

A Note on Equality as a Policy Objective

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Of the three main policy objectives, full employment, equality and growth, it is equality that, while being the hardest to define and measure, is the one that the ordinary person on the street would most probably choose. The following is a transcript of a typical conversation with such a person. In accordance with standard economic convention, the interlocuter, being variable, is denoted by X.

Transcript

Ask Mr. X to define equality, and he will probably offer the lame "where everyone is equal", and beyond that be able to offer no further insight. So you offer him a choice between two alternative definitions:

- (i) equality of opportunity: i.e. in the initial state, everyone is given an equal chance to improve his or her lot;
- (ii) equality of welfare: i.e. in the end-state, the government ensures that everyone is equally well-off.

Contingent on his political persuasion, whether he is conscious of it or not, Mr. X will choose one or the other. Left/socialists tend towards number two while centreright/liberals choose number one - with a cry of: "that's what I meant!"

"So now that you know what it is, Mr. X, could you tell me how you would know if what you are either aiming to encourage or cause to come about has in fact happened, or if not, how far you have to go to see its realization?" An embarrassed silence

follows, then a repetition of the chosen definition, with perhaps a mention of income, but no clear idea of how equality is to be measured.

An intellectually arrogant but overwhelming desire comes over you to grant Mr. X the gift of enlightenment, so you explain that equality is not achieved by everyone having the same income. Peoples' needs vary, and some will need a higher income than others to achieve a given level of utility." Indeed, Mr. X, you may have ten children, whereas Mr. Y (another random person) may have none. Or you may have to work twice as many hours as he does in order to earn an equal income." Finally, he may have the capacity to get more enjoyment out of £100 than you do, so even on equal incomes, your welfare isn't necessarily equal.

"Ok, ok" he says, "if it's not income, what is it I should use to know where I stand in the equality stakes?" There he has you, you have to admit, since no alternative to income exists as a proxy measurement of welfare. It is something with which we have to make do. Yet problems remain: how do we define income? Should we include income-in-kind - perks of the job? "Yes," is the answer, but how to measure income-in-kind is another question, which we shall ignore, for Mr. X is starting to look at his watch and get fidgety. He has been standing in the street, talking to you, for quite some time now.

Hurrying along, you explain how income is a faulty measure of equality unless allowances for certain difficulties are made. For example, most of the income data that

exists about those outside your immediate circle is of the per-household variety, and not as you would want it, per individual. It can't just be divided by the average number resident in each household, as research has shown that the lower a person's income, the more likely he or she is to share accommodation, so a house that seems quite wealthy could have twenty relatively poor people living in it. And you use the word 'relatively' because while the people in that house may be poor by Irish standards, they may be wealthy by the standards of, say, Ethiopia, in the same way as you may be quite comfortable by Irish standards, but poor by German ones.

Ask Mr. X why does he see equality as the most desirable of the policy objectives, and he will, in all probability, say "because it's desirable". A simple if truthful answer but not deep enough for you. Ignoring his pleas for respite, (e.g. "I must be going," or "the shops are closing soon") you ask: "Can it not be argued, Mr. X, that equality is not only in the interests of the poor, but also of the rich? For if inequality persists, it can lead to alienation and then to social unrest, which is unpleasant for us all, and can in its most extreme forms lead to the destruction of the whole system, as any Tsar will surely confirm."

Even if the "unequal" were passive in their plight, surely compassion has a place! How many times have you passed a child begging on a street, and wished they weren't there, ignored them for you felt they offended your dignity and that of your city and country? But you can't just wish them away, and £1 in their box won't make them go away either. Only a society committed to equality will do that, or one which forces the poor off the streets and into ghettos, an alternative which neither you or Mr. X relish.

You then outline the diminishing marginal utility argument which, in contradiction of one of your previous

arguments (but he fails to notice), argues that people by and large have an equal capacity for enjoyment and that each £1 we get gives us less enjoyment than the last. This is the argument most used in favour of redistribution of wealth. It holds that if person A earns £100,000 p.a., and person B £1,000, shifting £1,000 from A to B via taxation and transfer payments, causes A less loss of enjoyment than it gives to B.

You decide not to give Mr. X the benefit of Rawl's justice argument, which is a tad esoteric for the context. Just then Mrs. X and X Jnr. (his son) arrive, having set out as a search party for the long overdue Mr. X. They wish to know what has kept him for so long, so you explain that you were discussing which of the three policy objectives were preferable and why. Caught up by this, Mrs. X plumps for full employment, and X Jnr. for growth.

Mrs. X argues with Mr. X that the unemployed represent one of the most disadvantaged sections in Irish society, if not the most disadvantaged. Hence removing unemployment will lead to a more equitable society. Junior counters with the argument (he's obviously intelligent enough) that he sees unemployment as being partly caused by attempts to achieve equality, such as high unemployment benefits and minimum wage legislation. He says that equality can only be achieved through growth, for only then, in a growing economy, will redistribution not be resisted by those who would otherwise lose out.

By now it's time you were going home, so you leave the X family arguing on the street about equality as a policy objective, with the parting shot, "policy objectives are very difficult to define, and measure, in any precise way," to which Mr. X retorts "know it all". Yet in reality you don't, for you don't know how to achieve equality, or measure it. But then, neither does anyone else.