CHAPTER 16

Equality of What?

1 Different Concepts of Equality: Conflicting or Complementary?

Anybody who advocates greater equality of, say, wealth or income, would normally be regarded as an 'egalitarian'. And they would normally regard themselves as egalitarian. But there is a little logical problem about claiming to be an egalitarian by appealing to the desirability of equality in one or another particular 'space' or 'focal variable', such as income or opportunity. For – as Amartya Sen has emphasised – greater equality in one or other 'space' may lead to greater inequality in some other 'space' (Sen, 1992). This is on account of basic human diversity taken together with the variety of possible 'spaces' in which equality can be conceived. So you could be an egalitarian in one space but anti-egalitarian in another.

For example, equality of opportunity is likely to lead to unequal distributions of income since people differ in their ability to take advantage of their opportunities. But an equal distribution of income would lead to an unequal distribution of welfare since people have different needs and tastes. Similarly, redistribution policies designed to increase equality in incomes are likely to require some restrictions on people's freedom to dispose of their assets freely, thereby leading to inequalities in the space of 'rights'. In other words, if you are in favour of greater equality in some 'evaluative space' you will usually have to condone greater inequality in some other space. So are you an egalitarian or not? It is not possible to be an egalitarian in all of them.

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In fact, since 'to make people equal in one respect can make them unequal in another . . . we cannot simply assume without further clarification that we know what an equal society would be like' (J. Wolff).[1] Nevertheless, there is room for major differences of opinion as to which 'evaluative space' is the most important. Before marrying somebody one might take account of the prospective spouse's age, good looks, IQ, wealth, income, cooking abilities, musical tastes, congenial parents and even whether the person is already married. But most people will regard some of these evaluative spaces as more important – perhaps crucially – than others. To attach importance to one criterion does not make the others totally irrelevant, except perhaps marital status. Indeed, many of the focal variables can be complementary in some circumstances. The same applies to the choice of the appropriate focal variable in the equality debate. For example, greater equality of incomes is more likely than not to lead to greater equality of welfare. But this may not be true for all the commonly cited focal variables, including welfare, opportunity, resources, income, capabilities or rights.

Many of these variables will be complementary, so that it would not matter much which ones should be promoted, or even which ones are the most important. Anyway, it is difficult to see by what criteria one could justify concentrating on one of these variables rather than another. Presumably one has to treat them as either top-level intrinsic values that are incommensurable, or as being simply *instrumentally* valuable in promoting some higher-level intrinsic value, such as 'happiness', and then test – on the basis of empirical data – which ones are most conducive to that value. Unfortunately, even ignoring the problem of reaching some generally agreed definition of 'happiness' and serious statistical difficulties, there would still be the problem of how far happiness itself is equally distributed. For, as indicated in the *World Happiness Reports* discussed in Chapter 12, it cannot be assumed that the aggregate happiness of a given society is all that matters irrespective of its distribution.

For example, suppose you are faced with two societies which, to simplify the argument, have equal populations. In the first society people are equally happy, but on a happiness scale of zero to ten, each person's happiness is only three. In the second society individual happiness ranges from four to ten. So in terms of happiness it is a much more unequal society (it is assumed that each person's happiness takes account of the degree of inequality in that society). In the second society there is more inequality but everybody's happiness is higher than everybody's happiness

in the first society. Which society do you prefer? And does some modification of the figures make any difference? For example, would you choose the second society if the happiness levels therein ranged only from, say, four to five, so that average happiness would not be much greater in the second society than in the first? If so, you are attaching some intrinsic value to the equality with which happiness is distributed even though it does not increase the happiness of any of the individuals concerned. So you have to answer the question posed at the end of the last chapter, namely what is so good about this greater equality even though it is no good for anybody.

Thus we seem to be driven to the conclusion that it is difficult to identify which particular concept of equality is most important in the sense that it is the most *instrumentally* effective in promoting some higher-level *intrinsically* valuable concept of equality.

2 Equality of Welfare

As explained in Chapter 7 the focal variable in a conventional textbook social welfare function is the 'utility' of the individuals to which the function refers. Subjective judgements about the distribution among people of utility/welfare is what a social welfare function is supposed to help us take into account in choosing between different distributions of utility/welfare.

Unfortunately equality of welfare is difficult to measure, though considerable progress has been made in measuring 'happiness' over the last few decades. Nevertheless economists have tended so far to concentrate on the distribution of the relatively measurable concepts of income or wealth. But people differ with respect to their ability to convert incomes into welfare. For example, on the whole, people who are physically disabled, or have expensive tastes, or gloomy dispositions, would experience less welfare than other people with the same income. Yet, society would usually regard remedial action as appropriate for some of these reasons but not for others. For example, most people would accept that it is 'unfair' for people to suffer on account of some physical disability, but not on account of expensive or perverse tastes. Loss of welfare on account of gloomy dispositions might be on the borderline. After all, society does devote a lot of resources to mental therapy and anti-depression drugs. So, either directly or indirectly, attempts to iron out major differences in capacity to convert incomes into welfare will often entail inequalities in the resources devoted to different people.

Furthermore, many people believe that differences in welfare that reflect differences in 'merit' are perfectly legitimate and the state has no business to mitigate such differences. The 'merit' criterion of an equitable distribution of something or other has a distinguished pedigree, going back to Aristotle's assertion that 'Everybody agrees that justice in distribution must be in accordance with merit in some sense, but they do not all mean the same kind of merit . . . '[2] This seemed to be only slightly less true over 2,000 years later, since many people now dissent from the merit criterion.

For example, according to Hayek the term 'merit' is used in a wide and vague sense, and he describes his own usage of the term to denote '. . . the attributes of conduct that make it deserving of praise, that is, the moral character of the action and not the value of the achievement' and in this sense

> . . . the value that the performance or the capacity of a person has to his fellows has no necessary connection with its ascertainable merit. The inborn as well as the acquired gifts of a person clearly have a value to his fellows that does not depend on any credit due to him for possessing them. There is little a man can do to alter the fact that his special talents are very common or exceedingly rare. A good mind or a fine voice, a beautiful face or a skilful hand, and a ready wit or an attractive personality are in a large measure as independent of a person's efforts as the opportunities or the experiences he has had' (Hayek, 1960, p. 94)

Hayek concludes from this that '. . . in a free society it is neither desirable nor practicable that material rewards should be made generally to correspond to what men recognise as merit and . . . an individual's position should not necessarily depend on the views that his fellows hold about the merit he has acquired'.[3]

He goes on to argue that a society '. . . in which it was generally presumed that a high income was a proof of merit and a low income a lack of it . . . in which there was no other road to success than the approval of one's conduct by the majority of one's fellows, would probably be much more unbearable to the unsuccessful ones than one in which it was frankly recognised that there was no necessary connection between merit and success' (Hayek, *op. cit.*, p. 98).

Nevertheless, although it would no longer be true that 'everybody' subscribes to Aristotle's merit criterion, most people probably do so. In

that case, inequalities of welfare that correspond to inequalities of 'merit' would be widely accepted as 'just'. This is closely related to the goal of 'equality of opportunity' as we shall now see.

3 Equality of Opportunity[4]

Equality of opportunity is probably the focal variable that enjoys the most widespread support. Many people identify this with their notion of 'fairness', which they may regard as corresponding to their concept of 'justice'.[5] They simply believe that it is 'unfair' that, say, people from poor backgrounds do not have the same chance in life of prospering or achieving their life's goals as do people from privileged backgrounds. The 'fairness' justification for equality of opportunity (in some sense or other) is thus a top-level value judgement and, as indicated earlier, corresponds to the widespread view that people ought to be rewarded according to their merit. This would differ in some respects from Rawls's concept of 'justice as fairness'. As explained in Chapter 15, Rawls's concept of fairness corresponds to the hypothetical contract that people would have made behind a veil of ignorance in which they did not know which position in society they would occupy. This contract would not, however, be designed to iron out inequalities between people's welfare that arise on account of their choices in matters over which they had control. It would, nevertheless, respect the principle of redress, which Rawls defines as 'the principle that undeserved inequalities call for redress, and since inequalities of birth and natural endowment are undeserved, these inequalities are to be somehow compensated for.... The idea is to redress the bias in contingencies in the direction of equality'.[6] But, in addition to equal access to positions of advantage in society, what matters in Rawlsian theory is access to 'primary goods'. How far people fail to convert these into welfare as a result, say, of lack of motivation, is their responsibility, and the state has no obligation to iron out the resulting inequality of welfare.

In addition, equality of opportunity may often promote greater productive efficiency, or other tangible benefits. For example, it is often claimed that, if children from deprived backgrounds do not have an equal chance of getting higher education, society is squandering a potential pool of ability. The same would apply to discrimination against people on grounds of sex, or colour, or religion, since this, too, would prevent an economy from making the most efficient use of its human resources. A recent official

study in Britain estimated that the gap between the employment rates for ethnic minorities and the population as a whole costs the economy £8.6 billion per annum and that this is largely the result of ethnic discrimination.[7]

If certain policies to promote equality of opportunity promote economic efficiency they would be equalising policies that do not lead to the conflict that is usually assumed to exist between such policies and efficiency. This conflict arises chiefly in connection with certain policies designed to promote equality of incomes. For it is presumed that measures to reduce inequality of incomes (or wealth) by means of, say, progressive rates of taxation, reduce some people's incentives to work harder and earn more. This is because it is widely assumed that both benefit recipients and higher tax payers will be less likely to work as much as they could. Also redistributive measures require unavoidable administrative costs. But the evidence for this is weak, which may be because many people are more concerned with some target level of post-tax income, so if they have to pay more in taxes they will simply try to increase their pre-tax income. And how far benefit recipients prefer a life of idleness to the various social satisfactions of work depends very much on the way that the benefit system is organised.

People subscribe to different conceptions of 'equal opportunity'. For there are many, such as (i) the best person should always get the job (meritocracy); (ii) everybody should start in the same position or enjoy the same chance of success; (iii) something narrower, such as the view that certain specific variables, like race or sex, ought not to influence allocations; or (iv) something wider, such as that everybody should have the same opportunity to achieve their full potential to enjoy a satisfying and creative life.

For example, if one wants equality of opportunity only on the instrumental grounds that it promotes productive efficiency one might limit oneself to the view that employers ought not to discriminate against people on grounds such as colour or gender or social class. This *minimal*, or *formal*, equality of opportunity has obvious origins in the needs of societies to develop and has been accentuated in the course of the growth of competitive market economies. But it is limited from the point of view of both fairness and efficiency. Having the relevant qualifications for a job or a University education is not enough insofar as people have unequal chances of acquiring the relevant qualifications. If the only candidates for a post or decent education are the children of the wealthy then *formal* equality of opportunity may not be enough.

For this reason, many people subscribe to a wider and more *conventional* interpretation of equality of opportunity which is some

combination of (i) and (ii) – for example, one may believe that best person should get the job but that everybody should have an equal chance of becoming the best person. This could be on both intrinsic 'fairness' grounds as well as instrumental grounds. For there is little doubt that failure to provide equal educational opportunities to poor children will prevent many of them becoming equally attractive to potential employers or achieving their full productive potential even if there is no discrimination on grounds of sex, colour, religion, and so on. It will generally be felt 'unfair' if a talented person is unable to exploit his potential on account of a deprived background, irrespective of how far his potential raises his income and adds to the productive efficiency of his society. This more *conventional* interpretation of equality of opportunity requires some correction for social disadvantages, notably one's family background. It corresponds to the widely held intuition that it is unfair if people suffer from some disadvantage that is no fault of their own. The corollary of this is the belief that one's achievements should depend only on one's natural abilities and the choices one makes (e.g. to work hard, or take it easy).

Because some philosophers accept that people cannot be held morally responsible for their inborn characteristics – good or bad – many of them believe that even the *conventional* concept of equality of opportunity does not go far enough. For if it is believed that it is 'unfair' for people to be worse off through no fault of their own then it would be unfair for people to be worse off because they were born 'intellectually challenged' and lacking in any other special marketable skills, such as some outstanding sporting or artistic ability. The distribution of talents is, after all, morally arbitrary. Talented people are lucky, and if it is unfair for people to be worse off through no fault of their own – that is they are just unlucky – they ought to be compensated. This would provide a case for a *radical* interpretation of equality of opportunity that aims to correct for natural disadvantages as well as social disadvantages. A form of focal variable that comes close to such a radical interpretation of equality of opportunity is 'equality of resources', to which we now turn.

4 Equality of Resources[8]

Ronald Dworkin, rather like Rawls, maintained that people's achievements in life should reflect only their choices, and not their inherited characteristics, let alone their family circumstances.[9] For this purpose he advocates a radical form of equality of opportunity that would be created by equalising

the allocation of 'resources' in society when resources are defined widely to include native talents. But since native abilities cannot be redistributed, people who lack talents should be compensated for this as much as people who lack initial social advantages, such as being born into an unfavourable environment. People may be unfortunate in their choice of their parents in many respects. Not only may their parents be poor, or be in the wrong country at the wrong time, but they may also be unable to pass on valuable genes to their offspring. If the effect of all inherited advantages or disadvantages could be cancelled out it *might* be right to say that differences in the degree to which people achieve their goals in life depend only on their choices – notably whether to work hard or take risks, and so on. This conserves the role of personal responsibility in determining the inequality of outcomes and limits the responsibility of society to promote equality of outcomes.

Hence differences in achievements that result from a person's choices ought not to be rectified by redistributive taxation. But taxes ought to be levied on those whose wealth does not appear to be the reward of their own choices, and may reflect, instead greater innate talent, which is morally arbitrary. And benefits ought to be given to those who are deemed to be deprived on account of lack of talent or other inherited advantages rather than lack of ambition and determination.

Thus Dworkin's approach would attempt to mitigate inequalities that have their origins in inherited material resources or income-enhancing genes or sheer 'brute luck', so that the only remaining inequalities would be those that reflected people's choices. The notion that people are ultimately responsible for their choices and that these are not the result of their genetic inheritance or their environment raises the whole question of free will versus determinism, which lies well outside the scope of this book. Dworkin writes that 'I make no assumption that people choose their convictions or preferences, or their personality more generally, any more than they choose their race or physical or mental abilities. But I do assume an ethics which supposes – as almost all of us in our own lives do suppose – that we are responsible for the consequences of the choices we make out of those convictions or preferences or personality' (Dworkin, 2000, p. 7). But one may ask whether the first sentence is consistent with the second. Perhaps even Dworkin does not go far enough and allowance ought to be made for how much innate talent people have for choosing wisely and how much they have inherited an inclination to work hard.

The problem of the dependence of people's choices and ambitions and energies on their innate abilities is addressed by Rawls in his section on 'Legitimate Expectations and Moral Desert'.[10] In it he argues that theories of 'just' rewards in terms of moral worth contrast with his contractarian theory of justice. What people are entitled to according to such a contract 'is not proportional to nor dependent upon their intrinsic worth' (p. 311). And later he adds that '. . . it seems clear that the effort a person is willing to make is influenced by his natural abilities and skills and the alternatives open to him. The better endowed are more likely, other things equal, to strive conscientiously, and there seems to be no way to discount for their greater good fortune The idea of rewarding 'desert' is impracticable' (p. 312). In this view, he is, of course, echoing Hayek.

5 Equality of 'Capabilities'

One of the focal variables that lies somewhere between equality of goods and equality of outcome or welfare, which is another form of equality of opportunity, is Amartya Sen's concept of '*capabilities*'. The central idea is the importance of the 'freedom' that people ought to have to achieve certain '*functionings*'. Sen defines these as follows: '*Functionings* represent parts of the state of a person – in particular the various things that he or she manages to do or be in leading a life . . . Some functionings are very elementary, such as being adequately nourished, being in good health, etc . . . Others may be more complex, but still widely valued, such as achieving self-respect or being socially integrated' (Sen, 1993, p. 31). People with the same capabilities may achieve different levels of welfare insofar as they fail or succeed in taking advantages of the capabilities that their own abilities and social conditions provide. What matters, therefore, is the freedom that they enjoyed to pursue their own individual goals.

Obviously the measurement of capabilities raises numerous problems of definition and comparability. But over the years considerable progress has been made in tackling these problems, as well as the correlation between measures of functionings and capabilities, on the one hand, and measures of self-reported happiness on the other. The 'Stiglitz Commission' report contains detailed information and analysis concerning the many different indicators of particular capabilities and functionings that have been developed over the last few decades, which I shall not summarise here, as well as some indices that reflect some aggregation of indicators in various

concepts of overall well-being or development. But the concept of capabilities brings into sharp focus the question of how far one should judge welfare in terms of capabilities rather than in terms of actual levels of welfare, or in terms of the shortfall between the two. The choice becomes particularly difficult if, as is likely to be the case, greater capabilities lead to higher aspirations – that is, a greater knowledge of what is possible may induce many people to aspire to a higher level of welfare. There can be little doubt that, as pointed out in Chapter 12, the happiness of most people depends on their perceived relationship to other people.

6 Political Equality

So far we have discussed focal variables that have a strong economic content or relationship. But many people would argue that these are all heavily dependent on equality in political status. It is argued that economic equality, in whatever form one prefers, can only be achieved if there is political equality. Consequently, one of the most time-honoured claims for greater equality has been in terms of *equal treatment as citizens*. Equal treatment of people as citizens means that the state ought to treat all its citizens with equal concern and respect, whatever their colour, race, gender, religion, or social or economic status. Historically this has been a most important ideal in the struggle against unequal political and social rights for, say, women, or ethnic minorities, or people born into what were regarded as 'lower' social groups. And it is still an ideal today, even in many developed countries, where equality of status and recognition is claimed on behalf of gays and lesbians, disabled people, old people, and even – still – women.

This form of 'equality' is not about 'equality' at all in the sense that is of direct interest to economists. This is because how far everybody is equally entitled to vote, or own property, or stand for electoral office, and so on, does not necessarily depend on equality in the distribution of the stock of some finite, scarce resources. The vote can be extended to groups of people who were hitherto excluded from it without necessarily taking away the right to vote from anybody else. Principles such as 'everybody has an equal right to vote', or 'everybody has an equal right to stand for elective office' imply that everybody has the right in question irrespective of how many people there are. As Raz, Parfit and others have pointed out, in such principles, which are 'entitlement' principles, the qualifying adjective 'equal' is often superfluous.[11] And in economics we are naturally

primarily concerned with the distribution between people of some scarce resources. So we are primarily concerned with what Raz suggests is the characteristic form of egalitarian principle, namely 'If there are x people each person is entitled to 1/x of all the G that is available'.

Nevertheless, there is little doubt that inequality in the space of certain political or social rights is closely linked to inequality in the space of some 'good' that is in limited supply, such as wealth, are mutually related. And the chain of causation may go both ways. It is usually impossible to guarantee higher-level values such as legal, political or social equality if there are large disparities in incomes. Rich people, for example, can afford more powerful and expensive lawyers, or education. And one only has to observe the importance attached to fund-raising for political parties – especially in the USA – to appreciate that more money confers more political influence. Unequal wealth leads to social and political inequality.

To some philosophers, it is this latter form of equality that really matters. Elizabeth Anderson writes that

> Recent egalitarian writing has come to be dominated by the view that the fundamental aim of equality is to compensate people for undeserved bad luck – being born with poor native endowments, bad parents, and disagreeable personalities, suffering from accidents and illness, and so forth. I shall argue that in focusing on correcting a supposed cosmic injustice, recent egalitarian writing has lost sight of the distinctively political aims of egalitarianism. The proper negative aim of egalitarian justice is not to eliminate the impact of brute luck from human affairs, but to end oppression, which by definition is socially imposed.[12]

But most people today – like almost all political philosophers – probably accept what has been called an *'egalitarian plateau'*, namely that members of a political community should be treated as equals. As pointed out earlier, it is not a *distributive* ideal about the proper distribution of some scarce resource. The ideal of 'equal treatment as citizens' refers to the relationship of people to the state and their political relationships to each other. But, as Swift puts it – echoing a remark by Aristotle – while 'Nearly all agree with the principle that members of a political community should be treated as equals, that the state should treat its citizens with equal concern and respect. What they disagree about is what "treatment as an equal" amounts to' (Swift, 2001, p. 93). For example, there can be big differences in practice between 'formal' and 'effective' equality of

treatment. This is exemplified in two of the most important aspects of equality of treatment, namely (i) equality before the law and (ii) equality of citizenship.

As regards the former, this can be interpreted in ways that have less or more radical distributive implications. The less radical interpretation is simply that the law applies to all people without exception. There is not one law for the rich, another for the poor, one for women, another for men. This is a 'thin' or 'formal' notion of equality before the law. More radically, it can mean that inequalities in the resources available to people should not affect their standing in relation to the legal process as a whole. So, it might mean support for legal aid, for example. A relevant common distinction is between 'formal freedom', which means absence of interference, and 'effective freedom', which means having the power or capacity to act in a certain way. So, legal aid would give more 'effective freedom' to those who might otherwise have had only 'formal freedom' to go to law, but could not afford it.

As regards equal citizenship, this, too, could call for different degrees of equality in some resources according to how it is interpreted. A purely formal, minimal, interpretation could mean that all citizens have the right to vote, stand for public office, and so on. More radically, equal citizenship could mean that *effective* freedom ought to be facilitated by ensuring that all citizens have some kind of basic minimum of certain goods that are relevant to the proper performance of their role of the role of citizen. Equal citizenship could mean providing education. As Disraeli said after the 1880s legislation extended the right to vote to most adult men, 'We must now educate our masters'. Even more radically, equal citizenship could mean that the fact that you are rich should not give you more political influence. Thus, for example, equality of citizenship could mean putting a cap on the amount that individuals or parties could spend on political activities.

Thus while 'democratic equality' does not directly imply equality in the distribution of any scarce resources, and hence is more in the field of political philosophy than economics, the form of political equality one seeks to attain will influence how far scarce resources are allocated to the promotion of democratic equality. Historically, the real reason why certain classes or groups – such as whites, males, aristocrats, tyrants – tended to cling on to power is much more likely to have been in order to preserve their material advantages rather than any faith in their superior morals or wisdom.

But it is the distribution of some scarce 'good' that is our main concern here for reasons given earlier. This is not simply on account of the limited scope of this book, however. It is also on account of data limitations. Of course, data are available on some of the components of all of the different concepts of equality discussed previously. There are data on literacy rates, educational attainments, occupational structures, nutritional intakes, IQs, medical conditions, and so on. But none of the concepts of equality that would incorporate such variables – such as welfare, opportunities or capabilities – is yet measurable in any systematic manner in the same way as are data on the distribution of economic variables, such as wages, incomes, consumption, and – up to a point –wealth. It is to the most common of these, namely incomes, therefore, that we shall now turn.[13] However, concentration on the distribution of incomes still leaves us with a very large choice of 'focal variables' that are candidates for equal distribution.

7 Which Economic Variable?

7.1 Whose Income?

After the subtleties of the distinctions that different philosophers make between their preferred focal variables and rival versions, it might seem that when we move on to economic variables we shall be on less contentious and firmer ground. But this is far from the case, and, as the saying goes, 'you ain't seen nuffin yet'. This is because even if we limit our analysis to the equality of income, many value judgements still have to be made in deciding which particular concept of income should be the focus of our concern. To begin with, should we be interested in the distribution of incomes between individuals, or families, or households? Which income units should we prefer? This will make a big difference to the measures. For example, distribution among individuals would be far more unequal than among families or households. This is because the larger the unit the less the inequality, since variations among individuals will tend to be cancelled out to some extent.

Also, how far should we allow for household size? On the whole larger households will tend to have bigger incomes. One could just divide total household income by the number of people in it to get income per head and measure the extent to which these are distributed equally. This would then show a distribution of the population in terms of the numbers of

people who are in households with different per capita incomes. But this would not allow for economies of scale. For example, two people in a household with total annual income of £20,000, giving £10,000 per head, would probably have higher levels of *per capita* economic welfare *all other things being equal* than if they had been living separately on £10,000 each. So the usual method in income distribution statistics is to convert the raw data to what are known as 'adult equivalent scales', which adjust families or households of different sizes according to assumed degree of economies of scale in larger families or households. But even these adjustments cannot capture the effect of relationships within households since standard available statistics cannot indicate how income – or at least consumption – is shared out among different members of a household.

The effect of household size on the distribution of incomes has implications for comparisons of income distribution between countries or over time. First, it underlines the importance of comparing like with like, especially when making comparisons between different countries, or over long periods of time, insofar as the estimates relating to any particular country or time period may have been based on different methods and assumptions. Thus although considerable progress has been made in this direction over the course of the last few decades, international comparisons of equality of income have to be scrutinised very carefully before passing to judgement on them.

Second, over the course of the last century in Britain – and no doubt in most of the developed world – an important influence on measures of the equality of measured income per head has been changes in family size. For example, there was a big fall in the first half of the twentieth century in the number of families who were poor but very large, with the result that they had very low incomes *per head*. This sharp decline in the proportion of such poor, but large, families during the course of the twentieth century, especially in the first half of the century, tended to reduce the measured inequality of per capita incomes. However, in the last two decades or so the demographic and social trends would have tended to have the opposite effect and have led to more inequality of incomes. This is because of the much greater proportion of single-person families on low incomes. This is particularly striking in Britain where the average household size is one of the smallest in the world.

In a recent discussion of intergenerational inequality David Willetts correctly points out that 'a key difference between more equal and less equal societies is that by and large more equal societies have bigger

households' (Willetts, 2010, p. 29). To some extent this has been the result of free choice – for example, more old people not wanting to live with their children, or young people preferring independence even if expensive. To the extent that it reflects their own choices, one may not think that this necessarily implies a worsening of their welfare, any more than does the poverty of a young person who sacrifices immediate gains in the interests of greater gains later on. But it has also meant a lot of poverty among single or single-parent families.[14]

7.2 Annual Income or Lifetime Income?

This question has become increasingly important on account of the rise in longevity and hence the steady increase in the proportion of old people in society. What principles, if any, ought to guide our attitude to inequality between people on account of age differences? Even if everybody had identical incomes over the whole of their lives, variations in their incomes over the course their lives, would show that in any given year the income distribution would be unequal. Some people would be in a low-earning phase and others would be in a high-earning phase. In general, people receive relatively low incomes when they are young and reach peak incomes nearer middle age, at which point their incomes usually fall off, particularly after they retire. Hence, a comparison of the distribution at any point of time would show significant inequality of incomes that could reflect purely age differences. What light do egalitarian theories shed on how far younger people should be prepared to make transfers to older people?

The answer is 'not a lot'. For, most established egalitarian theories are about equality of well-being between people's *complete* lives. Nevertheless, certain features of mainstream theories of justice would seem to provide a basis for a theory that encompassed differences between overlapping generations. For example, in the contractarian tradition, Gauthier claims that *implicit* contracts – notably between parents and children – provide the basis for 'mutually beneficial co-operation' between persons of different but overlapping generations'[15] However, a persuasive criticism of this rather particular application of the contractarian approach was provided by the late Peter Laslett in the course of which he argued that '. . . what is done for children by those who bring them into the world is entirely spontaneous, proferred without expectation of return at the time or thereafter and done as an end in itself'.[16] But this objection would not apply to a contractarian theory of justice of the Rawlsian type since Rawls's famous

'difference principle' is about maintaining and increasing the position of the 'worst off' groups in society, which could correspond to – or at least include – old people. It is highly likely and that the participants in the contract drawn up in the 'original position' would have in mind the distribution problem created by the existence of old people in society.

Perhaps the only appealing and convenient philosophy in this case – as in many others – would be simple reliance on Adam Smiths 'beneficence'. For in a world in which longevity is consistently increasing, there is no way of avoiding the fact that each succeeding generation will include a higher proportion of people with relatively low incomes. This means that, in the absence of a persistent increase in the productivity of the employed population, each succeeding generation would have a continuous fall in incomes per head. So far, increasing productivity has more than offset the rising proportion of low (or zero) incomes people in society so that the transfer from the working population to retired people has not yet become intolerably high. And it is unlikely that it ever would since, even excluding societies that attach particular respect for old people, most people are aware that they, too, will become old some day, so that they are well disposed to policies that help old people.

Meanwhile, from the practical point of view of what data are relevant, the question is 'what is your welfare function?' Or, to be more precise, do you think that what matters is the distribution of the quality of people's lives over their whole lifetime, to which lifetime income might be the most closely related, or only the quality of their lives in some shorter period, such as a year, or some combination of both? And suppose there are two groups of people; some are content to be very poor for a while during their training as brain surgeons or plumbers (or whatever) in order to become very rich later as a result. The others prefer a higher income earlier in life, even if this means little increase in income later on. But the observed data on annual incomes will show inequality at any point in time between these incomes. Do you think this ought to be corrected in the interests of egalitarianism? Do you really worry about the lower incomes of people earlier in life when they may be voluntarily accepting some temporary sacrifice, or when they have not yet acquired the skill, training and experience necessary to aspire to higher earning. And do you worry about the poverty of the people late in life who had been rich when young but who spent it all on wine, women (or men) and song? If not, then perhaps one ought complement data on annual income distribution by data on the equality of lifetime incomes, which would show much less inequality? Of course, such data would be very difficult to obtain.

7.3 What Income?

There is still a further question of what particular definition of income ought to be used as the focus of concern. For example, should one use pre-tax, post-tax, pre-tax and benefits, or post tax and benefits income? In other words, there is no obviously compelling simple answer to the question of which, out of a very wide range of different concepts of income, one ought to choose. This reinforces the caution with which one must treat any international comparisons of equality of income distribution that fail to adjust to standard international concepts.

Notes

1. Wolff, J., 1998:98
2. *Ethics,* Book V, Section 4.
3. Hayek, 1960:95.
4. A detailed analysis of the concept of equality of opportunity is Cavanagh, 2002 A brief, yet comprehensive, review of different concepts of equality is in Swift, 2001.
5. 'Justice as Fairness' is probably the most common brief description of one of the most widespread conceptions of 'justice', but it leaves room for a wide variety of views as to what constitutes 'fairness'.
6. Rawls, 1971:100–101.
7. A study by the National Audit Office, reported in the *Financial Times*, 1st February 2008.
8. See various recent introductory expositions of the Dworkin approach in Swift, 2001:68–71; Little, 2002:65–60; Kymlicka, 2002:75–87, as well as a review of Dworkin's book by Kenneth Appiah, 2001.
9. Dworkin, 2000.
10. Rawls, 1971:310ff.
11. For example, Raz, 1986:ch. 8. In the same connection Parfit remarks that 'Though these kinds of equality are of great importance, they are not my subject. I am concerned with people's being *equally well off*' (Parfit, 1991:3).
12. Anderson, 1999:288.
13. Some estimates have been made of the distribution of wealth (i.e. capital assets in any form), but since most people do not make regular declarations to the authorities of their wealth, reliable official statistics of wealth distributions are not as easily and regularly available in most countries as are data on income distributions. Yet it is quite likely that it is the distribution of wealth rather than the distribution of incomes that really matters from the point of

view of the command over society's resources that people enjoy. Somebody with large capital assets but no income is still able to acquire and consume a larger amount of society's resources than somebody with a modest income and no capital assets.

14. See Willetts, 2010:26–28, for a non-technical but authoritative account of the way that family break-up in Britain in the last few decades has led to an increase in the inequality of family incomes and in the number of very low-income families.
15. Gauthier, 1986:299ff. See also a detailed analysis of the problem of inequality between overlapping generations in McKerlie, 2013.
16. Laslett, in Laslett and Fishkin (eds.), 1992:29.