



The Fallacy of Redistribution

The recently discovered tape on which  Barack Obama said back in 1998 that he believes in redistribution is not really news. He said the same thing to Joe the Plumber four years ago. But the surfacing of this tape may serve a useful purpose if it gets people to thinking about what the consequences of redistribution are.

Those who talk glibly about redistribution often act as if people are just inert objects that can be placed here and there, like pieces on a chess board, to carry out some grand design. But if human beings have their own responses to government policies, then we cannot blithely assume that government policies will have the effect intended.

The history of the 20th century is full of examples of countries that set out to redistribute wealth and ended up redistributing poverty. The communist nations were a classic example, but by no means the only example.

In theory, confiscating the wealth of the more successful people ought to make the rest of the society more prosperous. But when the Soviet Union confiscated the wealth of successful farmers, food became scarce. As many people died of starvation under Stalin in the 1930s as died in Hitler's Holocaust in the 1940s.

How can that be? It is not complicated. You can only confiscate the wealth that exists at a given moment. You cannot confiscate future wealth — and that future wealth is less likely to be produced when people see that it is going to be confiscated. Farmers in the Soviet Union cut back on how much time and effort they invested in growing their crops, when they realized that the government was going to take a big part of the harvest. They slaughtered and ate young farm animals that they would normally keep tending and feeding while raising them to maturity.

People in industry are not inert objects either. Moreover, unlike farmers, industrialists are not tied to the land in a particular country.

Russian aviation pioneer Igor Sikorsky could take his expertise to America and produce his planes and helicopters thousands of miles away from his native land. Financiers are even less tied down, especially today, when vast sums of money can be dispatched electronically to any part of the world.

If confiscatory policies can produce counterproductive repercussions in a dictatorship, they are even harder to carry out in a democracy. A dictatorship can suddenly swoop down and grab whatever it wants. But a democracy must first have public discussions and debates. Those who are targeted for confiscation can see the handwriting on the wall, and act accordingly.

Among the most valuable assets in any nation are the knowledge, skills and productive experience that economists call "human capital." When successful people with much human capital leave the country, either voluntarily or because of hostile governments or hostile mobs whipped up by demagogues exploiting envy, lasting damage can be done to the economy they leave behind.

Fidel Castro's confiscatory policies drove successful Cubans to flee to Florida, often leaving much of their physical wealth behind. But poverty-stricken refugees rose to prosperity again in Florida, while



Written by [Thomas Sowell](#) on September 25, 2012

the wealth they left behind in Cuba did not prevent the people there from being poverty stricken under Castro. The lasting wealth the refugees took with them was their human capital.

We have all heard the old saying that giving a man a fish feeds him only for a day, while teaching him to fish feeds him for a lifetime. Redistributionists give him a fish and leave him dependent on the government for more fish in the future.

If the redistributionists were serious, what they would want to distribute is the ability to fish, or to be productive in other ways. Knowledge is one of the few things that can be distributed to people without reducing the amount held by others.

That would better serve the interests of the poor, but it would not serve the interests of politicians who want to exercise power, and to get the votes of people who are dependent on them.

Barack Obama can endlessly proclaim his slogan of "Forward," but what he is proposing is going backwards to policies that have failed repeatedly in countries around the world.

Yet, to many people who cannot be bothered to stop and think, redistribution sounds good.

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