

EQUALITY AS A POLICY OBJECTIVE

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"The idea of inequality is both very simple and very complex"

Amartya Sen¹.

Andrew John (Economy of Ireland, ch. 2) interprets the policy aim of intragenerational equity as a proximate aim of equality. The reason for any policy objective is to change society in its imperfect existence and move towards the "proper order" of things. Philosophers through centuries have described their own forms of Utopias. Most argue passionately for fairness, distributive justice—in short, equity. Plato advocated a form of communism and yet his "Republic" was to be ruled by an educated elite. Aristotle maintained that "equality consists in the same treatment of similar persons"² where similarity is based on one's position at birth. Thomas Jefferson was author of a constitution guaranteeing equality before the law, but not for negro slaves. Rousseau and Marx hold that individuals are potentially equal and that social relations should be derived from this premise, whereas Locke and Nozick hold that people are entitled to the fruits of their natural endowments.

Nowadays, there are two basic definitions of equality. I shall define the two in turn, examining what each means, outlining problems of measurement and also considering the desirability of each. I shall finally consider the equation of intragenerational equity with equality.

The first definition of equality is equality of opportunity or a system that is fair in its operation. This has widespread support and yet there is immense subjectivity in assessing its extent. Most would note inequalities in material inheritances but from an ethical point of view, is the possession of an inherited skill not as equally inequitable? However, as Friedman as noted "literal equality in the sense of identity is impossible" and hence measures taken to ensure equality of opportunity are generally concerned with education.

Why is equality of opportunity so favoured? There are two strong arguments behind it. The first is economic and states that equality of opportunity is complementary with efficiency and the free market system and thus with the optimal production of goods and services. Friedman in fact equates free market capitalism with equality of opportunity. Funnily enough Plato also favoured equality of opportunity (even of the sexes!) not on principle but because of its beneficial effects on production.

The second argument is that equality of opportunity is ethically just and is grounded in the premise of equality before God and equality before the law as "All men are created equal". Even Locke may have approved of keeping earned income only (thereby excluding inherited inequalities) by maintaining that natural resources are held in common.

There are two reservations about equality of opportunity as above interpreted. The first is that opportunity seems to mean "economic opportunity". Friedman even admits that in a free society where there is equality of opportunity "social practices unquestionably gave special advantages to persons born in the 'right' family, of the 'right' colour and practising the 'right' religion."⁴ Education is supposed to eliminate such practices. Pigou described this as "the *locus classicus* of liberal theories about the relation of education to social class" in which we "will use education to abolish class by assimilating all men to the rank of gentlemen."⁵ I doubt that either deproletarianisation or embourgeoisement will be strong enough to counteract the natural forces pulling towards a pyramidal structure. As Ken Livinstone recently remarked, the main difference between the upper and lower classes is the immense confidence possessed by the former, something that is not always passed on in comprehensives.

One's second query is whether equality of opportunity is possible to have without equality of welfare. Equality of opportunity at one stage in life may by chance lead to further inequalities of opportunity. Secondly power is generally equated with money. Assuming equality of opportunity results in inequalities of wealth, can equal treatment, e.g. before the law be guaranteed? Thirdly if intergenerational transfers of wealth are permitted it is difficult to implement equality of opportunity for subsequent generations.

The second definition of equality is equality of welfare. Welfare however is immeasurable, and so we must choose a measurable proximate policy objective, e.g. income or wealth. Economists generally choose income as wealth itself generates income. Also in Ireland information on wealth is limited to that from those who die above the CAT threshold. However using income as a proxy raises the distinction between earned and unearned income as the former probably involves disutility (having to get up in the mornings), and also wealth provides intangible benefits such as security and prestige. We then have to ask: Over what period do we equalize income—weeks, months, years or a lifetime? What groups are to be the basis of our study?—individuals would be the most logical choice but again we are constrained in that far more information pertaining to households is available. Again two

households may have the same income but a different breakdown of earners to dependents. Lastly our true devotion to equality may be tested by gauging our response to its extension from national to global equality. Despite Minister McSharry's statement that "My country has always been very supportive of aid measures aimed at the most distressed low income countries"⁶ Ireland's aid fell to 0.19% of GNP in 1986, compared with 0.7% recommended by the U.N.

What are the arguments in favour of equality of outcome? Andrew John makes the valid point that from the four assumptions of welfare theory and particularly the third which states that individual welfare depends on the goods and services consumed, "at least over a significant and relevant range inequalities of welfare and inequalities of income will be associated"⁷. After all, despite Friedman's reassurances that although "life is not fair... it is important to recognise how much we benefit from the very unfairness we deplore"⁸, this is scant comfort to the destitute. Nor does it feed them to know that members of their class will, in future generations become increasingly well off.

One argument in favour of equality is the social one. Equality is desirable because inequalities cause alienation and hurt us all. Secondly because of human compassion we may desire to alleviate poverty and thus reduce inequalities. This is consistent with Pareto-efficiency.

The second viewpoint is a philosophical one. Rousseau and Marx take an egalitarian view of society based on a humanistic view of the equal worth of each individual. Equality of welfare is achieved on the basis of the famous maxim "from each according to his ability, to each according to his needs"⁹. The problem is determining what precisely needs are since they will be subjective.

Utility is taken into account in the argument in that if one assumes diminishing marginal utility of income, utility is maximised by an equal distribution of income. This premise may be flawed in treating money as having DMU. Unlike other commodities money is very flexible and may not be subject to DMU, at least to the extent imagined.

Sen rejects the utilitarian framework and concurs with Andrew John that needs rather than "desert" "would appear to have far greater use for the complex idea that we call humanity"¹⁰. The market exacerbates existing inequalities whereas his weak equity axiom¹¹ would call for the opposite distribution.

The final argument rests on a philosophical experiment carried out by John Rawls. He posited that if placed in an "original position"

we would be infinitely risk averse and choose the configuration that maximises the welfare of the worst off person(maximin).Given a fixed total income,this calls for total equality of income.

The arguments against equality are ,as Sen noted,generally made on non-distributional grounds.They generally concern the "size of the pie" and problems of redistribution.Friedman dismisses equality of outcome as impracticable,the pursuit of which would be economically and socially catastrophic.Economically,because unlike the Dodo in "Alice" who declares"everyone has won and all must have prizes" in the real world we are faced by the questions "where are the prizes to come from?",and "what incentive is there to work and produce?"¹².Socially,it will result in a state of terror and will drive out the "ablest,best trained,most vigorous citizens" and will cause a "growth in crude criminality"¹³.

We cannot but make value judgements when considering distribution."In one way or another usable measures of inequality must combine factual measures with normative ones"¹⁴.Thus Sen raises the issue which I briefly touched on earlier which is the equation of intragenerational equity and equality.There are the non-income determinants of welfare to be considered.As Andrew John said inequalities of welfare and income are connected "over a significant and relevant range".It is undoubtedly true that the MU of income is infinite for a starving ,penniless pauper yet once a certain level of income is reached other factors become dominant.These may be tangible factors such as one's environment,one's work,one's fellows and indeed one's personality.We must also consider intangibles such as liberty which will undoubtedly be limited by by any attempt to pursue equality.The USA has plumped for a mixture of the two often termed categorical equity,where equality is treated for a merit good and everyone has the right to subsistence.¹⁵.It is an attempted solution to the trade off between equity and liberty.It is not perfect,but then the idea of equality is very complex.

References.

- 1.A.K. Sen,On Economic Inequality,preface.
- 2.Aristotle,Politics,Book II,Ch.7
- 3.M.Friedman,Free to Choose,Ch.5
- 4.ibid.,Ch.5
- 5.Pigou,quoted in F.Hirsch,The Social Limits to Growth.
- 6.In a speech to the UN quoted in the Central Bank Review,3rd quarter,1987.

7.M.Friedman,ibid.

8.A.John,Economy of Ireland(ed. J.W.O'Hagan),Ch.2,p.84

9.Karl Marx,quoted in A.John,ibid.

10.A.K. Sen,op. cit.,Ch. 4

11.The weak equity axiom states that if person i has a lower level of utility at each level of income than person j then person i should receive more income in an optimal solution.

12.M.Friedman,op. cit.,Ch.5

13.As 12

14.Sen,Ch.1

15.The Economic Report of the President of the USA,1974-"Those who produce more should be rewarded more;and no individual or household should be forced to fall below some minimum standard of consumption regardless of production potential".