On the irrelevance of the Rawls-Nozick exchange for considerations of economic and social inequality

Paul Auerbach
Kingston University
P.Auerbach@Kingston.AC.UK

Abstract
The exchange between the philosophers John Rawls and Robert Nozick is widely used as a basis for discussions surrounding equality by economists and other interested parties. The implicit context of this debate, however, is one in which all aspects of the identity of members of society remain unaltered in the process of social transformation, in which case the changes being considered are too trivial to act as a general framework for the evaluation of alternative states of equality. The issues surrounding equality and the formation of individuals within society are thus reduced to a Harvard tea-room discussion. This exchange ends up becoming an obstacle to meaningful consideration of these issues.

Keywords: John Rawls; Robert Nozick; Thomas Piketty; Amartya Sen; economic inequality; equity-efficiency trade-off.

Word count: 8,917, including abstract and title page.

Biographical note: The author is Reader (emeritus) in Economics at Kingston University and most recently author of Socialist Optimism An Alternative Political Economy for the Twenty-First Century Palgrave Macmillan 2016.
Inequality and the economists

Rising inequality over much of the world in recent decades has been accompanied by widespread public and academic discussion, exemplified by the broad reception accorded to the English language edition of Thomas Piketty’s book *Capital in the Twenty-First Century.*\(^1\) The efflorescence of empirical literature from Piketty and other economists dealing with trends in the distribution of income and wealth, as well as income mobility and tax evasion, has made a substantial contribution to our understanding of these developments. A prediction, however, is forthcoming here. Inequality will fade from the purview of economic and public discourse because the meaning and significance of inequality has been marginalised or trivialised in much of the academic literature. This trivialisation has taken its most eminent form, as we shall see below, in the famous exchange that took place between the philosophers John Rawls and Robert Nozick.

In the post Second World War world, economists have generally treated inequality as a small matter in comparison with questions linked to economic growth, with the following a typical statement (in the context of the relations between rich and poor countries): ‘Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution.’ (Lucas, 2004) The focus on growth had been, at one level, a by-product of the Cold War contest between the US and the Soviet Union, with the privileging of growth over distribution reinforced by circumstances that are unlikely to repeat themselves: the Thirty Glorious Years commencing soon after the end of the Second World War (in fact, more like twenty-five years in many countries) appeared to offer a free lunch – rapid growth was accompanied by relative stability in the distribution of income – so that improvements in the material conditions of a broad swathe of the population took place without the apparent necessity of engaging in debates and conflict over the parcelling out of national output. Economists were slow to respond to the newer regime of increasing inequality and lower rate of growth emerging at the end of the Thirty Glorious Years, in which outcomes have on occasion dictated a stagnation or even retrogression in material standards for those on median income or below.

One further reason for a reluctance by economists to focus on inequality is that it might entail at least a partial surrender of one of the key conceptual tools of the discipline,
national income (usually measured by GDP, or Gross Domestic Product), a metric only fully developed in the 1930s. GDP plays an important role in many spheres of economic research and permits economists to offer policy advice on how to facilitate economic growth, which is usually measured, or even defined to be, the rate of change in national income. Analytically, the distinction between the overall level of economic activity and how it is distributed (between different income groups, or allocated between wages, profits, etc.) is a useful one. But treating GDP in this way – as a uniform ‘lump’ of activity – may inhibit a necessary reconsideration of the national income measure and the central role that income distribution (and changes therein) might play in the long-term trajectory of economic development, as will be seen below. Disappointingly, most literature from the heterodox stream of economics writing has limited itself to a focus on GDP and its growth and how inequality might inhibit growth in a macroeconomic context.2 There appears to be an unwillingness to dig deeper into the meaning and significance of ‘inequality’ and ‘growth’.

Equality and mobility: an interlude

The relationship between rich and poor has always engendered, in addition to the high-minded analytical considerations to be dealt with below, a more impassioned response dominated by ancient admonitions to aid the deprived: the rhetorical and moral high ground has traditionally been taken by those leaning in the direction of income equality. But from the nineteenth and for much of the twentieth century, the image of the US as a ‘land of opportunity’ has served as a riposte to the traditional, moralistic view: the good society emerged for many as one which, however unequal, offered ample opportunities for upward mobility. In such a context, economic inequality might even be seen to play an efficacious role in providing the incentives that facilitate this mobility. White male citizens in the US possessed a range of juridical rights in the nineteenth century that emerged only with difficulty in western Europe, such as the right to vote, own property and have their court cases conducted in the same arenas as the higher born.3 Americans also claimed for themselves a set of republican attitudes and habits of behaviour, including a lack of deference for the well-born (though, perhaps, this deference was merely transferred to the wealthy). Many Americans could thus convince themselves that they were living in a classless society in contrast, most
especially, with Great Britain, even in the context of the latter’s post-Second World War ‘socialistic’ national health scheme.

But the most substantive elements of US claims to uniqueness as a land of opportunity lie in two components. The first was the emergence from the late nineteenth century of state-supported, secular and free school education with an unprecedented level of coverage for the population, followed by widespread state-supported, inexpensive higher education after the Second World War. These developments facilitated the transition from a resource-based economy to one in which the US was dominant in science, technology and managerial organisation in the twentieth century. The nineteenth century notion of the US as a land of opportunity was thus recreated and complemented in the twentieth by the unprecedented possibilities offered up to a broad public to pursue an education. The second component in the perception and likely reality of exceptional levels of mobility for the US was, if anything, more important: for an extended period beginning in the late nineteenth century, absolute levels of per capita income in the US were so much higher than those of other countries that a disproportionate fraction of individuals and households in the US were able to look beyond mere material survival and consider strategies, through education or otherwise, for improving their economic status.

This notion of the US as ‘unequal but mobile’ has persisted, despite its contemporary irrelevance. The US at the beginning of the twentieth century was not only the richest society in the world in absolute terms, but was notable in terms of economic growth – absolute and per capita. It was, furthermore, the world centre of innovations and inventions which, unlike the period after the Second World War, had their provenance predominantly in profit-making companies, so that the image of the US and capitalism became fused with notions of economic dynamism and modernity. By contrast, the US in the contemporary world is seen to be both exceptionally unequal and not particularly mobile. Contemporary defences of the US economy are often reduced to weaker and more contentious arguments of the form ‘unequal, but higher growth’ in the context of comparisons between the US and the European Union, or ‘unequal but lower unemployment’.

‘Growth’ has persisted at the centre of the discourse in academic economics, both orthodox and heterodox, despite transitory efforts to bring issues of distribution to the centre of attention. While in the case of economic mobility or economic growth, questions
surrounding the passage of time inevitably intrude, the literature below dealing with equality has been dominated by an effort to see these problems in a static context: this attempt to bypass the substantive role of the time dimension has proved to be a central aspect of the long-term marginalisation of the issue of income distribution in public and academic discussion.

The meaning and significance of equality in mainstream discourse

The dissolution of the economists’ discourse on inequality in the English-speaking world probably began in the 1930s. An earlier notion, prominently associated with A.C. Pigou, had suggested that the universal presence of a diminishing marginal utility for wealth could serve as justification for redistribution from the rich to the poor. By the 1930s, under the influence of positivist trends in European (and especially Anglo-Saxon) philosophy, the notion of any ‘scientific’ basis for comparisons of subjective utility between individuals using the notion of marginal utility was rejected and replaced with an indifference curve approach to consumer demand in which such comparisons were impossible (Hicks and Allen, 1934).

The welfare criterion that emerged as dominant after the Second World War was named for Vilfredo Pareto, a prominent Italian economist and sociologist who died in 1923 and had taken part in the development of the indifference curve. The criterion associated with Pareto, a right-wing free market liberal, was that it would be impossible to register ‘objective’ improvements in the economic welfare of society as a whole in the context, for instance, of redistribution from the rich to the poor: betterment would be limited to cases in which at least one individual was made to feel better off and no one felt worse off. Such a criterion, taken literally, precludes practically any public action to increase economic welfare. In more heuristic terms, the application of the Pareto criterion might be used to suggest, for instance, that there has been a rise in economic welfare in China since the 1980s, despite the substantial increase in inequality, because the high levels of economic growth have led to absolute improvements in material standards for even the lowest income groups in society.

In general, the Pareto criterion has been used to support policies promoting economic growth, suggesting that rises in inequality are acceptable if the absolute income of the poorest groups increases. In most substantive cases, however, economic growth has been far less spectacular than in China, so that ‘losers’ (those whose absolute material standard of living actually falls) often emerge, especially at the lower end of the income spectrum. As a result, economists often proceed to conflate the demanding Pareto criterion with the much
weaker one from Nicholas Kaldor, under which we will register improvements in economic welfare if the winners in the growth process could potentially compensate the losers that emerge. In perhaps a last attempt to preserve a role for redistribution in the economics of welfare, it was suggested that, in the absence of a presupposition (from John Locke or otherwise) that the existing distribution of property was inviolable, it could be subject to change through a process of democratic decision-making (see de V. Graaff, 1968). Such a path was ultimately thwarted by the reconstitution of the voting paradox of the Marquis de Condorcet promulgated in the eighteenth century, which pointed to possible conflicts between regimes of majority voting and the making of decisions in a consistent manner (see Arrow, 1950).

Economists have thus found themselves with little to say about inequality, which helps to explain their reliance upon philosophers to deal with this question, with the writings of John Rawls playing a central role. In preparation for dealing with Rawls and the Nozick critique below, there are two preliminary issues to be confronted. The first of these is the conflation of Rawls’s approach to inequality with that of the capabilities approach of the economist and philosopher Amartya Sen, which Piketty, in his thoughtful discussion, tells us is not very different in its basic logic from that of Rawls (Piketty, 2014, p.480). In fact, the capabilities notion, by judging the fairness of a society in terms of the substantive freedoms with which individuals are endowed, goes beyond, and is more comprehensive, than Rawls’s ‘Difference Principle’ discussed below. Sen rejects the dichotomy from the political philosopher Isaiah Berlin (subsequently adopted as Cold War dogma) between a primary (or negative) freedom – ‘not being interfered with by others’ – and a secondary or positive form, as found in Spinoza or Marx, linked to self-realisation. For Berlin, ‘The “positive” sense of the word “liberty” derives from the wish on the part of the individual to be his own master...Socialized forms of [this notion]...are at the heart of many of the nationalist, communist, authoritarian, and totalitarian creeds of our day.’ Instead, Sen offers a reconfiguration that encompasses both of these categories, with a seamless link between the negative aspects of freedom (such as the absence of censorship) and its positive form (the endowment of literacy): a just society offers all individuals the opportunity to acquire a range of substantive capabilities in order to function freely in society, ‘the freedom that we actually have to choose between different styles and ways of living’. Consideration is thus given both to the freedom with which choices are undertaken (analogous to concerns about negative freedom) as well as to the positive
freedoms associated with the opportunities that individuals actually have. The approach taken in this paper, as part of a critique of the Rawls position, is similar, but with a special focus on the formation and transformation of children’s lives and its consequent effects on societal development, and on collective interaction and democratic control, and not just individual functioning.

The second preliminary issue concerns the confluence between mainstream economists and Rawls on the presence of a pervasive trade-off between efficiency and equality (or between economic growth and equity, and variants thereof), which has often functioned either as a justification for inequality or as a brake on policies to promote equality. The presence of a trade-off is well represented in a prominent intervention from the economist Arthur Okun that takes such a relationship for granted: ‘We can’t have our cake of market efficiency and share it equally.’ Inequality in capitalism was, according to him, something ‘intended to encourage effort and channel it into socially productive activity’. We might well ask – intended by whom? The whispered implication from the American liberal Okun is that inequality, while a necessary evil, has been sanctioned, with conscious intention, by society through a democratic process of public policy formation because of its efficiency properties. Redistribution is thus a luxury that we proceed with when we can afford to so. There are many objections to such an approach to inequality, the first of which comes from the heart of traditional economic theory and questions whether more inequality (i.e. more positive incentives to work) will invariably produce more effort: on the contrary, the famous ‘backward bending supply curve of labour’ suggests that, especially at high levels of remuneration, economic actors may well choose to substitute leisure for more income, in which case more inequality may generate less, rather than more effort from high earners. In more substantive terms, there is a contemporary empirical literature that calls into question this traditional trade-off between efficiency and equality, but there is little doubt that most economic discussions still presume, as does Rawls, the presence of a trade-off between efficiency and equality.

In addition to encouraging effort, a range of other arguments support the maintenance or even the promotion of inequality. Thus, in the heterodox literature cited above, inequality generates insufficient aggregate demand in the economy as a whole because of excess saving among the well-off, while for defenders of inequality, it is precisely
this high rate of saving by the rich that permits them to invest and become the ‘wealth creators’ of the economy: there will be no attempt here to resolve this two-hundred-year-old debate on the macroeconomic effects of inequality. A further perspective bearing on the question of inequality in both popular and academic discourse is the focus from Joseph Schumpeter on innovation as a ‘bolt from the blue’ as opposed to a process of continuous improvement. Such an approach prejudices perceptions in the direction of ‘inventions’ by ‘geniuses’ (and the requisite material incentives necessary to induce their effort) and against the importance of lower-end diffusion of new ideas and the broad-based education and training necessary to promote this diffusion. Other arguments for inequality involve the need for the existence of an elite to be patrons of excellence (Sombart, 1913 and de Vries, 1994), a phenomenon having roots in pre-capitalist society. There are also normative claims, emerging in the last century, that the existing distribution of income and wealth (and its trajectory) corresponds to the spectrum of inherent differences in individual ability in a biological sense (perhaps as measured by I.Q.) or, from the perspective of economics, to differences between individuals in their productivity and contribution to society, hinting thereby that unequal rewards are ‘deserved’.

Note that arguments supporting inequality make intermittent claims to having an ethical basis, such as notions associated with John Locke about the inviolability of private property and rhetoric concerning the need to reward contributions to society, but on the whole the maintenance of inequality is linked to perceptions of how the economy and society actually function: inequality is associated with a hard-headed, as opposed to sentimental view of life and society. By contrast, admonitions in favour of equality in the bulk of existing literature have a moral, or moralistic basis, be they of a traditional kind, or of a more updated kind, such as that from Rawls.

A last cautionary note: the issue under consideration is whether the equity-efficiency trade-off in its contemporary manifestation, i.e., the relationship

\[
\text{economic equality} \rightarrow \text{economic growth}
\]

is thought to be a positive or negative one. But can we be confident that the variable on the right-hand side of the equation, conventionally measured by the growth rate in GDP per capita, is a useful, or complete indication of a society’s material and social development? To
give just one complication, we see in contemporary US that elevated levels of inequality seem to be generating high levels of mortality among the poorer sections of a society and, as a result, in the overall statistics of mortality (see, for instance, Belluz, 2018). In the making of a welfare judgement about the effects of inequality on economic performance, might we wish to register this shortfall in mortality alongside any consideration of the influence (positive or negative) of economic inequality on the growth rate in GDP per capita?

All of these points, however, are merely caveats. The key problem at a conceptual level with the story presented below by Rawls and Nozick is that the characteristics of individual participants are presumed to remain invariant all through the process of social and economic change that is the subject of their discussion.

The Rawls-Nozick confrontation

The most well-known argument in recent decades in favour of income equalisation as an aspect of justice is that of the philosopher John Rawls, a discussion that preserves the underlying dogma of mainstream economics that ‘incentives [are all that] matter’ – that greater effort will invariably be forthcoming from higher material rewards, and that negative incentives such as taxation will discourage effort. When left-of-centre economists support policies for the redistribution of income that appear to interfere with prices and allocation in a market economy – the strengthening of trade union power, minimum wage legislation and taxes on luxury goods – they do so in a defensive manner, as if support for equality were the ethical thing to do but fraught with negative economic consequences. For present purposes, the key element of Rawls’s programme, dubbed the ‘Difference Principle’, is that ‘unless there is a distribution that makes both persons better off...an equal distribution is to be preferred’, with social and economic inequalities ‘to be to the greatest benefit of the least advantaged members of society’. Such a principle is consistent with a substantial deviation from a generalised equalisation of income if inequality generates better material conditions for the least advantaged than would a more equal society. The Stanford Encyclopedia of Philosophy assures us that this is likely to be so: ‘The overwhelming opinion...is that in the foreseeable future the possibility of earning greater income will bring forth greater productive effort. This will increase the total wealth of the economy and, under the Difference Principle, the wealth of the least advantaged’: Rawls’s ‘strongly egalitarian conception’ is thus a highly
contingent matter. It is, furthermore, one which, in dealing exclusively with notions of justice and fairness in the distribution of resources, leaves little room for other considerations – the role of inequality in class dynamics, democratic participation and societal evolution.

In its own terms, Rawls’s rule comes across as unexceptional, one which could have emerged from any left-of-centre economist. His discussion, however, was brought to worldwide attention by it being accompanied by the most striking invocation of a secular moral principle since Immanuel Kant’s ‘categorical imperative’ in the eighteenth century,\(^{18}\) one which serves to locate and anchor any revisions to existing levels of inequality: unlike the Kantian approach, with its roots in Protestant moralising, Rawls grounds his rule on the more contemporaneously fashionable basis of self-interest. Rawls performs a rarefied thought experiment – what kind of income distribution would result in a ‘veil of ignorance’,\(^{19}\) in which individuals didn’t know where in the income spectrum they would find themselves? Rawls thus manages to transform the abstract question of the construction of a rule of fair distribution for society into a challenge – an admonition – to individuals: *measure any rule you construct in the context of your personal destiny* – a striking *coup de théâtre* in the world of philosophy.

Rawls thus succeeds in the creation of an abstract, secular rule for the determination of levels of social inequality. It melds together two separate elements. First, it embodies the economists’ trade-off of equity and efficiency, thereby offering insulation against any claim that his self-proclaimed egalitarian rule is insufficiently tough-minded. But Rawls’s use of the economists’ trade-off of equality with efficiency means that his approach to equality is defensive – equality is treated as a luxury that we indulge in when we can afford to do so. What is missing from the Rawls formulation is the role of equality as a *creative* force in society, in which it plays a central role in the mitigation of social exclusion and, especially at the lower end of the income distribution, in the satisfaction of substantive, and not just subjective needs. Thus, good quality housing stock functions not just as a consumption good but, in enhancing the quality of the environment in which children are raised, acts as a productive complement to formal education: the provision of good housing contributes to societal and economic development in a context in which human beings are seen as assets to society rather than mere (disposable) commodities. Second, Rawls’s rule functions at a suitable level of abstraction to be acceptable to the Platonic conventions of philosophers – it is a criterion
rooted in subjective utility (a fair distribution is where individuals feel they would like to be in a veil of ignorance). At this level of abstraction, we avoid the messy issues of class – the ensemble of material and psychological differences between layers in society and how they interact in the making of social decisions. Furthermore, as we shall see below, his static construction skirts around the key issues of social change that will be inevitably taking place in the context of the working out of the Rawls parable. As a result, this high level of abstraction helps to generate an elitist, Platonic syntax with which philosophers are well familiar: equality is something granted to the deprived by those making decisions, thereby by-passing questions surrounding the decision-making process itself. One thus avoids considerations of the role that equality might play in mitigating social exclusion and increasing democratic participation among the more deprived sections of society and, at the upper end, in the promotion of democracy through the prevention of the creation of a self-serving or ‘out-of-touch’ oligarchy. But the introduction of such considerations would obviate the very elite syntax which had served as a basis for the formulation of Rawls’s rule, a fact well exploited, as we shall see, by his opponents.

Rawls’s modest intervention in favour of equality was not to pass muster in the newly emergent Gilded Age of the 1970s. The emergent society would possess characteristics of fairness, at least to some lights, but to others it would be one in violation of natural liberty: let us postulate, says Robert Nozick, that into some such egalitarian Elysium comes Wilt Chamberlain, a real-life figure, famous for being the first basketball player over seven feet tall to make effective use of his height in the professional game. Everybody according to Nozick, is happy to offer him extra remuneration to encourage him to play, even if the resulting income distribution then becomes more unfair by the previously postulated Rawls criterion or any comparable one. What objection could there be to this exercise of freedom and consumer choice, and by implication any new income distribution that emerges under such conditions? Arguments of this kind have a familiar ring to economists – free choice results in Pareto optimal improvements, in which some members of the society are better off, and none made worse off. In its own terms, and in the context of the time it was written, the argument had a devastating impact – why should we not be, in Milton Friedman’s phrase, ‘free to choose’?
Nozick’s parable is indeed a variant on the venerable theorems connected with free trade: mutual benefit (i.e. Pareto-style gains) is the likely outcome when two parties enter into voluntary exchange. But this story has to be structured very carefully to make it part of a general parable about income distribution, and not merely a quasi-tautology asserting mutual gain in the context of voluntary action. In the classic formulation from David Ricardo concerning free trade, both England and Portugal gain from trade with each other, England specialising in its comparative advantage in cloth making and Portugal in the production of wine. The theorem only yields these unambiguous gains when the label of the nation – ‘England’ and ‘Portugal’ – is used to describe the active participants, or else one has to deal with the question of ‘losers’ in the process of trade and specialisation who reside within these nations – Portuguese cloth workers and English wine growers. A second way in which Nozick’s parable has to be carefully structured is that the bargain reached between the public and the athlete in question has to be isolated from other changes taking place in the economy as a by-product: in the real world, the newly enriched athlete emerging from Nozick’s parable may well choose to buy up great swathes of land and dispossess existing residents (in more general terms, changes in the distribution of income can generate a reconfiguration of relative prices) making it unlikely that ‘everybody’ is in favour of the new situation. Despite these caveats, the Nozick critique has continued to have enormous resonance, in substantial measure because of the inadequate nature of the Rawls formulation in favour of equality. The elitist syntax of Rawls is one in which a move in the direction of equality is granted to others by those making decisions, in the process obviating questions surrounding the interaction between equality and democracy. Nozick’s critique emerges as both a defence of free choice and, in its rejection of Rawls’s top-down decision process, an anti-elitist argument in favour of inequality! This latter phenomenon is, alas, a commonplace of contemporary politics.

Rawls and Nozick: the fundamental issue

The essentially timeless, static framework in which Rawls’s problem is originally posed means that, no matter how cleverly done, egalitarian rules of the kind postulated by him will degenerate, with outcomes gravitating in Nozick’s direction – in favour of an income distribution dictated by autonomous individuals having free choice. But real societies have to reproduce themselves over time. The individuals in this parable, indulging in their free choice
to widen the income distribution, are presumably adults (with the interested parties in this case likely to be predominantly male), with few four-year olds actively participating in the decision. For a living, on-going society, a key question surrounding the transformation taking place in the distribution of income embodied in this parable is how the very personal identity of members of society, both current participants and future generations – their mentality, repertoire of skills, knowledge and social attitudes – might be affected by these changes: what kinds of people and what kind of society emerge from this process? The issues involved in dealing with income distribution thus move far beyond any simple disputations over fairness among contemporaneous individuals and onto issues surrounding the whole future trajectory of society.

Rawls and Nozick act out their rarefied, static, seemingly atemporal drama with an implicit acceptance of the Augustinian view of the presence of prior, pre-existing personalities which remain invariant in the context of significant alterations in the social environment, including changes in the distribution of income. But if the implementation of Rawls’s rule is to involve a substantial intervention in the social environment, we would expect it to engender changes in the very being and identity – not merely preferences or utility – of many, if not all members of society, and that these changes would work interactively to impinge upon the formation of social structures. Thus, to take a trivial example, the very nature of the personality, attitudes and repertoire of skills I possess is highly contingent upon a series of social decisions made in the City of New York from the latter part of the nineteenth century. My parents, born into immigrant families, did not speak English as a first language, and yet the environment in which they studied and the tuition they received in New York schools meant that the working-class English they spoke to me was sound and unaccented (i.e. with a New York accent). The municipal housing in which I grew up was drab but functional, and the education I received was free, not only at the school level, but even through my acquisition of a B.A. at Queens College of the City of New York. These points touch in an utterly superficial manner on the myriad ways in which the ‘I’ writing this article has been formed in a fundamental manner by social decisions.

These decisions, affecting the trajectory of the lives of individuals and their personality formation, are also instrumental in the development of social structures within the society. The implicit presupposition of an invariant nature for the individuals participating in the context of different phases of the Rawls-Nozick discussion (i.e. before and after the
implementation of the Rawls rule) is linked to a blindness about the possibility of long-term links between equality, human personality formation and economic development. It passes over transformations in social structures consequent upon changes in the aspirations of social actors and in their perception of social reality and how these changes might, for instance, imply alterations in workplace attitudes and relations; also excluded are the reflexive effects of these changes in social structures on the perception, behaviour and attitude of individuals. Such an approach also precludes the possibility that changes impinging on individual identity emerging from the implementation of the Rawls rule might effect political change by altering the very choice-making procedures that had been initially used in the Rawls context: a more egalitarian society emerging from the implementation of the Rawls rule might, for instance, introduce decision-making procedures with a stronger democratic character than had been used to implement the Rawls rule itself.

Some might choose to argue that the Rawls-Nozick discussion forms a useful abstract framework for the determination of a social decision rule for equality. The implicit context in which this debate is carried out, however, is one in which all aspects of the identity of participants remain unchanged in the process of social transformation, in which case the changes taking place are too trivial to function as a general framework for the evaluation of alternative states of equality. The profound issues surrounding the class structure of society and the formation of individuals within it are made into a Harvard tea-room discussion.

More meaningful approaches

Rawls's approach to creating a rule for setting the level of social and economic equality does so, remarkably, with a bare minimum concerning how the world actually functions other than the postulation of an equity-efficiency trade-off. The veil of ignorance device generates levels of equality for society linked not to any Kantian moral imperative but to self-interest and, implicitly, one's `taste' for risk: the presumption appears to be present that individuals are risk-averse and will therefore choose a relatively narrow dispersion of incomes. Even in its own terms, the proposed solution offers no ready mechanism for aggregating the decisions of individuals (including the risk-averse and the risk-loving) into a unique societal preference for the level of income equality. And in broader terms, the framework in which the rule works itself out is essentially timeless, with no postulated changes in the personal identity of participants or in institutions.24
Any alternative approach should make no attempt to match the elegance, simplicity and cleverness of the Rawls rule. It must depart from the Platonic abstractions of the philosophical tradition and incorporate the messy substantive realities of the world, abjuring attempts at universal and transcendent generalisation. Such a strategy may thus have to accept – reluctantly – that, in the contemporary world, the powerful identification that residents have with ‘their’ country is so strong as to necessitate that national boundaries are the relevant locus for consideration of policies of equalisation. As a corollary, there may be a need for different strategies for rich and poor countries in approaching these questions, both because of the resources available and in terms of priorities. Rich countries may find that they can be relatively unconstrained in pursuing policies linked to equality, such as those promoting self-fulfilment and self-development from birth for all individuals and high levels of security for all households, most especially since such policies are likely to have a hard-headed efficacity in a long-term context (see below). For poor countries, given the present-day political architecture based on national boundaries, the resources available to pursue egalitarian strategies may not be present, whatever the long-term benefits that might accrue from such a strategy. Poor countries may also find their long-term priorities distorted by the need to fulfil immediate needs (e.g. the provision of mosquito nets), a problem rarely faced by rich countries except in conditions of total war.

Strategies for social change must be functional in the context of the facts of the world as they exist. If we put aside the notion of rules imposed by an elite, popular sentiments will play a critical role in the process of change. Social transformations incorporating democratic decision-making need to consider public attitudes as parameters, with popular sentiments playing a critical role at every stage. Thus, in the context of climate change, societies are faced with a series of challenges that will invariably entail restrictions and limitations on the public’s behaviour, including upon consumption. Elite strategies at their worst simply pronounce that individuals should accept these restrictions and limitations; a more fashionable contemporary tendency suggests manipulating the public using the techniques of behavioural psychology (the horrific nudge approach). If, however, we are searching for strategies involving sacrifice that are not simply imposed on a public or brought about by manipulation, we can locate them in the past. In the context of total war in the twentieth century (e.g. the Second World War) all participant nations, even in the most hierarchical, knew that public support, if it were to be forthcoming, had to be buttressed, or was even contingent, on the provisioning of a
modicum of material security (in the context of the Second World War, the rationing of basic staples, including food) and at least gestures in the direction of equality of treatment across income classes: all governments – from Joseph Stalin’s Soviet Union to Winston Churchill’s Great Britain felt the need to assert and at least in part demonstrate that the burdens of war were being ‘equally shared’. Conveniently for the discussion here, security and equality of treatment are, in any case, fundamental aspects of desirable social change in the long term.

It is time to move beyond the equity-efficiency trade-off dogma, a seemingly tough-minded view that has little link to reality. The creative role of equality in the mitigation of social exclusion, as a productive complement to formal education and, in general, in facilitating the enhancement of society’s stock of human assets means that, even if one were pursuing a strategy of economic growth in the name of ‘efficiency’, no apologetics for pursuing equality are necessary. As noted above, however, one may question the use of the growth rate in GDP as a unique maximand for societal efficiency when there are other obvious supplementary candidates such as life expectancy. More fundamentally, GDP functions poorly as a measure of a nation’s ‘income’, especially in a long-term context. For a firm, we take it for granted that the calculation of its income in the context of a strategy to run the firm’s machines 24 hours a day should involve an enhanced deduction to take account of the accelerated depreciation of the machines incumbent upon such a strategy. In a similar way, and putting to one side the egregious moral issues involved and examining the question purely from the point of view of cold-blooded accounting, can we be certain that, in measuring the income of a nation, the existence of brutal and dangerous working conditions can be justified in the name of ‘growth’ when we have made no deduction for the deterioration in the stock of human assets in the process (Doolittle, 2013)? In the opposite direction, policies that increase the value of the stock of human assets such as enhanced formal education will only register the full measure of their beneficial effects in the GDP accounts over an extended time period (here taking into consideration only the pecuniary benefits of a more educated population): the external benefits to society of higher levels of formal education may take generations to diffuse. The creative effects of equality and of progressive policies such as enhanced provision of education point to the irrelevance of the equity-efficiency trade-off dogma and are indeed sources of optimism.

In the pursuit of strategies to enhance social and economic equality, it will prove insufficient to consider eviscerated approaches that merely alter a statistical calculation of
income distribution in society in a more equal direction. It will rather be necessary, following and expanding upon Sen, to ask what substantive changes in the behaviour and organisation of social, economic and political institutions are needed to bring about an enhancement of positive and negative liberty. Thus, it will prove insufficien...
only political participation but active control over the workplace environment. A movement in this direction would involve changes in curriculum but, even more significantly, a transformation of the lived experience of all children in schools in the direction of enhanced (individual and collective) freedom and responsibility, thereby effacing the present-day gap present in all but elite educational institutions between the authoritarian school environment up to the age of 18 and the realm of freedom and responsibility that supposedly exists subsequently. All children, and not just those ‘born to rule’, should partake of a school environment which prepares them intellectually and psychologically to exercise control of their lives in both an individual and collective capacity. Such a strategy for education would be necessary for the construction of an on-going and self-sustaining democratic process of decision-making and is therefore desirable in its own terms. Furthermore, by offering all groups in society preparation for democratic self-governance, the strategy functions as a refutation of the notion that all such plans for reconfiguration of the present order of society in the direction of a genuine equal opportunity are merely a form of social engineering and a deviation from the ‘natural’ spontaneous order of capitalist society.25

There is a surprising dearth of alternative paths on offer to the present-day capitalist order. In the wake of the collapse in Europe of centrally-planned economic systems in the period 1989-1991, the substantial and widespread critiques of the existing social and economic system, as in Piketty (2014), have not been matched by a literature of equal weight proffering any other way of doing things. Socialism, the major alternative to capitalism in the twentieth century, had become strongly linked to notions of planning and centralisation even by many socialists antagonistic to communist regimes. When these regimes collapsed, the notion of a centrally-planned alternative path to capitalism simply disappeared as a central discourse. At present, the main strategies available for those dissatisfied with the present trajectory of capitalism are a range of variants on ‘muddling through’ – pragmatic modifications of the present system – often with the implicit hope that the Glorious Years will return. In this context, growth often serves as a palliative, and ‘technology’ the deus ex machina for the range of social, economic and environmental problems before us. Both an exemplification and, perhaps, a minor cause of the pervasive atmosphere of ‘no alternative’ to capitalism has been the reduction of the central and pressing societal issue of equality to a desiccated analytical conundrum by eminent philosophers, as we have seen here.
Nothing written here is meant to suggest a dismissal of philosophers, or philosophical thinking in dealing with these matters. Philosophers at their best can give distance to a problem and deflate the self-aggrandising pretentions of specialists in a field, as in the case of John Searle’s devastating critiques of claims by Artificial Intelligence specialists that their machines could ‘think’ exactly as humans do. What is rejected here in the context of the Rawls-Nozick exchange is a form of rhetoric rooted in Platonic snobbishness and prejudices in favour of analytical solutions bereft of considerations of existing human attitudes, institutions and the substantive nature of economic and natural resource constraints, an approach, unfortunately, often found among economists as well. There is, however, no substitute for broad-based, even philosophical thinking if important change is to be effected. The great upheavals of the past, including political convulsions such as the American and the French revolutions, had as prerequisites long periods of development in ‘philosophy’, while the first and second industrial revolutions had the earlier scientific revolution and the Enlightenment as prerequisites. Fashionable claims that all attempts to plan for a better future result in ‘unintended consequences’ (which, of course, are not necessarily unfortunate or unanticipated) should not be used as an excuse for the avoidance of engagement with this important task.
References


1 Piketty (2014); inevitably, controversy has emerged on some of the details, e.g. the magnitude of the increase in the share of the top one per cent of income earners – see Mathews (2018).

2 See, for example, Stockhammer (2015).

3 In early-nineteenth-century Vienna, Ludwig van Beethoven requested that his lawsuit against his sister-in-law be conducted in a court reserved for the nobility, making the false claim that the Flemish ‘van’ in his name had the same aristocratic significance as did ‘von’ for Germans.

4 Robbins (1938), p.640: ‘I cannot believe that…interpersonal comparisons of utility rest upon scientific foundations…when I make interpersonal comparisons…[they] are more like judgment of value than judgments of verifiable fact.’ Pigou’s own discussion of these issues in fact strays from a purely subjective view of the utility of the rich and poor and into issues such as infant mortality (Pigou, 1932, pp. 88-91).

5 Clearly, objections can be forthcoming that the rise in inequality in China has exacerbated an already authoritarian political structure.

6 Complications emerge if the set of relative prices existing at the end of the growth process dictate that the losers could bribe the winners to return to the initial position: see Dobb (1975).


9 Okun (1975), pp. 1, 2, 89, emphasis added.

10 For a unified perspective, see Skott (1989) and Skott (2016).

11 The case of the US electronics industry after the Second World War is dealt with in Auerbach (2016), pp. 258-270.

12 Examples being the patronage of the arts in fifteen- and sixteenth-century Florence by the Medicis and of jazz in interwar-US by Midwestern gangsters.

13 This admixture of moralistic and ‘facts of life’ elements in present-day discussions on inequality is a breeding ground for confusion, as can be seen in contemporary discussions on immigration in, for instance, the US. Groups opposing racist and xenophobic anti-immigrant rhetoric often do so by quoting the words of Emma Lazarus at the base of the Statue of Liberty from the late nineteenth century ‘Give me your tired, your poor’, as if the reason for having permitted the flood of immigrants to enter the US in this period had been the government’s inherent magnanimity, rather than a desire to dampen down wage increases. We thus find that, in the contemporary context, opposition to anti-immigrant rhetoric is indeed a well-founded moral position, but it is also one which gains implicit, even unconscious, support from many individuals who benefit materially from the presence of low-wage taxi and house-cleaning services.

14 The material below expands upon Auerbach (2016), pp. 298-300.


16 Lamont and Favor (2009), section 3.

17 Rawls (1999), p. 56.

18 Immanuel Kant’s categorical imperative suggests that individuals should act in a manner that would be consistent with a generalised moral order. This secularised version of a golden rule principle thus contains the hideous implication that, starting from a principle of equal treatment to all, a parent should not pursue all possible avenues to aid a fatally ill child because these opportunities would not be available to all children; the Stalinist regime would similarly expect children to report their putatively subversive parents (see Kelly, 2005).

19 Rawls (1999), pp.118-123.

20 The structure and tone of Rawls’s formulation readily evoke the benign elitism of an earlier era – see Tawney (1931).

21 Nozick (1973), a slightly updated version (despite the publication dates) of the equivalent section in Nozick (1974) pp. 57-61, a section entitled ‘How Liberty Upsets Patterns’.

22 Nozick (1973) says one million people (p. 57).

23 This is at least my interpretation, following the Stanford Encyclopedia of Philosophy, of the approach of St. Augustine, who died in the fifth century C.E.: ‘Augustine suggests that God created only one soul, that of Adam, and subsequent human souls are not merely genealogical offshoots…of that original soul, but they are actually identical to Adam’s soul prior to assuming their own individual, particularized lives.’ It is also suggested, however, that ‘when Augustine writes of the soul’s origin…near the end of his life, he still asserts the obscurity and difficulty of the issue, and he is clearly reluctant to take a decisive stand on it’. (Mendelson, 2016, p. 24).

24 The only reference to time I have found in Rawls (1999) is a discussion, pp. 259-262, of why he thinks the avoidance of pure time preference on the part of an individual is an aspect of being rational; the passage of time, in the sense that it is used in this paper, does not appear to be present.

25 On spontaneous order, see Hayek (1982).
26 See Cole (2015). Searle has made great efforts to keep up with the literature on the neurophysiology of the human brain.
28 Auerbach (2016), Part III offers an alternative path, one having no pretence to being definitive, but intending to incite a dialogue on these issues.