

Chapter 10

Thinking about fairness and inequality

Final Draft, July 2009

In most societies there are certain broadly shared beliefs about what is socially just and unjust, what is fair and unfair. Here is the basic problem: we observe some empirical case of social inequality – some people are better off than others or their lives are more fulfilling than others or they are healthier than others. These are observations. And we ask: is the observed inequality just or fair? Does the inequality violate some principle of justice? Now, some inequalities are simply cases of bad luck – one person gets hit by lightning, another does not. There is a dramatic inequality in their fates. And there is a sense, of course, in which one could say (as kids do): that’s not fair; the person who got hit by lightning “didn’t deserve it.” Such expressions reflect a deep moral intuition that most people have: *people should get what they deserve and deserve what they get*. This is why when someone gets struck by lightning we say “that’s so unfair, they didn’t deserve that.”

When we talk about a *social* injustice – not just the unfairness of bad luck – what we mean is that there is an inequality which is unfair *and which could be remedied* if our social institutions were different. Something *could in principle* be done about it. When we say that it was a social injustice for African-Americans to be denied admission to all-white universities before the end of racial segregation in America what we mean is that it was not just “bad luck” to be born black and thus denied admission, but that this grossly unfair inequality in educational opportunity could have been remedied by a change in social institutions. This does not mean, of course, that it was *politically* possible to remedy that injustice in the 1920s or 1930s. Racial segregation was always a profound social injustice, as was slavery before it, but the social forces supporting segregation were so powerful and cohesive that until the 1950s and 1960s they were able to successfully repress struggles against segregation and maintain those institutions. The claim that an inequality is unjust, therefore, can be seen as an indictment of the way in which existing configurations of power block the social changes needed to reduce or eliminate the inequality in question.

Discussing problems of social justice quickly becomes really complicated, since a diagnosis of injustice really requires two judgments: first, a *moral judgment* that an inequality is unfair, and second, a *sociological judgment* that this unfairness could be remedied by a social change. It’s not fair that some children are born with physical disabilities – they don’t “deserve it”. But it is not in and of itself necessarily a social injustice.¹ What becomes a social injustice is if there are things we could do to minimize the effects on people’s lives of the unfairness of such “bad luck” and fail to do so. The lack of curb cuts in sidewalks is an injustice for people in wheelchairs. The lack of affordable prosthetic limbs is an injustice for amputees. To insure that curb cuts exist requires a change in rules governing urban planning. To insure that everyone who needs a prosthetic limb can afford one requires a change in the rules governing access to medical services. Both of these constitute social changes. And since

¹ Being born with a disability could itself be a social injustice if the disability was itself the result of a social injustice, such as lack of access to good prenatal medical care by the mother.

remedies such as these involve changes in the uses of resources, they almost inevitably trigger resistance and conflict from those who stand to lose from the social change.

When there is an inequality that is also an injustice – that is, an unfair inequality that could be remedied -- we can expect there to be a set of power relations operating in the situation which block the necessary remedies. Injustices do not continue just because of some law of inertia; they continue because people are unwilling to pay the costs to remedy the injustice and they have sufficient power to avoid doing so. This combination of inequality, injustice, and power is what we will call *oppression*.²

In this chapter we will focus on the moral dimension of inequality and try to clarify what we mean when we say that an inequality among people is unfair. We will later talk about remedies.

The Justice and Injustice of Inequalities: Fair Play *versus* Fair Shares

Consider, first, an easy case: Two farmers each have identical plots of land for gardens. Each has the same time and resources available for growing vegetables. One works hard, the other does not, and at the end of the summer one has lots of produce and the other has little. Most people would say that there is nothing unfair in this inequality. To be sure, something could be done about it – you could redistribute the tomatoes. But most people would say that *that* would be unfair: the lazy gardener would then have a summer of leisure + equal tomatoes with the farmer who worked hard all summer. This would be an injustice to the hardworking farmer.

Most examples of inequality we observe in a society like the United States are not so simple. Let's examine three additional cases, one of which almost everyone would consider an example of injustice, one of which most people would not, and one of which would be a source of disagreement:

- Case 1. A police chief will only hire personal relatives – sons, daughters, cousins – as police officers.
- Case 2. A small shop-owner is only willing to have his son or daughter become a co-owner of the store.
- Case 3. In the United States, one of the richest countries in the world, there are millions of people, children and adults, who live in desperate poverty.

In the first case there is a consensus – at least in liberal democratic capitalist societies – that it is unfair for a public official to only hire family members into jobs. Nepotism is widely considered unfair. In the second case there is also little disagreement. A small shop owner has the right to decide who will or will not be a co-owner of the business. As long as the shop owner is the legitimate owner of the business and acquired it in a legitimate way, then most

² Words like “oppression” have considerable emotional bite for they are laden with moral judgments. Some sociologists argue that such terms should be kept out of sociological analysis. In this view it is fine to use descriptive terms like “racial inequality”, and perhaps even racial *domination* – since defining a group as “dominant” does not inherently imply a moral condemnation. But a term like “oppression” should be avoided because it invokes inherently contested moral stances. We feel that coming to terms with the moral issues bound up with inequalities – and thus making a judgment about the justice or injustice of existing social arrangements – is an essential part of social science, and thus words like social justice and oppression are needed to make these judgments explicit.

people would say there is nothing unjust in deciding that only family members can become co-owners rather than someone else who might be more qualified.

For the third case, however, there is a lot of disagreement. Many people believe there is nothing unjust about having lots of poor people in a rich country; it is too bad, but not necessarily unjust. The argument usually goes something like this: The United States is a land of opportunity, and even if it is not exactly true that everyone has *equal* opportunity, nevertheless there is *ample* opportunity for anyone who works hard to make it. Like the lazy farmer who ends up with little produce at the end of the summer, poverty is largely the fault of those who are poor. And besides, as libertarians like to argue, the rich and successful have a right to what they have earned through their own efforts, and it would be an injustice to force them to help the poor. On the principle of “two wrongs don’t make a right” it is unfair to take from the rich to give from the poor *even if* the poverty itself is unfair.³ Other people argue that poverty in the midst of plenty represents a deep injustice. While there may be some cases of poor people who have squandered their resources and opportunities, most poor people do not bear full responsibility for their condition of poverty, and certainly poor children bear no responsibility for their deprivations. Much of the inequality in contemporary American society is the result of injustices in the ways in which our institutions and rules are organized rather than the outcome of lazy or irresponsible behavior within a fair process. What is more, if there is a problem of self-destructive behavior in poor communities – what some sociologists call a “culture of poverty” – this is largely the result of the despair and alienation generated by the objective deprivations, disadvantages and lack of opportunities people face in those communities. These are quite sharply polarized views and underlie many of the political disagreements about what, if anything, should be done to reduce poverty.

Why does it matter whether or not you think some form of inequality is unjust? This matters because when people feel something is unjust they are more likely to support efforts to change social institutions than when they think it is just. People are often willing to do things that go against their own personal interests when they think this is necessary for justice. Many affluent people, for example, believe that it is unjust in a rich country for poor children to be hungry and that therefore it is a good thing to use taxes to pay for food stamps and health care for poor children, even though they pay the taxes. So, the stakes can be quite high in deciding who deserves what, what kinds of inequalities are justified, what kinds violate principles of justice, and what should be done to redress an injustice.

Let us now look more closely at different ways of understanding what it is that renders an inequality a matter of injustice. A useful contrast between two ways of thinking about the fairness of what people get is captured by the expressions *fair play* and *fair shares*.⁴

In the fair play conception, inequalities are fair so long as the rules by which people compete for valued goods are fair. The key metaphor is of a sporting competition. In sporting events there are winners and losers, and the losers have no complaint as long as there is an equal playing field, no cheating, and a fair umpire. In the world at large, if there is no

³ The libertarian argument acknowledges that it might be morally desirable for the rich to help the poor, but that forcing them to do so would nevertheless be a violation of their rights. The most influential contemporary elaboration of this view is by Robert Nozick in *Anarchy, the State, and Utopia* (New York: Basic Books, 1974).

⁴ The use of the contrast between fair play and fair shares as a way of understanding the moral dimension of inequality comes from William Ryan, *Equality* (Pantheon, 1981)

discrimination and no artificial barriers to each person's "pursuit of happiness", then high levels of inequalities of outcomes are fair and just. Or, to use another common way of expressing this idea, so long as there is something approximating *equal opportunity*, inequality of results is unproblematic.

In the fair share view of equality and inequality, everyone is entitled to a share of society's resources sufficient to live a dignified, flourishing life. "Sufficient" means having enough to be able to participate fully in the exercise of rights and liberties, to be able to exercise personal freedom and develop one's talents. Particularly in a rich society, everyone has a basic human right to good health care, to decent housing, adequate nutrition. It is not enough that there is a fair competition for these valued goods; the losers in that competition still deserve a "fair share" of society's bounty.

Both principles are deeply embedded in American life, but fair play is the dominant view. Most Americans believe that so long as everyone has equal opportunity, then inequalities in what people earn don't really matter. Bret Favre and Bill Gates deserve their high incomes because they didn't cheat to get what they get, they worked hard, they competed fairly. They get what they deserve and deserve what they get.

Still, for many people there is a nagging sense that, by itself, fair play in the distribution of income and other valued goods is not an entirely satisfactory principle. While suffering because of "bad luck" is consistent with a fair play doctrine – after all, many athletes lose competitions because of random bad luck – it seems a little harsh to treat bad luck in life the same way we treat bad luck in a football game. In addition to the ideal of equal opportunity, therefore, many – perhaps most – Americans also feel that everyone has at least a right to have their basic needs met, and at least some Americans believe that everyone has a right to live above the poverty level. Inequalities *above* that level may be justified on the basis of fair play, but everyone has the right to live above poverty and thus the fair shares principle should prevent inequality from pushing people below poverty.

Even if one rejects fair shares as a general argument for redistribution, there is another fundamental problem with fair play as the exclusive moral principle governing acceptable inequality. This concerns the fate of children. So long as children are raised in families, then large inequalities in the life circumstances of parents profoundly undermine equal opportunity for children. At first glance it seems that fair play and fair shares are radically different ideas: the former concerns the fairness of opportunity to acquire income and says nothing about the actual distribution; the latter says nothing about the process of acquiring income, but focuses only on the fairness of the shares people acquire. In reality, however, these two principles interact, especially in the lives of children: If we want to have children with remotely equal opportunities in life, then we cannot allow any children to grow up in conditions of dire poverty and large inequalities. This means that if you are really serious about the fair play idea of equality of opportunity, then you also have to consider the problem of the distribution of outcomes – fair shares – as a means for achieving even rough equality of opportunity – fair play. What this means is pretty radical: high levels of inequality in income and wealth undermine the principles of fair play itself.

Complications: Defenses of Unjust Inequality

Even if you decide that having poor children in a land of plenty is unjust because it violates the principles of both fair play and fair shares, this does not necessarily imply that it would be

justified to redistribute wealth and income to remedy the situation. There are two sorts of reasons one might give to defend maintaining unjust inequalities: First, the means needed to rectify the injustice may themselves violate some other important value, and second, there may be pragmatic reasons why it would be a bad idea to redistribute income.

The problem of conflicting values

At the center of the idea of the value of fair play is equality of opportunity, and in contemporary American society, at the core of equality of opportunity is equality of access to education. To insure that all children have even approximate equality of educational opportunity, however, would require putting significant restrictions on what parents are allowed to do for their children. Specifically, rich parents would not be allowed to send their kids to expensive private schools or pay for expensive private tutoring for standardized exams because this would give their kids an unfair advantage. So long as parents are free to spend whatever they like on their children, then they can purchase advantages which violate equality of opportunity. The principle of justice of fair play, therefore, would justify imposing such restrictions on parents. But we also place a high value on parents being able to help their children – both because we value the parent/child nurturance relationship and because we value freedom of people to make choices in how they spend their money, and giving special help to your child is such a choice. So, to truly and deeply rectify the unjust inequality of opportunity for education of poor children conflicts with other important values. When such conflicts of values occur, it is always a very difficult problem to figure out how to manage the trade-off, how to balance the compromise between the two values.

If, on balance, one decides that the value of freedom of choice and parental autonomy to help their children is so much more important than the value of fair play that it must be fully respected, then one is stuck with the unpleasant fact of supporting the perpetuation of a social injustice. The inequality in opportunity doesn't magically become just simply because some other value – parental autonomy and freedom to spend one's money – is seen as more important. Defenders of parental rights and property rights (i.e. rights to do with one's money what one chooses), therefore, should honestly admit that their strong support of these rights generates an injustice.

The implication of this conflict of values is that the distribution of income and wealth that results from these unjust unequal opportunities would itself be unjust. This, then, means that the arguments for redistribution on the basis of the principles of fair shares gain strength, since under these conditions the shares that go to the children of wealthy adults are clearly unfair *by the very criterion of fair play*. The ironic result of these conflicting values is thus the following: *If you believe strongly that parents should have the right to give special advantages to their children, then you should also support a redistribution of income to counteract the unfairness of the resulting income distribution.*

The Pragmatic issue: is inequality “good” for society?

A “Pragmatic” argument for something is an argument that focuses on practical consequences and conditions rather than strictly on moral issues. In addition to conflicting values, many people argue that inequalities – even if unfair – should not necessarily be significantly reduced because *the poor may be made worse off by redistributing wealth or income to them*. In the extreme case imagine that it were the case that if we redistributed wealth in a significant way the economy would collapse which would result in the poor starving. Remember, in the end a

social injustice is an unfair inequality *that can in principle be eliminated*. Well, if the poor would be made much worse off by significantly reducing an inequality then, perhaps, it would be better to leave it in place. This is the standard pragmatic defense of inequalities that might otherwise be suspect. This, of course, sounds like a self-serving ideology of privileged people, but it cannot be dismissed.⁵

What is the argument behind this pragmatic defense of inequality? The key idea is that inequalities are deeply connected to “incentives.” There are two forms of the argument, one concerning the incentives of poor people and the second the incentives of more affluent people.

The incentive argument for poor people argues that if income is redistributed to the poor this will reduce their incentives to work hard and responsibly in order to improve their lives. Why work hard if you can avoid poverty without working? Redistribution therefore will permanently lock poor people at the bottom of the socioeconomic hierarchy. This will be especially bad for poor children for they will be raised in families without a strong work ethic or motivation for self improvement. So, even if it unfair for children to be poor since they bear no responsibility for their poverty, redistribution will ultimately make their lives worse.

The argument for the incentive effects on more affluent people goes like this: In order to get people to be productive, to work hard and invest, they need incentives. If people work hard and invest, they produce more. This energizes the economy and leads to economic growth, which ultimately benefits the poor. This is the essential argument of what has come to be known as “trickle down economics”: by cutting taxes of high earners, they will increase their effort and invest more which increases economic growth in ways that benefit everyone: a rising tide raises all boats. The causal connections in this argument are illustrated in Thesis 1 below:

Thesis 1: Inequality → incentives → people are motivated to work harder and invest more
→ enhanced productivity and prosperity → ultimately benefits the poor

By itself this thesis merely states that *some* level of inequality is needed to give people the incentive to work hard and invest, but it says nothing about how much inequality is needed to produce this effect. Defenders of existing levels of inequality in the American economy therefore make a second argument: whatever level of inequality is spontaneously generated by market interactions generates the necessary incentives to get people to invest as much as can be profitably invested and to work as hard as is economically efficient. Since all transactions in the market are voluntary, no employer will make a wage offer unless the employer thinks it is profitable to do so, so if high wages are offered as an incentive to some people it is because of the productivity that this employment will generate. The same logic applies to investors. Since investors always have the option of consuming their capital rather than investing it, and since

⁵ One form of this argument is embodied in the arguments for justice of the most influential political philosopher of the second half of the twentieth century, John Rawls. Rawls argues for what he calls the “difference principle” which is, roughly the following: a level of inequality in income is just if it is the case that any reduction of the degree of inequality would worsen the condition of the worst off. The goal is to maximize the minimum level of income, or what is called maxi-min. This basic idea is also invoked in defenses of tax cuts to the rich – and more generally in what is called “trickle down economics” – when it is argued that giving the rich more money ultimately benefits the poor since the rich will invest this additional income in ways that create jobs and expand the economy.

investments are voluntary, the levels of inequality generated by capital investments exactly reflect the incentives needed to get people to invest. This implies a second thesis:

Thesis 2: Reducing inequality below the level generated by free markets → reduces incentives to work hard and invest → reduces productivity and economic growth → harms the poor

If this thesis were true, it would constitute a powerful argument against efforts to reduce inequality, for even if one judged those inequalities to be unfair, the remedies would not make life better for those at the bottom. The unfairness would not constitute a social injustice.

Critique of the pragmatic defense of inequality

The pragmatic defense of market-generated inequality rests on two important assumptions. The first is that the incentives needed to get people to work and invest are not themselves affected by the level of inequality in a society. Economists call this the problem of “endogenous preference formation.” Suppose that it is the case that the amount of income needed to get people to work or invest depends upon cultural standards and expectations, and that these in turn are shaped by the level of economic inequality in a society. If this is the case, then high levels of economic inequality will tend to foster cultural frameworks and norms in which individuals at the top require greater incentives. CEOs in the United States are not notably more talented or hardworking than their Japanese or German counterparts, but they earn fantastically higher salaries at least in part because of the cultural expectations and norms that have evolved over time in the US.

The second assumption of the pragmatic defense of market-generated inequality is that the power of actors plays no role in how much they earn through the market. In a “free” market no one exercises power over anyone; no firms or individuals exercise power in the market. In the language of economists, there are no “monopoly rents” in the earnings of people in the labor market or in the profits of firms. If people have real power, then they are in a position to extract extra income through the use of threats of various kinds. CEOs and other high executives are able to raise their incomes in part because of the power they wield within firms. The earnings of workers in some industries are pushed down because of the weakness of unions to protect their interests in bargaining with employers. On the other hand, people with scarce talents and credentials also can use the “bargaining power” of their skills to acquire greater income than would be needed as an incentive to get them to use their talents and skills productively. In all of these cases, the levels of inequality in the resulting income distributions would be greater than needed simply to provide people with the necessary incentives to work and invest.

Of course, people who are in a position to use their power to extract high income are likely to defend their high incomes in terms of necessary incentives. Privileged elites will always say that they “need more” to be motivated to work hard, to produce, to save, to invest. They will fight against tax increases directed against the rich on the grounds that this will destroy the incentive to invest and thus everyone will be worse off as a result. Such claims are often – perhaps usually – self-serving rationalizations masking the simple desire to preserve privilege and advantage.

The level of inequality in a society, therefore, is not a simple function of the technically required incentives needed for market efficiency, but of a much more complex process through which threats and bluffs backed by power shape a range of economic practices that generate

unequal earnings, and these in turn shape the cultural expectations and norms that become embodied as preferences and incentives. These complex processes are ignored by the simple pragmatic argument for inequality.

A pragmatic argument against high inequality

It is important not to think that “pragmatic” arguments about inequality always provide support for the status quo. There are also strong pragmatic arguments *against* high levels of inequality. Excessive inequality can have all sorts of undesirable practical consequences. Two considerations are particularly important here: the impact of inequality on the costs of social control, and the impact on democracy.

First, high levels of inequality undermines a sense of community which can generate resentment, conflict, and an erosion of any sense of mutual obligation among people. This in turn fuels crime and social disorder which negatively effect productivity and economic efficiency. Social conflict and disorder are costly both because of their directly destructive effects and because of the social control costs needed to contain them: police, prisons, security guards, and so on. These are all drains on the economy linked to inequality. The social resentment and erosion of a sense of social solidarity generated by inequality also undercuts general values of cooperation and mutual obligation which reduces productivity within work itself. Where inequalities and competition are intense, more foremen and supervisors are needed to insure work discipline, and this, again, reduces economic efficiency.

The second critical effect of high levels of inequality concerns its impact on democracy: high inequality concentrates material resources in the hands of elites in ways that enable them to have a vastly disproportionate influence in political life, both at the local level and at higher levels of the political system. Furthermore, since high inequality erodes the sense of everyone being in the same boat – we are all in this together – the influence of wealthy elites on state policy tends to serve their interests over those of the broader public. We will explore these issues in Part III of the book when we discussion democracy.

Conclusion

Few subjects are more fraught with controversy than the problem of the justice or injustice of social and economic inequalities. It is difficult to have a calm discussion of these matters since powerful interests are at stake. If one decides that it is a profound injustice that nearly 13 million children are poor in the United States in the first decade of the 21st century then it is difficult to defend doing nothing about this. And doing something serious about poverty and inequality inevitably means that at least some of the privileges and advantages of people who manage to do well under the existing rules of the game will be reduced.

Now, it is not the case that everyone who has advantages which may be reduced by remedies to injustice will actively oppose the remedy. People can have sufficiently strong moral commitments to social justice that they support public policies and social changes which challenge injustice even if they themselves do not gain from such changes. But many people in such a situation oppose such changes to existing arrangements out of narrow self-interest. They use power to defend their interests and thus turn an injustice into a form of oppression. This, of course, is a morally uncomfortable position. Rarely do people in such a situation forthrightly say: “I know this is a violation of moral principles of fairness and justice, but I am rich and oppose policies that will help the poor because I don’t want to pay for them.” Most people, it

seems, feel a need to justify the defense of their advantages on moral grounds, and so their self-interest gets dressed up in moral language of one sort or another. And because there is a certain persuasiveness in these rationalizations, many people come to genuinely believe them.