

Are Justice and Inequality Compatible?

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Americans are deeply attached to the ideal of equality of opportunity and have made important, if halting, progress toward achieving that ideal (see brief no. 1.) Yet the distribution of income remains more unequal than in other advanced countries and more unequal than 25 years ago.¹

Liberals believe that this level of inequality is incompatible with economic justice but never define the benchmark against which progress should be measured. Conservatives argue that inequality reflects differences in individual talent and effort, and as such is a spur to economic growth as well as the price we pay for living in a free society. In the words of George Will, there is “no prima facie case against the moral acceptability of increasingly large disparities of wealth.” Yet, even conservatives have largely accepted a certain amount of redistribution. To quote Will again, large disparities do “not mean that social justice must be defined as whatever distribution of wealth the market produces.”

Can Social Justice Be Defined?

How, then, is social justice to be defined? Would we want to live in a society in which incomes were, literally, equal? And, if not, what’s the right amount of inequality, and do we have too little or too much at present?

As James Q. Wilson notes, evidence drawn from close observation of interactions

among young children, from experiments with adult subjects, and from anthropology suggests that notions of fairness are deeply embedded in human nature. Individuals who are otherwise self-regarding and rational will sacrifice their own well-being if it produces what seems to them a fairer distribution of some valued good. Specifically, given a choice between more money for one-

self and very little for another versus a smaller sum more equally distributed, individuals regularly choose the latter even when there are no long-lasting ties between the two parties.³

It would be naive to suggest that people are entirely altruistic. Those who are fortunate enough to be in the top part of the distribution would like to think they have “earned” the right to be there, and that society is better off for their striving. Mixed in with our philanthropic urges is a certain amount of rationalization of position.⁴

To suggest that fairness is either deeply embedded in human nature or a rationalization after the fact does not mean there are no principles or reasoned arguments that can be brought to bear on the topic. In this second brief we review some of them as a precursor to examining the data on opportunity in brief no. 3 and brief no. 4.

Three Basic Questions

Tackling the issue of distributive justice requires grappling with three basic questions. First, what do we want to redistribute: What *kind* of prizes are we talking about? Second, what’s the right amount of inequality: How

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big should the prizes be? Third, how open is the process by which individuals compete for these prizes?

The Problem of Value: What Is the Prize?

In thinking about distributive justice, the natural tendency is to focus on income and wealth. Our own treatment of the topic will follow a similar bias. Nonetheless, other outcomes or “goods”—political rights, individual liberties, economic efficiency, and happiness—also matter.⁵

Most of the arguments that plague discussions of social justice ultimately revolve around the weighting of these different values. There is no way, for example, to achieve the kind of egalitarian society that some liberals advocate without intervening in family life to the point of threatening the rights of parents to have and raise children as they see fit. This threatens the very integrity of the family as an institution.⁶

Another conflict is the well-known trade-off between equity and efficiency (or between fairness and growth). Redistributing income from wealthy person A to deprived person B may reduce the total size of the pie, because of its effects on the incentives to work of both A and B. Arthur Okun called this the leak in the bucket used to transfer resources from one set of individuals to another. According to the best estimates of economists, transferring a dollar from the rich to the poor can cost society as much as 50 cents in lost total income.⁷ The conflict between aggregate efficiency and an equitable distribution of income is very real. We may have to sacrifice some of society’s total income to achieve a little more equity or vice versa. That such a trade-off exists may be less surprising than the unwillingness of Americans to accept an increase in the trade-off commensurate with the increase in our affluence.

The Degree of Inequality: How Big Are the Prizes?

Bruce Ackerman asks us to imagine a world in which there is only one resource, manna. “When all manna claims are added up, they exceed the available supply. Hence, the question of legitimacy arises, Q

asking A why he is entitled to manna that Q also wants.”⁸ The very phrasing of the question suggests that the burden of proof should be on those who advocate inequality.

John Rawls, whose answer to this question has probably been as influential as any, reasons that the fairest distribution of valued goods is one that individuals would freely choose, or agree to, had they no knowledge of their own ultimate position in society.⁹ These include race, sex, social class, even innate talents and psychological propensities. Under such conditions, he postulates that they would only agree to those inequalities that benefited everyone, but especially the least advantaged. These can be presumed to be those inequalities required

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to sustain sufficient effort or call forth sufficient talent in the production of social goods to enable the least advantaged to improve their lot.

The logic of giving special attention to the least advantaged appears to derive from a desire to protect against the worst outcome we can imagine for ourselves. In other words, if we faced the possibility that we might end up at the bottom of society, we might want to ensure that it was not such a terrible place to be. The assumption is that most of us are a bit risk adverse and would want to avoid a very bad outcome—even if that meant making do with a lot less should we be fortunate enough to end up near the top.

The implications of insisting that the disadvantaged as well as the advantaged gain from any distribution that favors the latter are profound. To see this, imagine a two-person society inhabited by Peter and Paul, who start with equal incomes. Now transfer a dollar of income from Peter to Paul and assume that this encourages both to work harder, thereby increasing total productivity by enough to leave both better off. How much must total

output increase? By more than \$1.00 is the answer. With a growth dividend of this size, richer Paul would be able to pay back poorer Peter for the initial transfer and still have something left to share between them.

Put in less abstract terms, any proposal that reduces the taxes of the affluent by curbing the incomes of the poor must more than pay for itself (in terms of increased growth) if it is to meet the Rawlsian test of fairness. Few economists—much less liberal philosophers—believe that such gains are feasible in contemporary society. Equally few believe the converse, that redistributing more income to the poor would make them absolutely worse off. There may be leaks in the bucket but at the end of the process it is not entirely empty.

Rawlsian conceptions of fairness can be criticized on several grounds. First, it is not at all clear that most people are as risk adverse as Rawls assumes.¹⁰ Second, the process of redistributing income from the more to the less fortunate requires interfering with the basic liberties of those who—for reasons of history, individual effort, or inheritance—happen to begin with certain advantages. As Robert Nozick notes, one cannot simply look at “time-slice principles as constituting the whole story about distributive shares.” One must also look at the process that created the distribution and assess the fairness of the process itself. It can be argued that, as long as the process is fair, everyone should be permitted to keep whatever they have earned.¹¹

The Fairness of the Process: Who Gets the Prizes?

In a feudal society, whether one is a noble or a serf is ascribed at birth. In the American creed, in contrast, anyone can become president of Microsoft.

Virtually all Americans endorse this vision of an open society, and for many, a belief in its existence is what has made them tolerant of unequal results. What has been left out of the American conversation about opportunity are the facts about how much opportunity there really is.

There are countless articles on the inequality of incomes (Nozick’s

“time slices”) but very few on the process by which some reach the highest ranks while others are stuck at the bottom. We worry about discrimination against certain racial groups, but not about the role played by family background and inherited ability in determining who gets which prize. Education is supposed to be the great leveler in our society, but it can just as easily reinforce these initial inequalities.

Americans purport to believe in equality of opportunity, but it is not clear that real opportunity is possible unless one is also willing to get rid of the family.¹² Numerous programs from Head Start to extra funding for children in low-income schools have been created in an effort to even the playing field. But even where such efforts have been effective, they have proven grossly inadequate to the task of compensating for differences in family environment.

Even if one were to offset the effects of family environment, one would be left with differences in inherited ability. What are the implications for opportunity of these differences? The answer depends, of course, on how great one believes those differences to be. The Founding Fathers believed they were relatively small—that “all men are created equal.” And Garry Wills’s exegesis of eighteenth century texts suggests that this was more than just rhetoric,¹³ which may help to explain why the creed of opportunity became so deeply rooted in American soil. But Charles Murray and Richard Herrnstein argue that differences in cognitive ability are substantial and largely inherited, that success in today’s economy increasingly requires those abilities, and that earnings and social standing will depend to an ever greater extent on inherited differences among people.¹⁴

One need not resolve the debate about nature versus nurture—and about the ability of social institutions to overcome the effects of both family background and inherited ability—to suspect that these are particularly “deep inequalities,” to use Rawls’s phrase.¹⁵ Many students of inequality

agree. Amartya Sen, for example, believes that any successful attempt to provide real equality of opportunity would have to come to terms with the pervasiveness of human diversity and, thus, the need for very unequal treatment in favor of the disadvantaged. And because these inequalities would continually reassert themselves in each new generation, the intervention would have to be continuous.¹⁶

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A commitment to real equality of opportunity would require a more active public role than is currently

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found even in the welfare states of Western Europe, and *a fortiori*, than in the United States. Because the public sector would need to compensate not only for differences in family background but also, and more controversially, for natural ability, it would imply a degree of intervention in the family and in society generally that most Americans would find offensive. It would also place a burden on the public sector that would require it to be much more effective, and more highly esteemed, than it is today. Because liberals have failed to come to grips with the need to compensate for these deepest of inequalities, liberal democracies have produced disappointing results. Despite various attempts to compensate for early disadvantages, poverty and inequality are still very much with us.

In any case, the issue of process—of exactly how much mobility there is—remains. Justice and inequality can be compatible if the process is a fair one. But until there is greater understanding of the way in which people move up and down the eco-

nomie ladder, any attempt to find more effective solutions is likely to further disappoint.

One thesis of this series on opportunity is that mobility matters and matters more, in some respects, than the distribution of income. The two are linked, however, in an important way. If the distribution of income or other resources in a society is equal then mobility matters very little. There’s almost no place to move to and the prizes or rewards for success are small. But if the distribution is very unequal, then the stakes are much larger and mobility matters more. The bigger the prizes, the more important it is that the competition be a fair one.

At present, in the United States, the prizes *are* big—bigger, in fact, than they have been at any time since 1968, when inequality in the distribution of income began to increase. So mobility, it seems to us, is particularly salient now. For this reason our next two briefs will review the evidence on mobility, first in a life cycle context, and then across generations.

Notes

1. Daniel H. Weinberg (“A Brief Look at Postwar U.S. Income Inequality,” *Current Population Reports*, U.S. Census Bureau, June 1996) reports that the most common measure of income inequality, the Gini index, has increased by over 16 percent since 1968.

2. George Will, *Washington Post*, 4-23-95. “The Great Redistributor” p. c7.

3. “Fairness,” in James Q. Wilson, *The Moral Sense*, Free Press (1993).

4. This tendency of one’s thinking to be biased by one’s position helps to explain why Republicans have traditionally been the party of the Haves and Democrats the party of the Have-Nots. A recent analysis by Keith Poole shows that membership in the two major political parties in the United States is increasingly correlated with income.

5. Some scholars have suggested that we have overemphasized the distribution of income and that the focus should be on social democracy in which, regardless of income, there is more mixing of, and mutual respect among, social classes. See Mickey Kaus, *The End of Equality*, Basic Books (1992); Michael Sandel,

Liberalism and the Limits of Justice, Cambridge University Press (1982).

6. James Fishkin, *Justice, Equal Opportunity, and the Family*, Yale University Press (1983).

7. Robert Haveman, "The Nature, Causes, and Cures of Poverty: Accomplishments from Three Decades of Poverty Research and Policy" in Sheldon H. Danziger et al., eds., *Confronting Poverty: Prescriptions for Change*, Russell Sage, N.Y. (1994: 439).

8. Bruce A. Ackerman, *Social Justice in the Liberal State*, Yale University Press (1980: 24).

9. John Rawls, *A Theory of Justice*, Harvard University Press (1971).

10. As Peter Passell notes, "Many Americans, it is safe to say, would trade a guarantee of a modest income for substantial opportunity to strike it rich through personal initiative." *The New York Times*, March 28, 1996, p. D2. "The Rich Are Getting Richer, Etc., and It's Likely to Remain that Way."

11. Robert Nozick, *Anarchy, State, and Utopia*, Basic Books (1974), chapter 7, "Distributive Justice."

12. This point has been made by Kaus (1992) and is particularly well developed in Fishkin (1983).

13. Garry Wills, *Inventing America: Jefferson's Declaration of Independence*, Doubleday (1978).

14. The logic behind this position was first introduced by Herrnstein, a Harvard psychologist now deceased, in a 1971 article in the *Atlantic Monthly*. It is repeated in *The Bell Curve: Intelligence and Class Structure in American Life*, by Richard Herrnstein and Charles Murray, Free Press (1994) and has been the subject of much commentary, including that by Daniel Bell in his 1972 *Public Interest* article on "Meritocracy and Equality" (1992). Kaus (1992) expresses a view similar to the one we espouse here: namely, that one need not accept the Herrnstein-Murray argument uncritically to believe that they have raised an issue worth worrying about.

15. Rawls, p. 13.

16. Amartya Sen, *Inequality Reexamined*, Russell Sage Foundation (1992).

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