

Why Does Inequality Matter?¹

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Why does inequality matter? That is to say, what reason do we have for being concerned with the *difference* between what some have and what others have, as opposed to just trying to make the poor better off? My idea in asking this question is not that inequality is more important than poverty. Often it is not. The fact that millions have been lifted out of extreme poverty in recent decades matters more than the increased inequality among people in rich countries. I am interested in inequality not because it is more important than poverty but because it is more puzzling. People have obvious reasons for wanting to be better off, and particularly strong reasons for wanting to escape from poverty. But it is less clear what reason they have to be concerned with the difference between what they have and what others have. Why isn't this just envy, as critics of egalitarianism often claim?

Some philosophers, called *prioritarians*, think we should be concerned only with improving the welfare of the poor.¹ In their view, the fact that there are some who have more than the poor is relevant only for the reason that the bank robber Willy Sutton is said to have given when asked why he robbed banks: "That's where the money is." Other philosophers think that inequality is bad in itself, unless it results simply from the free choices of those who have less.²

I disagree with both. I think that there are a number of different reasons for objecting to inequality, which arise either from its effects or from the unjustifiability of the institutions that produce it. The plurality of these objections matters for the purposes of this conference, since different objections to inequality call for different policies to combat it. In this paper I will summarize this pluralist view.³

Inequality is not always objectionable. The fact that people in Scandinavia live longer than people in the United States indicates that we could do better in this regard. But the inequality involved is not what is troubling. The fact that women live longer than men is also not a

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troubling inequality. But if men in the U.S. lived longer than women this would be worrying, because it seems likely to be due to male babies getting better nourishment, or men getting better medical care.

This illustrates one way in which inequality can be objectionable because of the institutions that produce it. An inequality is objectionable if it results from the fact that an individual or institution that has the same obligation to provide a certain benefit to each member of a group provides this benefit at a higher level for some than for others, without special justification. (Scanlon 2018, Chapter 2) It is objectionable in this way, for example, if a municipality (without justification) provides better street paving, sanitation, or other conditions of public health to some residents than to others. This objection depends on the existence of a specific obligation to provide the benefit to those people. It is not a case of objectionable inequality if I give more to one charity than to some other that is equally worthy. I have no general account of when such obligations exist. My point is only that this particular objection to inequality depends on there being an obligation of this kind.

To illustrate some different objections to inequality, imagine two societies, in each of which 99% of the residents have the same quite tolerable level of income. In society A, 1% of the people are much poorer than this, and in society B 1% are much richer, by the same amount. Since these societies are mirror images of one another, they may have the same Gini coefficient. But there are different objections to the inequality that they involve.

One thing that comes to mind about society A is what would it be like to be one of the poor people in this society—not just what it would be like to have so little money, but what it would be like to be so much poorer than almost everyone else. As Adam Smith observed, (Smith 1910, 351-352) it is a serious objection to a society that it forces some to live and dress in such a way that they cannot go out in public without shame. Whether having so little money is an occasion for shame depends, of course, on the prevailing attitudes of the society: on whether being poor involves being regarded as inferior, less desirable as a friend or neighbor, and unsuitable for positions of authority. (Ci 2014) Where such attitudes exist, poverty is an objectionable form of status inequality, like race and gender. (Scanlon 2018, Chapter 3)

This particular objection would not apply to the inequality in society B, since it is unlikely that members of the 99% in that society have reason to feel ashamed for not living in the way that the rich do. If the rich are just a few entertainers and athletes with no political power, this inequality might not matter very much. But things are different if the rich own the factories where everyone else has to work, or can dominate the political process. Economic inequality is objectionable if it gives some an unacceptable degree of control over the lives of others or if it undermines the fairness of a society's political institutions. The inequality in society A may be objectionable in these ways as well, if the 99% control the political process and the opportunities available to the poor.

Inequality is also objectionable when it interferes with equality of opportunity. (Scanlon 2018, Chapters 4, 5) Equality of opportunity involves two requirements. Procedural fairness requires that individuals should be selected for positions of advantage on the basis of relevant criteria. Substantive opportunity requires that all individuals should have the opportunity to develop the capabilities required to be successful candidates, and to decide whether to do so. Economic inequality can interfere with both of these requirements. In the case of university admissions, for example, procedural fairness is violated if the rich bribe admissions officers to give preference to their children or if the need to raise money leads universities to give preference to children from rich families. Substantive opportunity is violated if children from rich families have much better opportunities to develop the abilities that make them good candidates for admission.

It is important to note that equality of opportunity is not actually achieved in the contemporary U.S., and that even if it were achieved it would not, in itself, justify the unequal outcomes that it leads to. Rather, equality of opportunity is merely a necessary condition for the justice of these unequal outcomes, which presupposes some other justification for the unequal positions involved. The "relevant" criteria for selection that define procedural fairness depend on this justification: they are just the properties that those who are selected for positions of advantage need to have in order for those positions to serve the purposes that are supposed to justify them.

Inequality in income and wealth can be objectionable not only because of its consequences but also because of the unjustifiability of the institutional mechanisms that produce it. Discussion of reducing inequality often focuses on “redistribution” as the main means for doing this. But in considering inequality of income and wealth we should look first at what produces inequality in pretax income in the first place, treating redistributive taxation as a secondary matter. Many institutional mechanisms that generate inequality, such as intellectual property laws, and laws governing limited liability corporations and various forms of financial instruments, and laws making it difficult to form unions and engage in collective bargaining, could be changed without infringement of anyone’s liberty. So, in the case of the two societies I mentioned, we should ask where the money of the rich in society A comes from, and what keeps the poor in society B down?

The basic egalitarian idea here is that institutional mechanisms that generate large scale economic inequality in either of these ways need to be justified. They cannot merely be arbitrary. Commonly heard objections to “the one percent” may be based in part on the consequences of this inequality for equality of opportunity and political fairness. But I believe that these objections also reflect the sense that these large holdings are unjustifiable.

How, then, might the institutional mechanisms that produce such differences be justified? I argue that they cannot be justified by appeal to property rights or to ideas of desert. Property rights are important, but they are the creatures of economic institutions, which need to be justified in some other way. (Scanlon 2018, Chapter 7) And the only forms of desert that are relevant to economic distribution are, again, dependent on institutions. (Scanlon 2018, Chapter 8)

Transactions that generate inequality can sometimes be justified on the ground that restricting them would involve unacceptable interference with individual liberty. For example, we could not prevent Wilt Chamberlain from becoming rich, in the way Robert Nozick (Nozick 1974) imagined him doing, by telling people that they could not spend their money on basketball tickets if they wish to do so. But this covers only a few cases. Today, even the large incomes of sports figures depend on institutional mechanisms such as television licensing and

anti-trust law rather than on individual fans putting an extra dollar into a box for the pleasure of watching Wilt play, as Nozick imagined they might do.

Mechanisms that generate inequality cannot be justified simply on the ground that they lead to increases in GDP, independent of how these increases are distributed. How, then, can such institutions be justified? I suggest that it is only by the fact that they are to the benefit even of those who receive smaller shares, and therefore could not be eliminated in a way that would leave those in this position better off.

We thus arrive at Rawls's Difference Principle (Rawls 1971), by means of a direct moral argument rather than by appeal to the idea of rational choice behind a veil of ignorance. (Although the basic elements of this argument are ones that Rawls mentions.)

I have so far been considering inequality in pretax income. Taxation can be justified in a number of different ways, including, among others: as a fair way to fund benefits owed to all, including the provision of education and other conditions that are required by Substantive Opportunity; as a way of reducing inequality in order to ward off its ill effects; and as a way of restraining the growth of inequality by reducing the reasons individuals have to demand higher incomes.

Summary: I have identified six reasons for objecting to inequality. Some of these objections are based on its consequences: Inequality of status, unacceptable control of some by others, interference with equality of opportunity and with the fairness of political institutions. Other objections arise from the way the inequality is produced, though the unequal provision of benefits owed to all or by institutions that generate unequal incomes without adequate justification.

Some implications of this pluralist view:

1. There is no specific degree of inequality that should obtain in complex society (no "pattern" or Gini coefficient that must be maintained.) A degree of inequality is acceptable if it is not open to objection of these kinds (or perhaps others.)
2. Since there are many reasons for taxation, the appropriate rate of taxation depends on many different factors.

3. There is no single answer to the question “equality of what?” The kind of inequality that is objectionable varies, depending on the objection to inequality that is in question.

Notes

¹ Parfit 2000. For discussion, see O’Neill 2008.

² Cohen 1989. For critical discussion, see Anderson 1999 and Scheffler 2003.

³ For a fuller statement see Scanlon 2018.

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