

## **Inheritance and Bourgeois Ideology\***

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If a head-load worker were to ask a bourgeois economist “Why does Ambani have so much wealth but I do not?”, that economist’s answer would be that Ambani has certain “special qualities” which the headload worker lacks. Bourgeois economists however are not all agreed on what exactly these “special qualities” are that are supposed to explain wealth inequalities.

These “special qualities” that supposedly explain a person’s being wealthy must be independent of the fact of that person’s being wealthy, if this explanation is to have logical soundness. In a capitalist economy for instance capital accumulation occurs, and hence wealth increases over time. The working people whose incomes are too low even for their subsistence, have little scope for saving, and since saving ipso facto entails addition to wealth, they cannot add to their wealth, and hence even acquire any wealth to start with. It follows therefore that an explanation of why Ambani has wealth while the headload worker does not, which locates Ambani’s “special quality” in the fact of his being more thrifty, i.e. saving more, than the headload worker, is logically flawed. This is because if the headload worker had as much wealth as Ambani has, then he would have been as thrifty as, if not even more so than, Ambani.

Being thrifty in other words is a quality of all wealthy people, since they cannot possibly consume all the income that their wealth fetches them. Ambani’s being more thrifty therefore is part and parcel of his being wealthy; it is not any “special quality” and cannot explain why a man called Ambani should be wealthier than a headload worker. The “special quality” in short has to be independent of the fact of Ambani’s possessing wealth.

Likewise consider Narendra Modi’s calling capitalists “wealth creators”. This of course is an absurd description of a social process. But let us ignore this absurdity for a moment and accept this description for argument’s sake. The point is that it does not explain why some persons called Ambani or Adani should be the “wealth creators” and not the person who currently happens to be a headload worker.

One “special quality” which the bourgeois economist Joseph Schumpeter had emphasized was innovativeness, i.e. the capacity to introduce “innovations”, within which he included new methods of production, new products, new markets and such like. He had drawn a distinction between “inventions” and “innovations”, the former referring to the development of knowledge about the new processes and products, and the latter to the practical use of this knowledge. While “inventions” occurred independently in society, the capacity to introduce these inventions into the production process required a “special quality”, which consisted in the ability to identify and pick up a profitable opportunity; this “special quality” was possessed by only a few, whom he called “entrepreneurs”. Entrepreneurship according to him had nothing to do with whether a person was wealthy or not, but entrepreneurship was the reason for the acquisition of wealth since the first to introduce a new process or product stole a march over others and became rich. Schumpeter’s explanation therefore was not logically flawed as the “thrift” argument was.

Schumpeter also argued that existing firms tend to be set in their ways of thinking and less prone to trying out new processes and products etc., because of which entrepreneurs came from outside the ranks of existing firms; they started new firms and made a fortune by introducing innovations. He argued therefore that while wealth inequality existed in a capitalist society, the composition of the top wealthy group of individuals, i.e. the identity of those constituting, say, the top 5 per cent of the wealthiest, kept changing over time.

Schumpeter's theory, which borrowed much from Marx, is fundamentally unsound; but we shall not go into it here. Besides, even Schumpeter admitted that in modern capitalism where firms had research laboratories attached to them, both inventions and innovations were not independent of the size of the firms and hence of the wealth already possessed by those who owned the firms. This made his theory inadequate for explaining why some were wealthy and others were not since it made addition to wealth depend upon the wealth already possessed. But let us ignore all these problems, and assume with Schumpeter that the wealthy are wealthy because they have a "special quality" which is "innovativeness", or what he called "entrepreneurship".

But this fact neither explains nor justifies why the children of the wealthy should also be wealthy. There is no "special quality" that these children display which could account for their possessing wealth; the reason they possess wealth therefore has entirely to do with a social arrangement whereby wealth is allowed to be inherited by children from parents, an arrangement which has no economic rationale whatsoever.

Of course it may be thought, again taking Schumpeter's explanation to illustrate the point, that if wealth was not allowed to be passed down to children, then there would be no incentive for the "entrepreneurs" to introduce "innovations", that inheritance laws were a price to be paid for "progress" under capitalism. But "incentives" are completely irrelevant for explaining "innovativeness" in Schumpeter's or any other similar theory. If a new process is available, but is not introduced into the production system by one firm, then it would be introduced by another who would outcompete and replace the first; the motivation for introducing innovations therefore lies in competition and not in any incentives. In other words, the pace of introduction of innovations according to all these bourgeois theories will not be affected one iota even if the whole of the wealth of the "entrepreneurs" is taxed away at their death.

True, if an invention is under the monopoly control of some firm, then that firm would not introduce it into the production system, in the absence of adequate "incentives", such as the ability to pass on wealth to children and grandchildren; but then the explanation of wealth has shifted from "innovativeness" to monopoly; and if monopoly is the explanation of wealth then it cannot be justified even according to bourgeois theory in a democratic society (which is why there are anti-trust laws and anti-monopoly measures). In fact if monopoly is accepted as an explanation of wealth, then bourgeois theory has to accept the validity of Marxian economics, which traces the origin of surplus value, the source of accumulation under capitalism, to the monopoly ownership of the means of production by a class of capitalists.

Some bourgeois economists may claim that because of economies of scale the size of research and production establishments has to be large and this is the reason for the existence of monopolies, so that one need not shed tears about their existence; they

are essential for “progress” in today’s world and that this explains and justifies permanent wealth inequalities. This however is an erroneous argument, since large scale of production does not necessarily mean large private wealth inequalities. Large-scale of production can be carried out where ownership is dispersed or ownership is with the State.

It follows therefore that inheritance of wealth cannot be justified by bourgeois theory itself. It is a social arrangement for which there is no economic rationale even according to bourgeois theory. We have looked only at Schumpeter’s theory; but the same can be said about any other explanation of wealth inequalities, namely that no logically valid explanation of wealth inequality in society advanced by any strand of bourgeois theory can possibly justify the institution of inheritance of wealth.

While bourgeois theory cannot justify the institution of inheritance, this institution is what prevails and is insisted upon by the capitalists. But since the building of a democratic society requires keeping wealth inequalities in check, the need to confront capitalists through the impost of substantial inheritance taxes cannot be denied even by bourgeois theory. The fact that in societies like ours there is scarcely any inheritance taxation speaks volumes about the bad faith of our governments.

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