Inequality and Distributive Justice

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Choices, Models and Morals » Lecture 11

Contents

To do

› A discussion of desert, i.e., the concept that justice is served when people get what they deserve. (Feinberg 1970; Lamont 1994).
› A discussion of sufficientism (Frankfurt 1987); the idea that what is required is that everyone have **enough**.
   » Striving for equality involves an unhealthy envy; just as with children, we encourage them to be content with improvements in their situation, not to see an improvement as a slight only because others improve their situation more. [Compare ultimatum game]

Justice

Inequality and Optimality

> *Laissez-faire* may produce a Pareto optimal outcome, but there are many different Pareto optima, and some are fairer than others. Some people are endowed with resources that make them extremely rich, while others, through no fault of their own, are extremely poor. (Feldman 2008: 4)

› As we already noted in lecture 9, Pareto 'optimality' doesn't entail equality: a highly unequal distribution can be optimal because any redistribution is dispreferred by someone.

  » The only equality-increasing Pareto improvements are those that involve 'growing the pie' and distributing the new pieces to those who had less of the previous pie.

The Problem of Inequality

› This is an issue because many inequalities are widely regarded as **unjust** and **unfair**:

> Many people find great economic inequalities as such unjust. In 2007, CEOs in the American stock index S&P 500 had an average salary of $10.5 million annually, 344 times that of typical American workers …. Now, some income inequality may be deserved. Perhaps CEOs work harder and longer hours, they probably have a better education and carry greater responsibility. But does that justify a 344-fold increase in salary? … Moreover, most people would regard inequalities due to factors that are completely accidental from a moral point of view, such as having wealthy parents or being born in a developed country, as unfair. The fact that inequalities systematically correlate with social variables that have nothing to do with desert is exacerbating: practically all countries that have a per capita GDP above world average are in the North and the far South whereas all those with a below-average income are close to the equator; in many countries women earn systematically less than men; in the USA and other countries, people of African descent have considerably lower incomes than Caucasians and the gap is widening. (Reiss 2013: 255–56)

The Second Theorem to the Rescue?

[An] approach to solving distribution problems is to transfer income or purchasing power among individuals, and then to let the market work. The only kind of purchasing power transfer that does not cause incentive-related losses is the lump-sum money transfer. Enter at this point the standard remedy for distribution problems, as put forward by market-oriented economists, and our second major theorem.

The second fundamental theorem of welfare economics establishes that the market mechanism, modified by the addition of lump-sum transfers, can achieve virtually any desired optimal distribution. … the second theorem gives the following:

Second Fundamental Theorem of Welfare Economics Assume that all individuals and producers are self-interested price takers. Then almost any Pareto optimal equilibrium can be achieved via the competitive mechanism, provided appropriate lump-sum taxes and transfers are imposed on individuals and firms. (Feldman 2008: 6; cf. Reiss 2013: 212)

What Distribution Ought We Aim At?

› The Second Theorem shows that we can achieve (almost) any equilibrium distribution with the right pre-distribution.

› But now we face a choice: what equilibrium distribution should we target? We **could** address inequality – but how? And should we?

› Answering that question requires some theory of **distributive justice**:

> The economic, political, and social frameworks that each society has … result in different distributions of benefits and burdens across members of the society. … The structure of these frameworks is important because the distributions of benefits and burdens resulting from them fundamentally affect people's lives. Arguments about which frameworks and/or resulting distributions are morally preferable constitute the topic of distributive justice. Principles of distributive justice are therefore best thought of as providing moral guidance for the political processes and structures that affect the distribution of benefits and burdens in societies…. (Lamont and Favor 2017)

Libertarianism

› One principle of distributive justice: any distribution is acceptable if it arises from free choices about the use of people's resources: 'a distribution is just if everyone is entitled to the holdings they possess under the distribution' (Nozick 1974: 151).
› Nozick, and libertarians who follow him, argue that coercive appropriation of property – any kind of redistribution of wealth – is unjust.
› But that assumes that the current distribution is just, and given the histoy of colonialism, feudalism, and unfettered capitalism that characterises the origins of the current distribution, there can be no serious case that the present system of property rights deserves any special protection.
› So we need some justification of a just system.

Principles of Distributive Justice: Utilitariamism

Utilitarianism

› Any comprehensive moral theory will provide guidance about distributions.
› Utilitarianism is no exception. In line with our discussion in lecture 8, utilitarianism says that the optimal distribution is the one which maximises the sum-total well-being.
› We've already observed that utiltariamism does not target distributional facts **directly** (Reiss 2013: 259): it is consistent with utilitarianism that the wellbeing-maximising outcome has a 'fair' distribution of wellbeing, but is not required.
› So if there is to be a utilitarian rationale for fairer distributions, it will have to rely on **contingent** facts about how 'economic, political and social frameworks' map onto wellbeing.

Marginal Utility

› One such fact is this: beyond a certain level, people get a lesser increment of wellbeing from each additional increment of wealth.

» The 'declining marginal utility of money'.

› Another empirical fact is this: the current unequal distribution does have wealth assigned to individuals who get less wellbeing from it than it would give to others who lack wealth.

› Put those facts together, and there is a utilitarian rationale for judging that a more equal distribution would be better than the current distribution:

> Nevertheless, it is evident that any transference of income from a relatively rich man to a relatively poor man of similar temperament, since it enables more intense wants, to be satisfied at the expense of less intense wants, must increase the aggregate sum of satisfaction. ... Any cause which increases the absolute share of real income in the hands of the poor, provided that it does not lead to a contraction in the size of the national dividend from any point of view, will, in general, increase economic welfare. (Pigou 1932: 89)

Effort and Reward

› The most simple-minded redistribution may lead to 'a contraction in the size of the national dividend': if wealth is simply assigned uniformly and indifferently to effort, then each person will know that they will get the same *relative* benefit as anyone else.

  » Since people are often motivated not only by absolute reward – as Pigou notes immediately after the quote above – but by relative reward, there may be little motivation for anyone to exert effort if their relative position will be the same as everyone else's.
  » This is true even if the communal lack of effort leads to a decrease in overall wellbeing.

› As Reiss (2013: 257–58) notes, however, unequal distributions also have a significant dampening effect on motivation. A society where hard work is not rewarded – especially when wealth is allocated to the undeserving rich through luck, inheritance or other structural imbalances – is hardly a strong incentive to put in effort.

› From the utilitarian perspective, it looks like a moderately unequal distribution of wealth, but crucially one where wealth is allocated in response to efforts that positively impact on overall wellbeing, is defensible.

Overall Wellbeing and the Utility Monster

> But it is at least conceivable that the situation that maximizes aggregate utility is one that is radically unequal, simply because some people are better at converting resources into utility than others…. For instance, if two people A and B would like to go to the Glastonbury music festival and both would derive the same utility from it if they were to go, but A is in a wheelchair and B isn't, A requires more resources (such as a specially designed vehicle or a helping hand) to get to the festival. If B has more resources to begin with, utilitarianism might underwrite a redistribution from A to B because B is more efficient at converting resources into well-being. In such cases, utilitarianism seems to justify the exacerbation of existing inequalities. (Reiss 2013: 259)

› In this case, overall wellbeing is maximised by inequality-exacerbating distributions of wealth.
› Coupled with our observations from lecture 8 about utilitarianism's disregard for **rights**, and the problematic foundations of the concept of wellbeing, we might see this as a reason to opt for some other framework to justify attempts to increase equality.

Principles of Distributive Justice: Justice and Fairness

Rawls' Fundamental Principles

› Rawls (1971) offers a theory of 'justice as fairness' (see Reiss 2013: 264–65). His most fundamental principle is:

Priority of Liberty Each person has an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for all.

› Any socioeconomic framework satisfiying the Priority of Liberty is superior to any which does not.

› Among those satisfying it, socioeconomic frameworks in which any inequality satsifies these conditions are superior to those which do not (and those satisfying the first are, ceteris paribus, better than those satisfying the second):

Fair Equality of Opportunity Social and economic inequalities must be attached to offices and positions open to all under conditions of fair equality of opportunity.

Difference Principle Social and economic inequalities must be to the greatest benefit of the least advantaged members of society.

Rawls' Principles in Action

› Inequality is permissible on Rawls' view, as on the utilitarian view. But – unlike utilitarianism – inequality cannot be justified **merely** because it increases overall wellbeing. It must confer wellbeing on the least advantaged.
› So Rawls would give the following ranking of different socioeconomic systems, classified by the share of the distribution of 'primary goods' going to each third of the population:

Table 1: Different economic systems ranked, Rawls-style. Adapted from (Reiss 2013, Table 14.1).

Ranking	Society	Bottom third	Middle third	Top third	Total
1	Scandinavian market economy	20,000	35,000	45,000	100,000
2	Social market economy	15,000	20,000	65,000	100,000
3	Hong Kong capitalism	5,000	30,000	115,000	150,000
4	Egalitarianism	2,000	2,000	2,000	6,000

Justifying Rawlsian Principles

› How does Rawls derive his principles?
› He imagines a society as arising from an implicit **social contract** into which we enter, and agree to be bound by the institutions and frameworks of that contract.
› Rawls' twist is to imagine that we are invited to agree to the contract from the 'original position', a position in which we are **ignorant** of the role we will come to occupy in the society we agree to.
› Priority of Liberty is part of the justification for the preferred social contract: behind the veil of ignorance, we opt to maximise liberty in a way that is compatible with everyone having that liberty.
› Behind the veil of ignorance, we may turn out to be rich or poor. We are to opt for the contract which is **least risky** for whoever we may end up being: the **maximin** approach justifies the distribution that maximises the share the least-well off get.
› Maximin is a principle of **decision under uncertainty**. (No probabilities in the veil of ignorance, and no playing the odds since the choice is irrevocable.)
› Arguably this gives us the Difference Principle and Equality of Opportunity, if making this sort of risk-averse decision is reasonable.

Problems for Rawls

› The original position might lead to Rawls' preferred principles, but the question is: why should the choice of ideal society from behind a veil of ignorance guide us about how to reorder the society we are actually, presently in?

› Maybe if you know you are badly off, you'd prefer to start again with a new social contract.

› But if you know you are **advantaged** by the current arrangements, what principle can compel you to choose outcomes as if you don't know what is in your own interest?

  » The thought experiment requires a prior commitment to the fairness of the resulting principles; it cannot offer a non-circular justification for them.

  » E.g., Rawls seems to advocate choosing to benefit the least well off. If you were antecedently convinced that most of what puts people where they are in the wealth distribution is luck, then this seems reasonable. If you thought that there was some meritocractic aspects to the distribution, you might think that such an approach unwittingly rewards the feckless and undeserving. The conception of justice you bring to the original position will influence the principles of justice you get out.

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