

[Wealth and democracy](#) [1]

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In most societies the rich are outnumbered by the not-so-rich (which for simplicity might be called "the poor"). This matters in a democracy because the poor have more votes. There is thus always a tension between how much politicians will raid the wealth of the rich to distribute in benefits to the poor. If they take too much, the rich might move away to generate their wealth elsewhere. If they take too little, social unrest might result, possibly even revolution, which is not what the rich want, and certainly not what the politicians want. These limits have set restraints on how far the process could go.

The tension is dynamic, sometimes favouring the one group, only to be redressed later by a tilt toward the interests of the other. It could be argued that Britain in the 1970s, with a top income tax rate of 98 percent, had tilted too far against those who create wealth, and that this was redressed to some extent in the tax-cutting 1980s.

Unfortunately in recent years the politicians in democracies discovered a third group they could raid with impunity, distributing its wealth and assets to the poor without limiting too much the capacity and co-operation of the rich. This third group has no votes, and does not therefore limit the electoral prospects of the politicians who plunder it. The group is called the future.

Politicians found they could deliver benefits to the current poor by borrowing money that would have to be repaid by future generations. Since those future generations are not here, they have no say in the matter, or any ability to influence current events. There have thus been no restraints on the degree to which democratic politicians could raid their wealth in order to buy electoral popularity today.

Politicians in many countries learned how to do this, until the overhang of debt became so large that people doubted that it could ever be repaid. If there is a solution to this problem afflicting democracies, one that is compatible with the democratic process, it has yet to reveal itself. Perhaps some form of inviolable constitutional limits on borrowing might be a solution of sorts?

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