline for determining what parents are entitled to do for their children. Parents have the right to perform those actions that are essential for achieving the relationship goods that justify the existence of the family, even if they conflict with other values. If a particular practice is necessary to achieve these goods, it will be given more weight than, for example, considerations of equality of opportunity. However, if it is not necessary, then equality of opportunity will be given more weight. Brighouse and Swift argue further (pp. 132-133) that activities such as reading to children in the evening or discussing with them over dinner fall under the first category, while exclusive private schools and tax-free inheritances fall under the second category.

It appears reasonable that a high inheritance tax will not hinder the attainment of familial relationship goods. After all, one can maintain close and loving relationships with one's children without the ability to transfer inheritance to them. Thus, according to this line of reasoning, the state can restrict the ability to inherit if it conflicts with other significant values, such as equality of opportunity. At most, parents can pass on what is required for their duty of care, for instance in cases of serious illness or premature death, but these circumstances can be addressed through exemption laws.

However, might there be other familial relationship goods that can give us grounds for protecting inheritance? Among the familial relationship goods Brighouse and Swift (2014, p. 161) count not only the distinctive form of interaction between parents and children (the combination of intimacy/love and authority/discretion), but also the sense of continuity with the past and the feeling of belonging to something that spans generations, mediated by their relation to their own family members. Furthermore, Brighouse and Swift argue that certain types of inheritance can indeed promote a sense of belonging and continuity within a family (2014, pp. 139-40). For example, inheriting a family home, farm, or business can give an individual a sense of identity and connection to something greater than themselves. Without the ability to pass on property through generations, each generation would feel isolated and disconnected, and the sense of continuity within the family would be weakened.

If this is true, and the preservation of continuity and belonging within a family is deemed a valuable familial relationship good, at least certain types of inheritance should be protected as a right, even if it conflicts with equality of opportunity, according to the argument of Brighouse and Swift. However, the strength of the argument depends on the availability of alternative methods for maintaining continuity and belonging, because if there are alternative ways that do not disrupt equality of opportunity, one may question whether inheritance should be protected as a right after all. And indeed, it does seem as though there are other ways than bequests of cultivating a sense of continuity and belonging in children, such as family photos, sharing family stories, and so on.

Nonetheless, even though inheriting a family home may not be *essential* for creating a sense of belonging and continuity, it does seem to *promote* such a sense. Yet even if the argument for protecting inheritance based on familial relationship goods is accepted, it does not exclude the possibility of the state taking actions to minimize the competitive advantages of inheriting property like family homes. For example, the state may impose taxes on the sale of inherited property to reduce the financial advantages that may be gained from it (Pedersen and Bøyum 2020).

Resource egalitarianism and equality of opportunity

What would result if one were to prioritize equality of opportunity above all other considerations? Anne L. Alstott's article, "Equal opportunity and Inheritance Taxation," is the most renowned piece in the literature that examines the implications of "a single-minded focus on equality of opportunity" for inheritance taxation (Alstott 2007, p. 472).

In tax policy contexts, utilitarianism has traditionally been the dominant approach. Alstott, however, presents a challenge to utilitarianism by starting from a liberal egalitarian standpoint. More specifically, she advocates for a version of equality of resources that draws on Ronald Dworkin' distinction between choice and circumstances. Within this framework, people should be held accountable for their choices but not for circumstances beyond their control. Embedded in the resource egalitarian position are the principle of neutrality and the choice-chance principle: The first states that the state should be neutral between diverse views of the good life, since each individual is a separate moral being entitled to equal respect. The second states that everyone is entitled to an equal share of resources at the beginning of adulthood, and that later distributions should reflect choices, not chance (Alstott 2007, p. 477).

From this framework follows an ideal of equality of opportunity that "suggests that material inheritance ought to be equalized to the extent it reflects brute luck rather than individual choice" (Alstott 2007, p. 488). Since it is a matter of luck whether you are born to wealthy or poor parents, inheritance should be heavily taxed or even confiscated. Initially, equalizing inheritances may appear to contradict the principle of neutrality: if passing on wealth to one's children is an essential aspect of parents' idea of a fulfilling life, the state should not intervene. However, it follows from Alstott's method in the article, treating inheritance from a single-minded focus on equality of opportunity, that the neutrality principle applies "only to life plans that do not compromise equality of opportunity" (Alstott 2007, p. 488).

From this idea of equality of opportunity Alstott draws out four noteworthy implications for inheritance taxation.

First, Alstott argues that equality of opportunity favors a combination of inheritance taxation with some sort of inheritance for all. The underlying reasoning is that interpreting equality of opportunity as resource egalitarianism necessitates both levelling down and levelling up (Alstott 2007, p. 492). The former strategy is the standard justification for inheritance taxation: equality of opportunity requires the state to tax inheritances to ensure that no individual has an unfair advantage. Initially, this approach would require the state to tax inheritances at 100% to make sure that all start out on equal footing. However, on Alstott's account, there is also a levelling up strategy supported by resource egalitarians, since one needs resources to have real opportunities in modern societies. Resource egalitarians differ, however, on what form the public inheritance should take: cash, lump sum, or home ownership. There are also substantial disagreements on how large the inheritance should be and at what age it should be paid. Those issues are set aside for now.

However, there is a possible conflict here, as a confiscatory tax could prompt donors to spend their wealth to evade tax. Ideally, the inheritance tax should generate the maximum amount of revenue, which would then be used to fund universal inheritance, but higher rates might compromise revenues. Imagine, says Alstott, that a 100% tax rate would raise no revenue at all, while an 80% rate would raise $1 trillion in revenue and a 50% rate would raise $3 trillion (Alstott 2007, p. 492). On Alstott's account, some sort of balance must be struck between levelling down and levelling up. If this argument is correct, it would provide an important argument against confiscatory inheritance taxation— the tax rate should be (significantly) less than confiscatory in order to fund a public inheritance.

This line of argument is not wholly convincing. True, a lower tax rate may be best for maximizing revenue, perhaps also for maximizing welfare, and perhaps even for maximizing (real) opportunity, but it is hard to see how lowering the inheritance tax rate will lead to (more) *equality* of opportunity, given, as Alstott assumes from the start, that inheritance compromises equality of opportunity. Even with an inheritance tax rate of 80%, some people will inherit much more than the public inheritance. While a lower inheritance tax rate may be beneficial for increasing revenue and welfare, it is not clear how it would lead to greater equality of opportunity. Since Alstott's aim is to single-mindedly focus on the implications of equality of opportunity for inheritance tax, her argument for lowering the tax rate is difficult to follow. If the objection made here is correct, the justification for the levelling up strategy must be derived, not from equality of opportunity alone, but from combining it with other values. The final section will discuss this further.

A second, more surprising implication is that, according to Alstott, equality of opportunity requires heavier taxes on transfers from close relatives than on similar transfers from friends. The rationale for this move is found in the luck egalitarian distinction between choice and circumstance. Being born to wealthy parents is a matter of brute luck whereas gifts and bequests from friends are typically the result of a chosen relationship. It is of course sometimes difficult to determine whether a relationship is based on choice or luck. If I dump into a person at a pub who later becomes my best friend, the fact that I dump into her is probably due to chance, but the fact that people develop and maintain lasting friendships is a matter of choice. On Alstott's account, this would suggest that gifts and bequests from chosen friends should be treated differently and taxed less heavily than gifts or bequests from unchosen relatives such as parents or grandparents (Alstott 2007, p. 511).

Upon first examination, this argument seems morally puzzling. After all, in most jurisdictions it is possible to reject an inheritance. In that sense, you have a choice whether to inherit. Does that make inheritance a choice, not a matter of luck? Clearly not, for it is still a matter of luck that your parents have something to pass on. Likewise, the fact that some countries allow parents to disinherit their children, for instance if they treat them poorly, does not make it a matter of talent and effort when people inherit their parents. The same applies to friends. Even though it is a choice to develop a lasting friendship with the person I met at the pub, it is still a matter of luck that the person met is wealthy and has no children (and therefore put me in her will). The exception would be if I befriend someone specifically *because* they are wealthy and childless. This creates a morally questionable scenario where the paradigm of tax-free inheritance is when someone strategically befriend old, lonely, wealthy people and then instrumentally cultivate that relationship to be included in their will. Still, it is crucial to note that Alstott's analysis is based on considering the implications of equality of opportunity on its own. At most, therefore, this argument shows that an exclusive focus on equality of opportunity can have morally suspicious consequences for *other* values.

A similar logic underpins the third implication of equal opportunity interpreted as resource egalitarianism: higher tax rates for younger than for older people. This is justified by the fact that the tax aims to equalize opportunity sets (Alstott 2007, p. 521). Receiving a large inheritance at the age of 80 would not have the same impact on one's opportunities as receiving it at 20. As a person's opportunity set is broader earlier in life than later, it follows from the principle of equality of opportunity that inheritance should be taxed more upon early receipts. It would also follow that the public inheritance ought to take the form of a basic capital grant at the start of adulthood, and any additional private inheritance received should be taxed according to position in the life cycle (Alstott 2007, p. 525).

However, this argument may also be met with skepticism. While it is true that inheritance is often received later in life, when opportunities are more limited, there are also many ways in which the likelihood of receiving a later inheritance can affect opportunities earlier in life. For example, it may influence decisions such as investing in a more expensive education, incurring student loans, or getting a higher mortgage, perhaps even having parents as guarantors. Additionally, having a safety net in the form of likely future inheritance can greatly impact welfare, even when it is not utilized (Halliday 2018, p. 13). Hence, even if it is granted that early inheritance leads to greater inequality of opportunity, late inheritance can contribute to *some* inequality of opportunity. Furthermore, even though people are living longer now, and therefore inherit later, a significant portion of inheritance is given in the form of *in vivo* gifts, such as financial support for education or assistance in purchasing a first home: “whether or not a child receives gifts from parents can have a major impact in deciding who will own property and who will not, at what age, and how extensive that property will be” (Piketty 2014, p. 381).

Finally, Alstott’s approach invites reflection on the relationship between wealth taxes and wealth transfer taxes, and their position in egalitarian theories. The aim of resource egalitarian theories developed from Dworkin’s distinction between choice and chance is to ensure that there is no inequality that results from chance. This means that the origin of wealth is crucial. Therefore, a wealth transfer tax is preferred over a wealth tax, as transfers from parents to children are considered brute luck, whereas wealth creation *can* be the result of frugality or hard work. Thus, for resource egalitarians there is a clear distinction between an equality of opportunity impulse and a general wealth equalizing impulse. In reality, however, it is hard to determine how much of a person's wealth is a result of chance and how much of choice. Alstott (and Ackerman) therefore argues that inheritance taxation should be accompanied by a wealth tax justified “largely on the second-best ground that current wealth has been earned under conditions of unequal opportunity” (Alstott 2007, p. 495).

Alstott’s analysis of the implications of equality of opportunity for inheritance taxation provides valuable philosophical insights, but her proposals are not easily translated into policy, due to their “single-mindedness”. This highlights the need for a broader perspective that considers other ideals in addition to equality of opportunity. One potential candidate for such an ideal is the enhancement of opportunities for all citizens through the implementation of a universal inheritance. While some level of *equality* of opportunity may be sacrificed using lower inheritance tax rates to fund a public inheritance, the potential gains in opportunity produced by a greater public inheritance may outweigh this loss.

Secondly, the point just outlined suggests that for policy purposes, a broader distributive ideal is preferable. A single-minded focus on equality of opportunity and inheritance taxation needs to be supplemented by other ideals, as well as by other mechanisms and taxes. This allows us to appreciate how equality of opportunity is part of a broader set of ideals. In the following section, a recent proposal that ascribes significant importance to equality of opportunity will be examined, not from a narrow focus on this ideal alone, but rather on its place within the context of a broader distributive ideal and integrated into a comprehensive tax proposal for distributive justice.

Piketty’s participatory socialism

Thomas Piketty has been highly influential in the recent debate on inequality. His data show a rise in income and wealth inequality in nearly every nation since the 1980s, and his proposed participatory socialism aims to counteract this trend by presenting a viable and stable alternative. The purpose of this section is first to sketch the intellectual tradition to which Piketty belongs, illustrating how equality of opportunity is incorporated into a broader set of ideals. Subsequently, the institutional scheme that Piketty presents is outlined, and finally, the consequences of this scheme for equality of opportunity are discussed (this section draws on Pedersen 2022).

As Piketty makes clear, his normative ideal is inspired by the school of thought called property-owning democracy (Piketty 2020, pp. 968-970). The British economist James Meade is the key early figure in this tradition, and his ideas have influenced both Rawls and Piketty. The main characteristic of Meade's version of property-owning democracy is to equalize wealth to avoid the wealthy from dominating the rest. As Meade puts it in a now famous passage:

> Extreme inequalities in the ownership of property are in my view undesirable quite apart from any inequalities of income which they may imply. A man with much property has great bargaining strength and a great sense of security, independence and freedom; and he enjoys these things not only vis-à-vis his propertyless fellow citizens but also vis-à-vis the public authorities. He can snap his fingers at those on whom he must rely for an income; for he can always live for a time on his capital. The propertyless man must continuously and without interruption acquire his income by working for an employer or by qualifying to receive it from a public authority. An unequal distribution of property means an unequal distribution of power and status even if it is prevented from causing too unequal a distribution of income (Meade 1993, p. 41).

Thus, one of the distinct features of property-owning democracy is the concern with dispersal of wealth, rather than merely income. Rawls provides a principled justification for such a position.

Rawls' principle of fair equality of opportunity is part of a broader distributive ideal which includes the liberty principle as well as the difference principle. The former, which is lexically prior, is, despite what is normally assumed, the principle which carries "the egalitarian punch" (Daniels 1975, p. 280; Edmundson 2017, pp. 55-56; for further elaboration see Pedersen 2021). It requires basic freedoms such as freedom of speech and assembly but more directly relevant to distributive justice, it also requires equal opportunity for political influence. This is where the egalitarian punch is, because large wealth disparities are likely to give the well-off opportunities to shape elections in a way that is not equally available to all. The wealthy can, among other things, fund think tanks or political candidates, and the influence they gain from that is difficult to avoid through insulation strategies like public funding of political parties or restricting private funding of think-tanks. To address this issue, the liberty principle calls for limits on economic inequalities (Rawls 1999, pp. 198-199).

To Rawls, it is therefore crucial that the background institutions of society secure the liberty principle and the principle of fair equality of opportunity. These institutions must

> work to keep property and wealth evenly enough shared over time to preserve the fair value of the political liberties and fair equality of opportunity over generations. They do this by laws regulating bequests and inheritance of property, and other devices such as taxes, to prevent excessive concentrations of power (Rawls 2001, p. 51)

Piketty shares with Rawls and other proponents of property-owning democracy the belief that equality of opportunity must be integrated into a broader set of ideals. Economic inequality must be limited to protect the democratic process and ensure equality of opportunity, including equality of opportunity for political influence. They also agree that institutions should be organized to allow the worst off the best possible life conditions. Furthermore, this chapter suggests that Piketty and defenders of property-owning democracy also share the view that the overall distributive ideal calls for a ceiling as well as a floor in the distribution of economic resources. Piketty's normative justifications are not further examined here, but the key institutional mechanisms that he proposes are presented, before their consequences for equality of opportunity are discussed.

Piketty's solution is to offer a set of mechanisms designed to establish a system that promotes this broader set of ideals by preventing the concentration of private property in the hands of a few (2020, p. 976). With such a system in place, all citizens will have a real opportunity to participate in economic life and in democratic decision making. This participatory socialism model is built on four pillars: A redistributive tax system; a combination of a universal capital endowment, universal basic income, and an ambitious welfare state; workers on the board of companies; and educational justice. This section will focus on the tax system and the proposal for a universal inheritance but note that the other pillars are also essential components of a scheme designed to achieve equality of opportunity as an ideal incorporated into a broader set of ideals.

The tax system proposed by Piketty includes progressive taxation of income, of inheritance, and of wealth. Piketty suggests that the income tax should be calculated based on the average income in the economy. If you make ten times the average, you will pay 60-70 percent income tax. If you make hundred times the average, the tax may be as high as 80-90 percent. Inheritances should be taxed with 70-80 percent or even more for the highest transactions. However, it is important to note that despite these very high rates, the scheme means that most people will pay a much lower rate, only 5 percent for inheritances of 100 000 euros, for instance. Piketty points out that this was the level of income and inheritance taxation in the US and the UK between 1930 and 1980, which was a period of strong economic growth (Piketty 2020, p. 985). Income and inheritance taxation of this magnitude will be a substantial improvement of equality of opportunity.

The cornerstone of the tax scheme, however, is the progressive wealth tax, which is the most crucial measure for promoting the circulation of capital. Piketty holds that history has shown how weighty income and inheritance taxes alone are not enough to curb the growing concentration of wealth over time. Progressive income tax is insufficient because the wealthy often have taxable incomes that are lower than their actual income, while inheritance taxes do not effectively tax newly created wealth (Piketty 2020, pp. 976-978).

The wealth tax proposal must be understood in the context of the galloping increase in wealth inequality in recent years: the largest fortunes have increased with 6-8 percent annually since the 1980s (Piketty 2020, p. 988). That is why drastic measures are necessary: the wealth tax rate should be "0.1 percent for wealth below the national average, rising gradually to 1 percent at twice the national average, 10 percent at one hundred times the national average, 60 percent at 1000 times the national average… and 90 percent at 10,000 times the national average (which would be 2 billion euros)" (Piketty 2020, p. 987). Such a tax of 90 percent on the largest fortunes will reduce the billionaires' share of national wealth and bring it below the level of 1950-1980, and thus contribute substantially to solving the inequality crisis in many countries today. Piketty makes it clear that under normal circumstances there would be no need for these kinds of rates.

The levelling down strategy is supplemented by numerous proposals for levelling up. Although the attention has been on the share of wealth and income going to the few on the top, equally important is the lack of resources and opportunities for the bottom half of the population. The bottom 50 percent in all countries own only 5-10 percent of total wealth, and their share has decreased since the 1980s (Piketty 2020, p. 979). This concentration of wealth is also reflected in the fact that the bottom 50 percent only receive 5-10 percent of the total amount of inheritance. High taxes for the wealthy must therefore be supplemented by a scheme that provides inheritance for all. Following Ackerman and Alstott, Piketty's proposal suggests combining the revenues from a progressive inheritance tax and a progressive wealth tax to allow everyone a substantial inheritance of 120 000 euros at the age of twenty-five. The point is that everybody, not only the privileged, are to receive something like an inheritance at the beginning of adulthood (Piketty 2020, p. 983).

The justification for this reform plan shows the affinity to Meade (and therefore also to Rawls): The primary objective of universal inheritance, Piketty holds, "is to increase the negotiating power of everyone who owns almost nothing (that is, almost half of the population)" (2022, p. 162). Reducing the gap between rich and poor is an important step towards avoiding wealth from being translated into political power, hence approaching equality of opportunity for political influence. Additionally, it would allow the disadvantaged to increase their own productivity through investing in their education or starting a business. Hence, both levelling down and levelling up are important parts of realizing the fundamental ideal of free and equal individuals in a liberal democracy. Equality of opportunity is, as highlighted above, an essential part of this broader set of ideals.

Let us now return to the first implication discussed by Alstott. It was argued above that Alstott is wrong to hold that the inheritance tax rate must be lower than 100% from a single-minded focus on equality of opportunity. Reducing tax rates might be justified by all-things-considered arguments, but not from equality of opportunity alone. Piketty provides ideals to supplement equality of opportunity. He argues that a "just society is one that allows all of its members access to the widest possible range of fundamental goods. Fundamental goods include education, health, the right to vote, and more generally to participate as fully as possible in the various forms of social, cultural, economic, civic, and political life" (Piketty 2020, p. 968). Providing everyone with fundamental goods can be justified as a measure that would increase the welfare of the worst off. Allowing everyone to participate as fully as possible highlights the importance of securing every individual independence and freedom from domination. It refers to Meade's point about not allowing wealth to determine the power and status of the individual. But regardless of how one describes these ideals, they introduce a set of ideals supplementing equality of opportunity. Based on this broader set of ideals, Piketty suggests an inheritance tax short of 100%. In order to ensure that the tax generates revenue, to increase the welfare and independence of everyone, a departure from 100% tax is justified.

Furthermore, to ensure this broader set of ideal an inheritance for all must be supplemented by other levelling-up mechanisms. Traditionally, supporters of unconditional grants have defended either a one-time endowment or a basic income. Piketty's proposal is radical partly because it includes both. In addition to a one-time endowment, citizens shall be guaranteed a universal basic income of 60 percent of average post tax income, but this sum will be reduced gradually if the basic income is replaced by other kinds of income (Piketty 2020, p. 1001). It is important to note, also, that the basic income scheme, comes in addition to, and not as a supplement for an ambitious welfare state. Both reforms are justified to ensure everyone a floor, a basic security from which they can make their own decisions, for example on whether they should accept a job offer. Going back to Meade, these two reforms are crucial because they allow a more equal distribution of power and status.

The progressive wealth tax and the progressive inheritance tax are to finance the inheritance for all while the progressive income tax is to finance the universal basic income and the welfare state. The following table sums up Piketty's proposal for participatory socialism (Piketty 2020, p. 982):

Table 1: Circulation of property and progressive taxation

Progressive property tax	**Progressive income tax**

(financing the capital endowment to each young adult)			**(financing the basic income scheme and the social and ecological state)**	
Multiple of average wealth	Annual property tax (effective rate)	Inheritance tax (effective rate)	Multiple of average income	Effective tax rates (including social taxes and carbon tax)
0,5	0,1 %	5 %	0,5	10 %
2	1 %	20 %	2	40 %
5	2 %	50 %	5	50 %
10	5 %	60 %	10	60 %
100	10 %	70 %	100	70 %
1 000	60 %	80 %	1 000	80 %
10 000	90 %	90 %	10 000	90 %

Explanation: The tax system assumes that if an individual has 10 times more wealth than the national average the individual must pay a wealth tax of 5 percent. If an individual makes 10 times the national average, she must pay 60 percent tax.

Source: Thomas Piketty: *Capital and Ideology*, p. 982

In discussing the effect of Piketty's proposals for equality of opportunity, one may distinguish between the effect of the inheritance for all and the effect of the overall scheme. For the former, one may rely on Piketty's own illustration which refers to France. Note that the figures are set to illustrate and to stimulate debate, and not to be considered fixed. With the figures given above, with an inheritance for all set at 60 percent of average inheritance, the poorest 50 percent would receive the 120000 Euros, whereas the average inheritances by the richest 10 percent would amount to 600 000 euros after taxes and endowment (Piketty 2022, p. 162). This is still a substantial inequality of opportunity where the richest 10 percent receive more than four times more than half of the population. The gap between the inheritance received by the richest 1 percent and the poorest half of the population will of course be even bigger. It illustrates how general wealth inequality must be reduced if equality of opportunity is to be given priority, and if the inheritance tax cannot be confiscatory. The proposed institutional scheme is thus designed to establish both a capital floor and a capital roof. The floor ensures everyone access to capital to allow all to participate in economic and political life. This is achieved through the inheritance for all, the basic income scheme and the welfare state. The roof is established by the tax system. Simplified, one might say that no one shall be allowed to become billionaires.

Assigning importance to equality of opportunity is not simply significant from a normative point of view, but also important for issues of tax design. As noted in a recent OECD tax policy study on inheritance taxation, "equality of opportunity arguments have significant implications in terms of tax design. In particular, if promoting equality of opportunity is a major objective of inheritance taxation, then there is a strong case for a recipient-based inheritance tax rather than an estate tax levied on donors" (OECD 2021, p. 43). Contrary to the estate tax, an inheritance tax, which is levied on the recipient, provides incentives for the donor to split up her wealth on different recipients if they want to minimize the amount of tax paid. This will reduce concentration of wealth.

Conclusion

A central point of this chapter has been that equality of opportunity must be seen in the context of a broader set of ideals, and that inheritance taxation must work in tandem with other kinds of taxes. This broader perspective has been exemplified by Piketty's proposal. To achieve equality of opportunity, several institutional mechanisms must supplement the inheritance tax. Conversely, this also means that in a society that provides free quality education and universal health care, a good portion of equality of opportunity will be secured even without taxation of wealth transfers. A similar point has been nicely put by Colin Macleod: “In a society in which there is excellent and generous public provisions of these goods and opportunities, the normative significance of inheritance or the prerogative of parents to confer advantages on their children will be much more modest” (2020, p. 32). Put differently, a generally egalitarian society can come close to realizing equality of opportunity even without inheritance taxation.

Still, there is no doubt that inheritance taxation is especially well equipped to combat inequality of opportunity in highly unequal societies. But it is not a popular one. Whereas equality of opportunity is almost universally accepted, at least nominally, there is often a lack of fit between supporting this ideal and supporting the institutional mechanisms necessary to realize it. As Piketty notes, equality of opportunity is “often defended at an abstract and theoretical level, but one which the privileged classes fear like the plague as soon as any concrete application is envisaged” (2022, p. 162). Yet public inheritance might be a promising way of increasing the popularity of the inheritance tax. If the revenue from inheritance taxation is earmarked to pay out a substantial inheritance for all, this may alter popular opinion about taxing inherited wealth.

We shall end on a slightly different note, however. It has been argued that inheritance taxation, guaranteed access to higher education and equal access to medical care are the most important institutional mechanisms to ensure equality of opportunity (Haslett 1986, p. 131). Yet institutional mechanisms are not all there is to promoting equality of opportunity. Individual actions and attitudes matter, too. After all, even without inheritance taxation, nothing stops people from deciding themselves not to give or accept inheritances. If what G. A. Cohen (2008) calls an egalitarian ethos develops, people may come to willingly give up privileges that are not due to their own effort. Under current circumstances, this obviously sounds farfetched, but the general question of whether we ought to do what we ought to be made to do is an important question for future research (Edmundson 2015). This should include the topic of whether we ought willingly to give up bequeathing and receiving inheritance.

References

Alstott A (2007) Equal opportunity and inheritance taxation. Harvard Law Review 121: 469-542.

Arneson R (2013) Egalitarianism. In: The Stanford Encyclopedia of Philosophy (Summer 2013 Edition). http://plato.stanford.edu/archives/sum2013/entries/egalitarianism. Accessed 26 Feb 2023.

Brighouse H, Swift A (2014) Family Values. Princeton University Press, New Jersey.

Cappelen C, Pedersen J (2018) Just wealth transfer taxation: Defending John Stuart Mill’s scheme. Politics, Philosophy & Economics 17: 317-335

Cohen GA (2008). Rescuing justice and equality. Harvard University Press, Cambridge MA.

Cohen GA (2009) Why not socialism? Princeton University Press, New Jersey.

Daniels N (1975) Equal Liberty and the Unequal Worth of Liberty. In: Daniels N (ed) Reading Rawls. Critical Studies of A Theory of Justice. Blackwell, Oxford, p. 253–281.

Dworkin R (2000) Sovereign Virtue. The Theory and Practice of Equality. Harvard University Press, Cambridge MA.

Edmundson WA (2015) Ought We to Do What We Ought to Be Made to Do? In: Pavlakos G, Rodriguez-Blanco V (ed) Practical Normativity. Essays on Reasons and Intentions in Law and Practical Reason. Cambridge University Press, Cambridge, p. 176-204.

Edmundson WA (2017) John Rawls: Reticent Socialist. Cambridge University Press, Cambridge.

Freeman S (2007) Rawls. Routledge, New York.

Halliday D (2018) The inheritance of Wealth. Justice, Equality and the Right to Bequeath. Oxford University Press, Oxford.

Haslett DW (1986) Is Inheritance Justified. Philosophy and Public Affairs 15: 122-155.

Macleod C (2020) Egalitarianism, Inheritance and Taxation. On Daniel Halliday's The Inheritance of Wealth. Law, Ethics and Philosophy 8: 30-41.

Mason A (2006) Levelling the playing field: The idea of equal opportunity and its place in egalitarian thought. Oxford University Press, Oxford.

Meade JE (1993) Liberty, Equality and Efficiency. New York University Press, New York.

Mill JS (1976) Principles of Political Economy. August M. Kelley Publishers, Fairfield.

Munoz Darde V (1999) Is the family to be abolished then? Proceedings of the Aristotelian Society 99: 37-56.

OECD (2021) Inheritance Taxation in OECD Countries.

Piketty T (2014) Capital in the Twenty-First Century. Harvard University Press, Cambridge MA.

Piketty T (2020) Capital and Ideology. Harvard University Press, Cambridge MA.

Piketty T (2022) A Brief History of Equality. Harvard University Press, Cambridge MA.

Pedersen J (2021) Distributive justice and taxation. Routledge, London.

Pedersen J (2022) Egalitarianism and taxation. In: Van Brederode R (ed) The Political Philosophy of Taxation: A History from the Enlightenment to the Present. Springer Nature.

Pedersen J, Bøyum S (2020) Inheritance and the family. Journal of Applied Philosophy 37: 299-313.

Rawls J (1999) A Theory of Justice. Harvard University Press, Cambridge MA.

Rawls J (2001) Justice as Fairness. A Restatement. Harvard University Press, Cambridge MA.

Scheffler S (2003) What is Egalitarianism. Philosophy & Public Affairs 31: 5-39.

Young M (1961) The rise of the meritocracy. Penguin Books, Harmondsworth.