

Equality as a Policy Objective

This essay is divided into two sections. The first is concerned with the definition of equality and the limitations involved. We shall see that there are, in fact, two ways of looking at equality and each have their own specific problems both as measures of equality and in their implementation. The second section is concerned with the desirability of equality. Three arguments for equality are presented and then the arguments against which are mainly concerned with the conflict between equality and liberty. I have selected two of the most persuasive advocates of liberty to illustrate this argument - Robert Nozick and Milton Friedman. The conclusion, however, is in favour of equality as a primary policy objective.

There are two ways of seeing equality - equality of outcome and equality of opportunity. We shall look separately at each of these and how they are measured.

DEFINITION AND MEASUREMENT

Equality of Outcome

This is equality in the sense that society's output is distributed equally after all economic transactions have taken place. Since output is valued in monetary terms it follows that equality of income or wealth would be suitable measures of this equality. The tax systems's attempts to redistribute income recognise this.

There are problems with income as a measurement, however. In the first place there is the practical problem that our income statistics are for households rather than individuals. This means that we cannot tell how income is distributed within the household and so cannot ensure equality of outcome for individuals. Indeed, if we increase transfers to the household where one person keeps all of the income we actually decrease equality (the wife and children usually being oppressed). Equality of income between households does not take account of differing numbers of dependents (although this can be adjusted for) and differing needs (not so easily adjusted for).

Secondly there is the theoretical question of whether income is a good measure of overall well-being. Different people get varying levels of utility from different goods. Their work to gain this income may require different work efforts although hours may be equal. How much a person enjoys his work also affects welfare.

Despite these problems with income, it is the best measure of welfare we have. As Beckerman says, the income statistician is not the philosopher-king and cannot be expected to be. The implementation of income equality is even more problematic however. Excessive marginal rates of tax cause disincentives to work and thus impede growth. Indirect taxes, by their nature, are regressive. Even government cannot rely on equality of outcome (measured by income) alone to promote equality. This leads us on to the second way of defining equality.

Equality of opportunity.

As opposed to equality of outcome where equality is defined in terms of the post-transactions period, equality of opportunity is an attempt to equalise people's positions before economic transactions take place. This involves redistribution of endowments. This is the basis of market socialism. If endowments are equal then final outcomes should equalise well-being (disregarding chance or "bad luck" factors) because the extent to which the endowments are used to produce material or non-material pleasures will be directly related to the utility of these pleasures to the individual. This seems ideal but its measurement and implementation are probably even more problematic than those of equality of outcome.

First of all - measurement. There is not much difficulty in measuring inherited wealth in monetary form. If the wealth is in the form of real goods,

however, we have the same problem as above, that due to individual's varying tastes and preferences, different goods yield different utilities and so the utility of the endowments themselves are subjectively determined. Human capital is as important, if not more so than inherited physical or financial wealth. But how can individual talents be measured? And again, different talent would yield different utilities to different individuals.

Secondly - how do we implement this equality? Is wealth redistributed with every new generation? But why should parents be prevented from leaving wealth to their children? This implies that investment in unnecessary luxuries is more important than investment in people, which is contradictory to the purpose of equality of opportunity. And how can human wealth be distributed? - at the extreme this would necessitate slavery - clearly not acceptable.

Since both equalities are attainable only to a certain level government in the welfare state makes use of their two types of redistribution in weak forms to promote equality. Tax revenues are used to redistribute income and to provide free (relatively) education and health facilities to the less well-off in an attempt to increase equality of opportunity. It has been said that the influence of equality on the welfare state has been as an ideal rather than as a numerically achievable objective.

DESIRABILITY

As mentioned above, equality is an ideal of our society, but why so? Why is it desirable?

Arguments for equality.

1. Probably the most compelling argument for equality related to the concept of justice. This is Rawl's "original positions" argument and it states that if everyone was to be reincarnated as a person whose income they could not foretell before the reincarnation, and if each person could decide on the income distribution they would wish for this new society, everybody would choose an equal income distribution. The analogy of the reincarnation allows decision to be based on an original position rather than on people's real relative positions which would influence the decision. The original position argument thus shows equality to be the fairest distribution. To justify this argument completely, one would have to prove that justice is desirable which would also necessarily involve the definition of justice, a problem which has bewildered the greatest philosophers of the last three milleniums. If justice is accepted as desirable, however, then equality of income distibution is the fairest distribution.

2. The "compassion argument" claims that poverty decreases everybody's well-being - the poor because they are poor, the well-off because they feel guilty. Equality would, therefore, increase welfare by decreasing relative poverty.

3. The third argument is that money has a decreasing marginal utility (this need not be inconsistent with the idea of insatiability of human desires - marginal utility may never become negative, but it may decrease to a point where it becomes constant and it is along htis constant marginal utility that desires are insatiable - £10 to someone like a poor student brings more utility than to a millionaire). If the marginal utility of money is decreasing then social welfare would be maximised where marginal utilities are equal i.e. where income distribution is equal.

Arguments against: Nozick and Friedman.

These two writers are both extreme liberals and their objection is not to equality itself, but to the redistribution of resources this involves. Nozick presents philosophical arguments while Friedman gives more practical points.

The voluntary exchange market allows an individual to decide who to trade with, how much to trade, when to trade and what to trade. Intervention in this system amounts to a denial of the individual's liberty, claims Nozick. Friedman adds the practical caution that intervention will likely cause inefficiency. Nozick claims that "taxes are on a par with forced labour". Friedman says that post-tax

distribution may be more unequal than pre-tax distribution because the limitation of supply will increase prices. Nozick claims that no-one has rights to something which involves denial of his rights over something else. He admits that if rights in holdings have been illegitimately acquired, they should be returned to the rightful owner, but if they were legitimately acquired then taxation of them is wrong.

Nozick, however does not define what he means by "legitimately acquired" and herein lies the major flaw in his argument. We assume he means "according to the laws of the state". But many old laws would not be considered legitimate themselves today e.g. black slavery in America. When he says that justice in holdings is historical, he gives no indication of how far back in history the acquiring of holdings should be traced. If we go back far enough, most property is "illegitimately" (by today's laws) acquired. I don't think Nozick would agree, although his argument implies it, that America should be given back to the Red Indians.

Friedman's rejection of any intervention exaggerates the inefficiency involved in intervention. This inefficiency can be minimised by ensuring the proper level of intervention and then making transfers in the most efficient manner possible. Thus intervention should not be rejected simply by an inefficiency argument.

In any case, the liberty which both these thinkers exonerate is a self-contradictory concept itself - never can everybody be entirely free at the same time because if they were each individual's freedom would be impinged upon by the "free" actions of other individuals - life would be "poor, nasty, brutish and short" (Hobbes).

CONCLUSION

It would seem, therefore, that the arguments in favour of equality outweigh those of "liberty" and although there are problems involved in its measurement and implementation, there exist a priori reasons for the government to promote equality, recognising it as an ideal rather than as a numerically achievable objective.

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