

# Inequality and Distributive Justice:

## Methodological Definition and Ethical Views in Economics.

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### Abstract.

Four components of inequality are explored using the Methodology of Wright (1987): attributes, processes, space and value judgments. Exploring those components might help us to understand why the perception of inequality can not be 'objectively', but only 'subjectively', described. It is important to understand the link between the perception of inequality with that of fairness, because they are closely associated. Certain typologies in the methodological study of inequality are very important to understand the plurality of ideas in regards to inequality, such as those used in the Marxian or the Rawlsian theory, both related with Kantian philosophy, and also the approach explored nowadays of Capabilities and Functionings of Professor Sen. The present concept of inequality comes from some branch of the Greek tradition, and in this paper is contrasted with other approaches within the same Greek tradition and with other ancient backgrounds, such as the one developed in the Jewish literature. It is argued here that the importance of the sense of injustice attached to the idea of inequality relies, not in the very existence of classes as the Marxian theory suggests, but in the artificial modification of the natural conditions, as is argued in the Jewish literature.

### Introduction.

This chapter discusses the methodological basis of inequality measurement, and tackles the issue of the perception of inequality as unfairness. There are practical implications that are derived from the philosophical foundations of inequality, and it is argued that the sense of justice attached to inequality might be related to the chosen foundational system of thought. This concept also varies in regards of how the ancient traditions conceptualize the issue of justice and unfairness. More recently, the Marxian inheritance has been proven to be very influential in our present concept of inequality, based on the conception of historical materialism, but it is argued that it is not necessary to endorse this doctrine in order to urge both the government and the society about the

pervasive and negative effects of high inequality in the society. In order to make some positions clear, other traditions in regards of justice assessment says that it is not only responsibility of the government sector to solve the problem of an unequal society, to solve the issue it is required social participation in order to break the vicious circle of an unequal society. A corollary of these positions is that the government should focus in artificial changes that produce inequality such that those artificial processes might be prevented, leaving to individuals their responsibility in order to tackle the issue of inequality, which can also come from normal processes. But before to make policy recommendations, it is necessary to define clearly what the foundations of inequality assessment are.

There are several reasons for considering the issue of economic inequality. In policy analysis, higher degrees of inequality are usually associated with social problems or with people's discontent (Sen, 1973, p. 1; 1999, p. 93). The sense of deprivation might not be related only with the lack of basic necessities expressed as in a certain representation of the poverty line, but also with the assessment that every individual makes when s/he compares his/her own well-being with others (Foster and Sen, 1997, p. 185). This made us think that the study of inequality is important by itself, and not only because it is related to other kinds of deprivation. One of the most cited quotes on the idea of inequality in economics can be traced back to Adam Smith. In 1776, in the *Inquiry into the Nature and Causes of the Wealth of Nations*, Smith emphasized the role of commodities as 'necessities', being the same in nature but varying from culture to culture depending on the customs:

“By necessities I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. ... . The poorest creditable person, of either sex, would be ashamed to appear in public without them”. (1776, *WN*, 5.II).

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The perception of some basic goods can only be understood when they are taken into account with the environment and with the community where the individual lives. So in the community, it happens that the pattern of consumption is influenced by the income of others. Therefore, the assessment of the individual to appear in public without shame, can be understood if and only if we think that she is able to compare herself with others, and also if she possesses certain value judgments to make those comparisons. The fact is that people make comparisons using their own criteria, and this matters since this is an important social phenomenon. That is the reason why social inequality has been a matter of concern not only for the economists or politicians, but for the sociologists and philosophers as well. Inequality is a form of deprivation that, in some particular spaces, might even be ‘objectively’ measured, but regardless of its precise measurement, it will always be subjectively perceived. We do not know for sure how much inequality is harmful to society. To sketch some ideas of how people make those comparisons and which basis they use is the purpose of this chapter.

Once we know the importance of the study of inequality, it is necessary to explore the definitions and the roots of this concept. The linguistic nature of the word inequality might give rise to a variety of ideas, so it is necessary to define the context of the discussion. That word inequality usually has attached to it certain value judgments, and also philosophical positions. Inequality is not only an issue of mathematical comparisons. If the meaning of the concept is explored, it is possible to level the ground to avoid linguistic confusion for discussion. For instance, it can be the case that some people argue about the causes that produce inequality, stressing the underlying relationships, but there might be others who may think on inequality as a ‘bad’ thing by itself, not looking at the causes but about the ethical values behind it. We might consider the question: ‘*Inequality of what?*’, thinking on the space where inequality is measured, or the alternative question: ‘*Inequality among whom?*’ Because it should not be forgotten that inequality is something that is contextualized to a recipient unit, where the social unit might be individuals, groups of individuals (e.g. households), countries, communities, or geographical groups within a society, just to mention some examples. It is discussed in this paper why it is very frequently taken as given that the value judgment assumed is that inequality is a ‘bad’, always a social disease, following the Marxian tradition. Sometimes

the strong position, that emphasizes the struggle among classes, makes it difficult to understand that inequality might come from natural differences. The artificial change of those conditions might explain the unfair and undesired inequality, but not the very existence of those conditions. In the rest of the paper, it will not be assumed that the concept of inequality is ‘equally’ understood by all. It will be explained, using a particular methodological framework: the dissection of the inequality concept of its attributes and processes under certain value judgments.

## Overview.

The definition of inequality is first addressed in section 1, followed by the theoretical components of inequality, which are separated in section 2, as are a) its attributes or dimensions, and b) what generates inequality and due to which process. The suitable space where inequality is calculated is discussed in section 3. The ethical and moral values underlying the concept of inequality are mentioned and opened for discussion in section 4. Using the previous discussions, the approach of traditional economic theory is analyzed in section 5, finalizing with some concluding remarks in the light of the material presented.

## 1 Definition.

There are several issues in regards to ‘inequalities’, so it is appropriate if we try first to define what inequality is. The root is the Latin word *in-* + *aequalis* (equal), meaning ‘non-equal’, or “Lack of equality, as of opportunity, treatment, or status”.<sup>2</sup> Inequality does not have a meaning by itself, so it is a negation of another word. So in order to pursue this further, it can be convenient to look instead at the definition of ‘equality’ rather than inequality. Equality means that the object of appreciation corresponds among some particular group of objects, persons, processes or circumstances, sharing at least one specific attribute. A stronger version of this word will be ‘identity’ (total correspondence of the object to the other(s) object(s) in all attributes),

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<sup>2</sup> *The American Heritage Dictionary of the English Language (2000)* and *Wiktionary*. (2008).

and a weaker version could be ‘similarity’, a partial correspondence (Gosepath, 2007). Identity implies equality, and equality implies similarity, but not the other way around. Inequality means, in this sense, a non correspondence to some degree in at least some of the attributes. In economics, we can think that the word inequality entails in its notion some preconception of a non-balanced ideal situation, so inequality arises when this model changes due to a certain process, as will be discussed later. How the ‘ideal’ situation is preconceived in this model is a matter of philosophical debate, and it will be commented upon in detail in section 4.

Equality and inequality are ideas that need some kind of context. It is important that an author mentions clearly what kind of inequality or equality she is making reference to, in order to avoid confusion. For instance, income inequality explores the non-correspondence among particular groups of people or households (called recipient units). Those groups share the particular attribute of having access to some particular amount of earning, usually called income. On the epistemological context, the use of the term inequality is for our purposes, mostly descriptive rather than prescriptive. But it is possible to discuss the prescriptive use of this term if we touch on the ethics and morals behind the concept of inequality. In the same setting, ethical value and the morality of inequality are closely linked with concepts of justice and fairness. Now that the etymological concept is defined, in the following section some particular attributes of inequality will be explored in the context of economics.

## **2 Typology of inequality.**

### **2.1 Inequality Attributes.**

The typology of inequality in economics, as described by Wright (1987), can be helpful to explain two of its components: a) the attribute of social inequality and b) the kind of process that leads towards that state of inequality. This typology will be convenient for two purposes, to shed light over the space where inequality is calculated, and maybe the unit measure, and also to separate the observed value of inequality from

the process that generates it. The study of the typology will also make clear another difference: that inequality is always making reference to a relevant group in the society and to a relevant attribute as well, so that every group (individual, community, etc.) might have a different amount of some of this attribute (income, weight, power, etc.). It will be shown that when this distribution is the same for all units, this leads to equality, and when not, to inequality. It will be explained which form the attributes can take, and later, how these processes can take place, in other words, how inequality arises.

The attributes can be divided into two kinds: ‘monadic’ and ‘relational’. The former are the ones that, in order to describe their magnitude, should not need reference to anything else. The latter might have a reference (or a relation) to something else. Monadic attributes can be, for instance, food or material goods; their quantification does not need a reference to anything else.<sup>3</sup> The same happens to the consideration of personal characteristics, such as gender, weight, size, and similar things. On the other hand, the ‘relational’ attributes have reference to something else; this can be the idea of freedom, which might be narrowly defined by the absence of constraints on opportunities. Another example of a relational attribute is power, which might be possessed in large amounts by politicians in a society, but in a very limited amount by the rest of the individuals. It is difficult to define power, but if we define it as the ability to obtain things from others, power is a ‘relational’ attribute, which depends on the number of people that are controlled by the one with power.

Now it can be understood better that when income is stressed as the space of inequality, it is argued with respect to a ‘monadic’ attribute, because it is usually focused in terms of material goods, food, or the equivalent in money. However, we know that income does not capture all the people’s well-being, so it is difficult to find in this space other things that, though necessary, are not in the goods market. For the definition of some of the non-monetary goods, such as democracy or freedom or access to education, we do not need a monadic focus on attributes, we need to focus on the ‘relational’ attributes, as it can be clear that such examples of human rights make reference to

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<sup>3</sup> We could think that material goods are quantified in terms of money, and that could be related with relative prices, or the exchange value of money, so in that sense, the ‘monadic’ characteristic of the attribute would be violated because of its reference to ‘something else’. Knowing that is needed to have a

something else. It is possible to have a mixture of relational and monadic spaces, for instance, the capability approach of Sen. This approach recognizes the complexity of the space where well-being is measured. The (achieved) functioning bundles are mostly related with monadic attributes (e.g. food, clean water supply, access to education), and capabilities (or freedoms) are mostly related with relational attributes (e.g. democracy, participation, etc.). Now let's go to the processes.

## 2.2 Inequality Processes.

The classification of the processes goes in the same fashion as the attributes: we have monadic processes and relational processes. In the monadic processes, the unit in consideration relates to self-contained processes, in other words, the attribute in the monadic process is not related with any other process that drives inequality. It is difficult to find a pure monadic process, but for instance, if we consider the distribution of air that is breathed in a community, it is a function of the amount of the required air only by individuals in regards to their needs. The individual's life cycle can be considered, but the amount of air required is not constrained by something else, there is plenty of it. Following the same example, the quantity of air that is breathed by a small baby is not the same as that for an adult; the quantity changes according to personal characteristics of the individual.<sup>4</sup> It is important to understand the role of personal characteristics, because those are usually attached to monadic processes. Each individual possess a number of characteristics that are not related to something else, personal characteristics only belongs to each person. Understanding this link, it can be clear for the government that some distribution of services will depend on each personal characteristics. For instance, the distribution of health services has a part that is intrinsically related to personal characteristics (e.g. maternal care, child vaccination), and because of that, the distribution of health service can be seen as a monadic process.

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starting point, it assumed that prices are given, and because of that, material goods are well defined in that space.

<sup>4</sup> In this case we should ignore that the amount of people in the community is related with the interactions of reproduction among them, and we also ignore the influence of others personal characteristics such as genetic inheritance, so none of this is considered for our monadic ideal definition.

As opposed to the monadic process, we have relational processes that are related to some other process or attribute. Using the same health service example, a relational process that is associated with something else, it is a transferable disease, because we need to think in terms of a distribution of health care that it is due to some (negative) interaction among the people. In this case, the form of health care distribution will be a function of the interaction between the members of the community, and the likely spreading of some particular microorganism. In this case, part of the health distribution is a relational process.

Both relational and monadic processes can produce changes in relational and/or monadic attributes. For instance, a poor health distribution (relational and monadic process) might produce a more unequal income distribution (monadic attribute), because of lack of opportunities (relational attribute). Some relational processes are self-reinforced. If we think on power as a process and not only as an attribute, the person that has been gaining power over others, in the meantime he/she will be more powerful if nothing stops this process. This will produce a more unequal distribution of the attribute as well. If we think in a positive example, the number of transfers (monadic process) from the rich to the poor might be considered a self-propelling mechanism to alleviate the unequal distribution (monadic attribute), because the poor might be feeling compelled to make transfers to the poorest as well.

## **2.3 Monadic and Relational Issues in Modern Measurement.**

Using the typology described above, if we deal with the historical reasons that are behind the causes of inequality, we will be dealing with the ‘relational’ process of inequality, while if we focus in the personal characteristics, and how those have been affecting levels of inequality through time, we will be dealing with the ‘monadic’ process of inequality. Finally, it is clear that a mixture of these processes can occur. A suitable example might be gender inequality. In this case the ‘monadic’ processes due to the natural sexual personal characteristics, besides to ‘relational’ processes due to the customs and norms enacted by the society in regards to this differentiation, both can explain the overall process of inequality.



Having in mind the two dimensions of the typology of inequality (its attributes and its processes), we know that the traditional measurement of income inequality deals with the study of its ‘monadic’ attributes that come mostly from a ‘relational’ process. Because of practical issues, inequality measurement usually focuses on the measurement of the monadic attribute, but not on the relational process that causes it. For the sake of clarity, we can see in **Table 1** some examples that are based on the classification just presented. The types of inequality that are usually studied in the assessment of welfare are highlighted in bold letters, which is the focus of most of the empirical research on inequality.

		<i>Form of the unequal attribute</i>		
		Relational	Relational/Monadic	Monadic
<i>Form of the distribution of Processes</i>	Relational	Power, Status	Participation	<b>Income</b>
	Relational/Monadic	Authority based on achievement (democracy).	<b>Functioning Bundles and Capabilities.</b>	<b>Income with equivalence scales, Epidemiology.</b>
	Monadic	Natural Talent.	Personal Achievement	Personal Health, Weight, Height.

**Table 1 Typology of Inequality**

It is necessary to know the limitations of the inequality type of measurement. For instance, on the one hand, when we deal with traditional formulations that calculate income inequality, such as the Gini coefficient, it can only be possible to explore the monadic attribute of income that is measured in cardinal units. The relational process that caused inequality might be explored at some extent with Entropy measures, because the regional composition is feasible to explore with such a measure, but on the Gini coefficient that process is not visible. On the other hand, another way to consider inequality is the use of equivalence scales, which consider individual heterogeneity. In this case the same monadic attribute of income is considered, but now focusing on the monadic process that are due to the personal characteristics of individuals. Nowadays there is no type of measure that can explore all forms of distribution processes and all unequal attributes at once because the data is not available, but a multidimensional measure might serve as a beginning.

When income inequality across some period of time is studied, we explore the processes that drive the course of the distribution of income. This relationship is captured

by the standard measures, such as the Gini coefficient or Theil index. In this standard measurement, we can not see which might be the cause that is driving the cited inequality, which likely comes from a mixture of ‘relational’ and ‘monadic’ processes. In spite of the focus on the monadic attributes of income, it is possible to use some discovered characteristics of the standard measures in order to explore the relational process embedded in income, doing this through certain properties such as decomposability, either by population subgroup or by income source. The ‘subgroup consistency’ is more a relational property, which says how much inequality affects each group of people; this is clearly a relational implication. The decomposition by income source also tells which are some of the reasons behind inequality, and how assets, savings, and other sources affect directly or indirectly the ‘motion’ of inequality across households. These properties allow the researcher to explore some of the reasons which are beyond the scope of the superficially observed income inequality, and allow her/him to think about how those reasons contribute to the overall phenomenon. Going beyond technical specifications, we are going into the terrain, not very firm, of inequality measurement, so we discuss the space for calculations.

### 3 Space for calculations.

The discussion about the space where inequality shall be measured is not short. This question has been addressed by many, but recently in economics by Amartya Sen in his *Equality of What?* (1980). In that paper, he rejected the ethical views of both the utility maximization approach and Rawls’ justice. He contrasted those two approaches with his own approach of capabilities and rejected them. Afterwards, the literature became very broad on the definition of the space where to measure deprivation. That literature includes discussions with regards to the appropriate space to measure welfare, such as non-income spaces, multidimensional capability vectors, various types of functioning bundles, and a mixture of those views.<sup>5</sup> In spite of methodological discussions, there are issues of a practical nature that are yet to be completely resolved, for instance when only income is chosen from the plethora of spaces available (Cowell,

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<sup>5</sup> See for instance the Mexican case (CTMP, 2002, pp. 24-32).

1995, p. 4). Therefore, it is clear that the discussion dealing with the suitable space to measure well-being is broad. This paper focuses on the approaches that struggle with issues of welfare, and particularly with inequality measurement.

### 3.1 Utilitarian Space.

Considering the appropriate space where inequality shall be calculated, we find that most modern economists reject the utilitarian aggregated space in the sense of Bentham, when he considered the social welfare through the aggregation of every personal utility (Sen, 1973, p. 15; 1980; Foster and Sen, 1997, p. 112). The strong assumption that avoids interpersonal comparisons, assuming that all individuals obtain the same utility from the same basket of goods, make things problematic (Sen, 1973, p. 12; 2000, p. 67). In this view it is necessary to assume identical individuals, with identical levels of satisfaction that come from the enjoyment of a particular good. Defending this approach, authors like Harsanyi (1987, p. 955), saw this problem not as a serious one, saying that it is only difficult to do the formalization of this approach because of the embedded philosophical complexity of the measurement, arguing that every person has access only to her own mental inwardness, and not to the others. We need to keep in mind those controversies on the measurement of well-being, particularly when it is necessary to impute a numerical value to every recipient unit (e.g. person) and their utility. When we think that people's income is the expression of their 'utility', or more than that, if we think that utility is a good approximation of their welfare, there are many underlying assumptions made, much more if we want to believe that each person enjoys the same level of utility with the same amount of money spent (either looking to utility as a 'pleasure', in the hedonistic view, or as a satisfaction from the consumed good, in the modern view).

One utilitarian challenge that was not properly solved was the incommensurability of human pleasure (Welch, 1987). It is important for us to know a bit about the reason for the limitations of interpersonal comparisons in the utilitarian framework, and because of that, the limitations on inequality assessment. If we assume that all individuals possess an identical utility function, this has the consequence of having the social welfare function

defined over the set of individuals and their orderings, which makes the task of considering the income distribution very difficult from the very beginning: cardinality is a problem (Sen, 1973, p. 13). As early as 1879, the professor of jurisprudence, T. E. Cliffe Leslie, wrote:

“There is an illusive semblance of simplicity in the Utilitarian formula... it assumes an unreal concord about the constituents of happiness and an unreal homogeneity of human minds in point of sensibility to different pains and pleasures ... Nor is it possible to weigh bodily and mental pleasures and pains one against the other; no single man can pronounce with certainty about their relative intensity even for himself, far less for all his fellows”. (1879, pp. 45-6).

This and other critiques undermined the hedonistic utilitarian framework. Later other (‘non-welfaristic’) approaches were progressively replacing it. We discuss some of these approaches below.

### **3.2 ‘Commodities’ and the Basic Needs Approach.**

As a reaction against the utilitarian-hedonic view in the assessment of welfare, a popular school during the 70’s was the Basic Needs Approach (BNA). It was a popular and influential approach in development economics. It emphasized the right of every individual to have access to certain ‘basic’ goods. Those goods were not only very basic, such as food, shelter, clothing, or community services (water, public transportation, or health access), but also the participation of people in the decisions in regards to their own well-being (Ghai et al. 1977, p. 9). The problem with the BNA is that it went to the other extreme, in the sense that it was far away from subjective considerations, so it overemphasized commodity needs.<sup>6</sup> The first Human Development Report, issued in 1990, criticized the BNA in the following way: “the basic needs approach usually concentrates on the bundle of goods and services that deprived population groups need:

... It focuses on the provision of these goods and services rather than on the issue of human choices” (UNDP, 1990, p. 11). At that time, most of the BNA welfare assessments used only income as the appropriate space for the calculations, given some particular basket of ‘basic’ goods.

Sen tried to generalize this framework, extending the scope of the BNA to a wider range (Alkire, 2002, p. 19). Sen wrote that it was necessary “to take the basic needs approach out of the arbitrarily narrow box into which it seems to have got confined. To see it as just one part of the capabilities approach—to which it is motivationally linked—would do just that.” (Sen, 1984, p. 515). He criticized the lack of philosophical foundation of the BNA, and its usefulness only for very poor countries. He offered the idea of capabilities as an active concept, instead of the passive concept of ‘needs’ (Sen, 1984, pp 512-514). In any case, what is true is that the use of income, as a suitable space to calculate welfare, is rooted in the BNA School. Income is still widely used because of one practical issue: it is usually the only data source available in many surveys. So, even remembering the BNA rejection by the subsequent approach of capabilities, BNA can not be ignored as a useful, and some times the only, practical approximation for the assessment of welfare.

### 3.3 Functioning bundles and the Capability Approach.

Sen is usually held responsible for introduce a new space for the assessment of well-being: functionings and capabilities. I will quote two important paragraphs that describe both the root and the present understanding of capabilities and functionings concepts. The first one is due to Sen in 1985. At that time he formally described his rejection to utilitarianism that he wrote previously in the third Hennisman Lecture.<sup>7</sup> He mentioned the problems of well-being definitions when interpersonal comparisons are taken into account. Moreover, he questioned the problems of having just income as the sole space for the measurement of poverty, as we can see in the following part with his famous bicycle example:

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<sup>6</sup> Alkire (2002) refers to this as a ‘commodity fetishism’ (p. 14, n. 58). Bibliography and discussion in pp. 166-167.

<sup>7</sup> Methodologically discussed (Sen, 1985b, Ch. 3), and previously rejected in Sen (1973, p. 15-9).

“In judging the well-being of the person, it would be premature to limit the analysis to the characteristics of goods possessed. We have to consider the ‘functionings’ of persons. While the ownership of commodities is a personal matter, and thus the command over the characteristics of goods owned is also a personal matter, the quantification of characteristics does not vary with the personal features of the individual possessing the goods. A bicycle is treated as having the characteristic of ‘transportation’, and this is the case whether or not the particular person happening to possess the bike is able bodied or crippled. In getting an idea of the well being of the person, we clearly have to move on to ‘functionings’, to wit, what a person succeeds in doing with the commodities and characteristics at his or her command.” (Sen, 1985b, pp. 9-10).

He was referring to the ‘functioning’ idea contained in Aristotle’s *Nicomachean Ethics*, where it was necessary to understand the human final (and best) good that drives people’s seeking of their own well-being (Sen, 1999, p. 73). This idea has been formalized and surveyed by various authors.<sup>8</sup> I think the next paragraph resumes the abstract idea of the capability approach because of the new developed terminology of ‘capabilities’, ‘functionings’, ‘functioning bundle’, and ‘capability set’:

“The functionings approach to the notion of living standards is an important recent development in welfare economics. The core of the approach, initiated by Sen ... and Nussbaum ..., consists of the idea that the notion of the standard of living should be formulated in terms of functionings (i.e., the ‘doings’ and ‘beings’ that have ‘intrinsic value’ for people and capabilities rather than in terms of utility or commodities). Several related approaches stem from this central idea. First, we have the approach where a person’s standard of living is assumed to be determined exclusively by his achieved functioning bundle. An alternative approach is based on the

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<sup>8</sup> A good survey might be found in Robeyns (2005).

assumption that a person's standard of living depends exclusively on his capability set (i.e., the set of all mutually exclusive functioning bundles available to him), which reflects the opportunities available to the person. Lastly, we have a more general conceptual framework where a person's standard of living is determined by his capability set and / or the functioning bundle belonging to his capability set, which he actually achieves. It is clear that the first two frameworks are special cases of the third". (Pattanaik and Xu, 2007, Introduction).

The proposed space is broad for the calculations of inequality and for any standard of living, because of the inclusion of both relational and monadic attributes. This approach tries to explore the implications of any possible space where destitution might take place. But it is not the purpose of this paper to discuss the validity of this approach, even though has been proven very useful.<sup>9</sup> The purpose in this section is just to mention that the capability approach offers an alternative space where well-being can be measured.<sup>10</sup> The challenge that faces the capability approach is related with the formalization of its multidimensional setting, problem that is not shared by the utilitarian framework. Sen itself proposed some ways to formalize the welfare dimensions, for instance, using the fuzzy approach, but this issue is still under research.<sup>11</sup>

## 4 Ethics and Inequality.

Suppose I live in a simple house in the side of a hill overlooking a lake, in the town of Medina, Washington; just besides the mansion of Bill Gates (if that would be possible). If I observed that he is very rich compared to me, without thinking that that is unfair, I am just acknowledging inequality. On the other hand, if I think his wealth is 'providential' because of his charity organizations, or if my perception of his money makes me feel 'sick', it is clear that I am making some kind of value judgment. People

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<sup>9</sup> See Robeyns (2005, p. 93) and the references therein.

<sup>10</sup> A discussion will be tackled in a following chapter. Some basic references can be found in Basu and Lopez-Calva (2002), Alkire (2002) and Robeyns (2005), among others.

<sup>11</sup> See Foster and Sen (1997, p. 121, n. 17) and Sen (2000) among many others.

often make value judgments in regards to their own beliefs, but for our purpose it is necessary to formalize this exercise. So if we want to say that inequality is rather normal or bad, we need to use some kind of evaluation. Our evaluations might be related with traditional social justice theories.<sup>12</sup> Looking more carefully at those theories and their philosophical foundations, it might help us to understand better and to analyze the income distribution in the community (Sen, 2000, p. 60). The ethical judgment is explored, not only because it is needed to know ‘how much’ inequality exists, but also because we want to know if that inequality is ‘bad’ and to what extent might be harmful to society.

The comment in this section is that fairness judgment, when perceived in a pejorative sense, is external to the scientific model. The fairness judgment is based on the pure belief, or the conviction that a person (or his society) has in some philosophical theory. The perception of ‘unfairness’ can be enhanced by social convention and institutionalized by law, involving ideas ‘of what is good and proper, and what is shameful, inexcusable or intolerable’ (Sen, 2000, p. 60). Because of the different ideas about what is good, some kind of theory survey is needed in regards to justice. For instance, there are some people who think that some ‘unequal’ distribution is necessary if the society wants cheaper and vast quantity of goods that are produced by firms benefiting from economies of scale. These people think that some of the individuals in the society must have the right to possess more than others, because this generates efficiency. On the opposite side, others might think that all goods and money ‘must’ be distributed ‘equally’, if we want to consider the distribution ‘fair’, with the aim of living in an ‘egalitarian’ society. The previous examples enter inescapably into the territory of ethics and value judgments.

## 4.1 Utilitarianism.

Even though utilitarian philosophy considers the well-being of each individual, and the right of each to be treated fairly, having the same value under the law, the consideration of the whole community poses some problems. The famous principle “The

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<sup>12</sup> The term justice, in regards to economics, is usually related with ‘distributive justice’, different from the concept of justice ‘as a virtue’. In this paper both meanings are used, and that can be clear in regards to the context.



greatest happiness for the greatest number”, spelled out for the first time by Bentham in his *Fragment on Government* in 1776, is well known in the utilitarian literature. The goal was to maximize the whole, but it was not clear if the distribution within the whole was important. There was a clear value judgment that treats a whole group as privileged rather than some part of it, rather than the individual. Bentham and his hedonistic view of humans in economics as pleasure-seekers or pain-avoiders, was very pervasive during 19<sup>th</sup> century, due particularly to the spreading of his ideas by James Mill and his son, John Stuart Mill. In those principles, Bentham stated that, a) the individual well being should be the end of moral actions, b) that each individual has the same value under the eyes of the law, and, the most important, that c) the aim of society should be the pursuit of the greatest possible happiness for the greatest number. It took almost a hundred years before his critics really undermined the posture proposed in his *An Introduction to the Principles of Morals and Legislation* (1789).

There were several reasons to criticize this approach. One of them was related with the conceptualization of the human being and their desires. This particular view, which is clearly beyond science, affected the way utilitarians conceived of society and its goals. Bentham with his *felicific calculus* was following the British branch of the Enlightenment period, which stated a dual composition of humans by passions and reason, but putting greater emphasis on the emotional side (Welch, 1987, p. 771). Bentham was most probably influenced by David Hume’s words: “Reason is, and ought only to be the slave of the passions” (*THN*, 2.III.3),<sup>13</sup> and/or by the empiricism embedded in the *tabula rasa* of Locke. It is clear that the individual was conceived as a ‘sentimental’ subject controlling her own reason, therefore, the hedonistic view of a pleasure-seeker fitted perfectly with the utilitarian view of Bentham. It was argued that the composition of human nature is not something believed to be a scientific truth, but beyond the scope of science.<sup>14</sup> Therefore, it might be reasonable to understand why other

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<sup>13</sup> David Hume, the Scottish philosopher, said about the self and its conception (in spite of the Jewish tradition which includes the concept of ‘soul’ as a separate entity of reason and sentiments) that the self was partitioned in two, the first one as sentiments, like sensations, passions or emotions, and the second as ideas (*THN*, 1.I.1), such as memory and imagination (*THN*, 1.I.3). Both sentiments and ideas are acquired in a complex way through experience (*THN*, 1.III.14) and because of the pure effect of social convention (*THN*, 1.II.13).

<sup>14</sup> Hume saw a close connection of sciences and human nature (*THN*, Introduction), but the terminology here is the one of Descartes and his scientific method.

philosophical theories questioned deeply the pure hedonic nature of humans. In the case of the Continental side of the Enlightenment, that followed Descartes and Kant, the rational side of human nature was seen more as the driving force in the search for truth (Descartes, 1637), influenced by the Aristotelian conception in the pursuit of the best good,<sup>15</sup> and not just looking to fulfill pleasurable desires.

Criticizing also the utilitarian principle, some authors focused on its foundations. Robbins (1932, 1938) mentioned that in order to make a statement about human homogeneity, the applied value judgment could not come from scientific truth, but from some ethical basis outside of economics. Then he raised his famous question: “Would it not be better, I asked myself, quite frankly to acknowledge that the postulate of equal capacity for satisfaction *came from outside*, that it rested upon ethical principle rather than upon scientific demonstration, that it was not a judgment of fact in the scientific sense, but rather a judgment of value...?” (1938, p. 637, emphasis in the original). From outside scientific scope, the utilitarian approach might also be considered non-ethical for the following reason: as long as the amount of suffering by some is compensated by the enjoyment of others, it is possible that overall welfare of the community might increase.<sup>16</sup> It is very likely that people who suffer are usually the poorest in the community. That raises the question again of the necessity of some sort of interpersonal comparison among members (see section 3.1), in order to decide whether one state is better or worse than the other, as it was expressed again by Sen (1973, p. 15-18; 1980). Finally, another critique was based on the absence of desert-based principles.<sup>17</sup> Desert-based principles are founded in the account of exceptional contributions of individuals to their society, taking in account the effort expended in those activities. The critique of utilitarianism of the desert-based principles was such that there is no account of individual actions and some kind of reward for contributions of individuals, neither a cost compensation due to their work activity, as was discussed by authors like Miller, Sadurski or Dick, based on the writings of Locke (in Lamont and Favor, 2007).

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<sup>15</sup> See section 4.4. I.

<sup>16</sup> They defended the point arguing that those cases were very unlikely to happen, and arguing that such cases provide ‘rules of thumb’, providing only moral information, but not theoretical arguments (Lamont and Favor, 2007).

## 4.2 Rawlsian Justice.

Inequality and the idea of ‘Justice as fairness’, developed by Rawls (1958, 1971), is one of the most frequently used frameworks in recent discussions. His figure of the ‘original position’ using a theory of social contract is based on the writings of Locke, Rousseau and Kant (Rawls, 1971, p. 11).<sup>18</sup> He justifies the idea of the original position with the aim to produce a fair procedure, where “any principles agreed to will be just” (Ibid., p. 136),<sup>19</sup> resembling the well known Kantian ‘categorical imperative’.<sup>20</sup> This original position “is understood as a purely hypothetical situation characterized so as to lead to a certain conception of justice” (Ibid., p. 12), where the individual is engaged in a process of self reflection on who she is in the society, which characteristics she has, the things that she possesses, and so on.

For our consideration of inequality, in regards to justice and institutions, Rawls offered two important principles that shall be taken into account: “First Principle[,] Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all. Second Principle[,] Social and economic inequalities are to be arranged so that they are both: (a) to the greatest benefit

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<sup>17</sup> Those are also known as merit-based principles.

<sup>18</sup> He acknowledge the similarity of Harsanyi’s (1953) work, but he said it was used to develop a utilitarian theory (Rawls, 1971, p. 137, n. 11).

<sup>19</sup> The original position of Rawls has been contested in a variety of ways. For instance, the supposed original position, using the idea of the ‘veil of ignorance’, it assumes that no individual in the society knows his own position or status, but in order to make decisions, those individuals are assumed that they should be not only ‘rational’, but also ‘self-interested’ rational (Wolff, 1990, p. 114). In that sense, the ‘veil of ignorance’ is only a partial veil, because the starting point is the individual rationality; a truly original position should be such that the individual did not know neither if he/she is rational in the self-interested sense. Other criticism for the original position is the assumption that all individuals think that all judgment resides in the brain, as a mental inwardness, as does the preconception of Descartes axiom ‘*cogito ergo sum*’ (1637, part. IV), but that mental preconception is only one of the particular systems of thought, it is not clear what should be revealed to the individual that particular framework of thought and not others.

<sup>20</sup> The saying of Rawls “For by a categorical imperative Kant understands a principle of conduct that applies to a person in virtue of his nature as a free and equal rational being” (1971, p. 253), added up the idea of ‘freedom’, which is not in the original quotation of Kant. What Kant literally said was that “There is therefore but one categorical imperative, namely, this: Act only on that maxim whereby thou canst at the same time will that it should become a universal law.” (1785, Section II). Kant supposedly upgraded the so called Golden Rule, so he wrote “Let it not be thought that the common “quod tibi non vis fieri, etc.” could serve here as the rule or principle. For it is only a deduction from the former, though with several limitations; it cannot be a universal law.”(1785, Sec. II). He was referring to the one saying “Do not do to others what you do not want done to yourself”, but this is not the Golden Rule. The Golden rule of Jesus says “et prout vultis ut faciant vobis homines et vos facite illis similiter” (“Do to others as you would have them do to you”. (*Holy Bible (NIV)*:Luke. 6:31). This is rather different because this do not entail the

of the least advantaged, consistent with the just savings principle,<sup>21</sup> and (b) attached to offices and positions open to all under conditions of fair equality of opportunity”. (1971, p. 302). As a matter of clarification, some rules follow these predicates, which enhanced the priority of the first principle in regards to liberty, ‘allowing liberty to be restricted only for the sake of liberty’, while the second stressed justice over efficiency and welfare (Kukathas and Pettit, 1992, p. 44).

The Rawlsian ideal of the perfect state of justice is based on the Marxian concept of equality in the utopian egalitarian communism: “Rather a society in which all can achieve their complete good, or in which there are no conflicting demands and the wants of all fit together without coercion into a harmonious plan of activity, is a society in a certain sense beyond justice” (Rawls, 1971, p. 281).<sup>22</sup> He explains that when this communist idealistic state is reached, the principles of justice are no longer necessary (Tucker, 1969, ch. I & II). In this sense, inequality is justified solely on the basis that each member of society obtains exactly the equivalent to his/her needs: “It is even possible to elevate one of these precepts, or some combination of them, to the level of a first principle, as when it is said: from each according to his ability, to each according to his needs” (Rawls, 1971, p. 305). Rawls was quoting one of the fundamental Marxian ideas in the *Critique to the Gotha Program* (1875).

Marxian ‘equality’ is the ‘fair’ distribution of all kind of necessities among the ‘unequal’ natural human needs. The inequality will disappear as long as the private ownership of the means of production is completely abolished, then [surplus] value and exchange value must also disappear, so production should become only for the use and satisfaction of the communal society (Mandel, 1987, p. 382). The Marxian tradition is clear about its belief in the idea of a supreme [enforced] equality in society, noted in *The*

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‘limitations’ that Kant argues, only implies actions and responsibility. The ‘negative’ version is attributed to Confucius (6 BC, *Analects*, 15:23 <http://www.confucius.org/lunyu/ed1523.htm>).

<sup>21</sup> This is the intergenerational care that the present generation should offer to the subsequent (Rawls, 1971, p. 284-298).

<sup>22</sup> There are several ancient roots of the concept of inequality justified in regards to people’s deserts. A very old one is found in the Jewish tradition, where in the *Torah* (1200 B.D), is told the story about the Israelites during the exodus from Egypt, they were miraculously fed with ‘manna’, a kind of bread that came from heaven, and how it was established the ‘unequal’ but fair distribution of necessities depending on people’s needs. It is written in the manuscripts that they were ordered to take just as much as they need, nothing more, nothing less: “The Israelites did as they were told; some gathered much, some little. And when they measured it by the *omer*, he who gathered much did not have too much, and he who gathered little did not have too little. Each one gathered as much as he needed.” (*Holy Bible (NIV)*: Ex. 16:17-18)

*Communist Manifesto*, when it demands “[a]bolition of property in land and application of all rents of land to public purposes”, and also demands “[e]qual liability of all to labour” (1848, Part II). They thought that inequality was maintained by the possession of the social surplus by the ruling class, which maintained the ‘superstructural’ activities that unfairly entailed them with the means of production (Mendel, 1987, p. 369). Therefore, if classes were abolished, at least in theory, unfair inequality must disappear due to a full satisfaction of needs in this idealistic progressive system. It is clear that the Rawlsian definition of justice, based on the Marxian tradition, sees inequality as a ‘bad’ itself, as a disease that should be prevented.

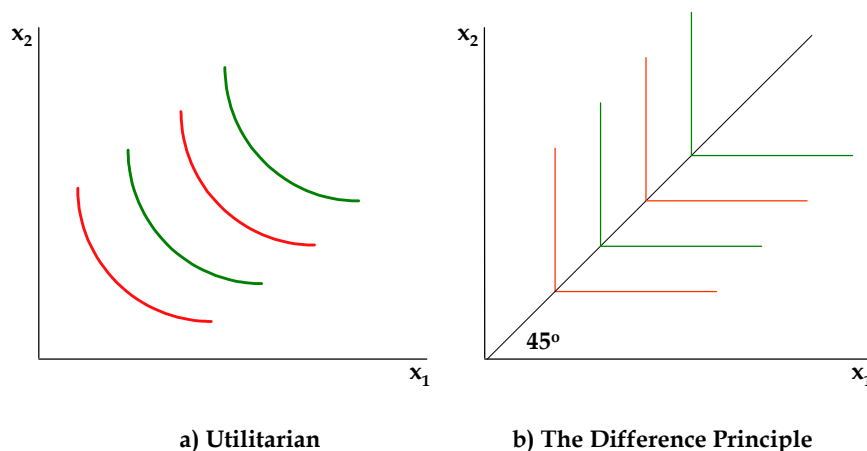
Coming back to Rawls’ proposition, the hypothetical exercise of the original position, using the powerful idea of the ‘veil of ignorance’, assumes that every person should be able to ignore his/her own characteristics and possessions as a starting point, as if they were born in the lower end of the distribution. That exercise will produce a sense of empathy with the most destitute. Thus, this initial consideration might be helpful to illuminate the persons that are privileged, gifted and rich, about their responsibility with their society. The problem arises as there is no mechanism to force the irresponsible person to follow this ideal. People ‘should’ be fair, that is the thought of Rawls. In regards to institutions, it is said that if people are fair, the institutions will be fair as well: ‘It follows that if the basic structure of society is just, or as just as it is reasonable to expect in the circumstances, everyone has a natural duty to do what is required of him’ (Rawls, 1971, p. 334).<sup>23</sup> That is the case for the privileged. On the other side of the coin, we can not see a very clear advice from this framework when people find themselves in very impoverished conditions. For instance, when an individual considers herself in a ‘position’ that is ‘revealed’ to her as a person with mental or physical disabilities, as a part of a discriminated group, and very poor. The Rawlsian principles can not explain to this person why other people are not behaving ‘properly’. She might think: ‘Why do others not respect the social contract?’ An unsatisfactory answer for this question might

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<sup>23</sup> The root of this idea can be traced to Plato and his conception of the just city, discussed in section 4.4, part I.

only emphasize her anger against society, enforcing her envy as well.<sup>24</sup> Then, it might be sensible for her to rebel instead, as the Marxian beliefs invite her to do. Therefore, it is understandable why this exercise should be mostly considered as a ‘device for moral reflection and political discussion’ (Sen, 2000, p. 61, n. 2), more than being considered as a practical solution for the problem of unfairness.

The Rawlsian concept of equality has implications in economic theory, and that has been exposed (and rejected) in this framework.<sup>25</sup> If we talk about the space of ‘social preferences’, where in both axis are represented the well-being of two individuals  $x_1$  and  $x_2$ , such that one of them should be the most deprived in the society, in the ‘difference principle approach’ of Rawls, there will be no gain for the society unless both of them gain together, jumping to the next upper level of welfare, as is noted in part b) of **Figure 1**. As a comparison, on the left hand side in part a) we have the utilitarian view, which will reach higher levels of social utility when the total utility is maximized subject to the (social) budget constraints, regardless of the welfare of the utility of each individual that is considered separately. In that view, the form of the preferences is more important than the achieved levels of utility of each individual. In that sense “[a] classical utilitarian ... is indifferent as to how a constant sum of benefits is distributed” (Rawls, 1971, p. 76-7).



**Figure 1. The Utilitarian view vs. the Difference Principle.**

<sup>24</sup> The idea of fairness and envy is mentioned in Sen (1987b, p. 1041), where ‘equity’ arises if no one wishes to have or preferred a bundle of goods that belongs to the other person instead of his own, see references therein.

<sup>25</sup> But there are other criticisms, see Lamont and Favor (2007).

As we just saw above, Rawls rejected the Utilitarian principle because of the unethical aggregation of utility. But both the Rawlsian and the Utilitarian arguments just presented here were also rejected by Sen (1973, p. 22-23), even though he allowed those approaches to include interpersonal comparisons.<sup>26</sup> Using a very simple graphical argument, it was shown how difficult it is to use the utilitarian framework, precisely for being non egalitarian: “As a framework of judging inequality, utilitarianism is indeed a non-starter, despite the spell that this approach seems to have cast on this branch of normative economics.” (Idem. p. 18). More formally, in order to show the inconsistencies of those approaches, he constructed the Weak Equity Axiom (WEA), which with very mild conditions,<sup>27</sup> it rejected not only the utilitarian principle, but the Rawls’s ‘maximin’ rule as well.

In the light of the previous arguments, there are reasons to believe that Rawlsian theory can not be considered as a good basis for fairness or justice; this approach has problems in order to be theoretically consistent. On the other hand, other critiques of Rawls complain that the difference principle is not sufficiently strong, and it leaves the issue of unequal endowments as an open question. This was pointed out by authors that support resource-base theories, which attach a stronger sensitivity to inequality, even to natural inequalities (Dworkin in Lamont and Favor, 2007).

### 4.3 Sen’s Concept of Justice in his Capability Approach.

Sen is interested not only in inequality as such, but about the repercussions of high inequality in society. There are, according to him, economic, social and political problems that might be related to inequality. Those problems are, for instance, unavailability of food, lack of democracy,<sup>28</sup> people’s discontent, or disapproval given

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<sup>26</sup> This approach was widely used by Marshall, Pigou, and Dalton, among others (Sen, 1973, p. 16, and note 21).

<sup>27</sup> Taking a Social Welfare framework, it was assumed a two persons unequal world and strict concavity.

<sup>28</sup> “Inequality has an important role in the development of famines and other severe crises. Indeed, the absence of democracy is in itself an inequality...”.(Sen, 1999, p. 187).

poor economic conditions.<sup>29</sup> He also considers the negative effects because of inequality which causes the erosion of relationships among the members of a society,<sup>30</sup> so that might be an important factor that boosts unstable movements such as rebellion.<sup>31</sup> His approach is very different from the Rawlsian sense of justice, because Sen tries to encompass a practical view of social phenomena, not only tries to explain a mental exercise. Sen considers inequality as some sort of poverty, always related to some sort of destitution. That can be proved by the fact that his poverty measure definition (1976) includes the Gini coefficient. He has been emphasizing the role of capabilities and functionings as the suitable space for calculation of welfare, so it can be credible that, in his account, inequality might be considered also as a type of destitution.

In his view of capabilities and functionings he tried to establish a definition of 'justice', or what he thought should be the focus for the assessment of the standard of living. He mentioned this concept in 1983: "neither commodities, nor characteristics (in the sense of Gorman and Lancaster), nor utility, but something that may be called a person's capability" (Sen, 1983, p. 160). He was referring again to the idea, based on Aristotelian philosophy,<sup>32</sup> of capability to freely choose among some functioning bundles (Atkinson and Bourguignon, 2000, p. 49). The idea of capabilities is mostly related to the methodological rejection of the income space as the only way to measure overall deprivation, in following a broader space for the consideration of distributive justice. He claims that others necessities of life are crucial for the well being of any individual. Those goods, such as education, or health, or goods that provide the individual the right to appear without shame in society, are not expressed correctly in the income space. When only income is considered, not all those goods are well captured in measures of inequality or poverty. This is the reason he came up, along with other issues, with his idea of capabilities and functionings (for detail see part **3.3**).

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<sup>29</sup> "In assessing the likelihood of discontent or protest or disapproval, or the political feasibility of particular policies, ... it can be useful—indeed crucial—to have some understanding of the ideas of justice that command respect in the society in question." (Sen, 2000, p. 60).

<sup>30</sup> "Furthermore, the sense of inequality may also erode social cohesion" (Sen, 1999, p. 93)

<sup>31</sup> "The relation between inequality and rebellion is indeed a close one, and it runs both ways" (Sen, 1973, pp. 1 & 6).

<sup>32</sup> From Aristotle's *Nicomachean Ethics* (335 BC [1980], book I, Section 7), Sen discusses man's ability to function as a premise to assess what is good for him (Sen, 1999, p. 73).



Before Sen introduce his definition of distributive justice, which is his capability approach, he tried first to ‘generalize’ the problem with the definition of social justice. He considered as given that inequality is undesirable.<sup>33</sup> He discussed justice first, with a descriptive theory that defined justice’s ‘informational basis’, giving a “systematic understanding of different concepts of justice” (2000, p. 61). He later applied this categorization to his own approach, because he thought that those different concepts of justice were the relevant theories in regards to the assessment of fairness. He acknowledged the plurality of ideas about justice, because of the intrinsic linguistic nature of the concept (Ibid., p. 62). He leveled the ground of the discussion in order to explain which inequality judgments should be used according with his criteria. The different factors of theories of justice are, according to his typology: a) the basal space, b) the focal combination and c) the reference group. He explained that the basal space is composed of the variables that are considered to be important, the focal combination is the way to ‘discriminate’ among the many value judgments available, and the third factor, that is the reference group, is appropriate if some consideration of sub-groups within the society is needed in order to explain overall social injustice. This is clearly a very mathematical approach to a very non-mathematical concept that is justice. Using these tools, he reclassified the utilitarian view of justice, libertarian theories, Rawlsian justice, and finally his own view about functionings and capabilities.

When Sen is trying to generalize the ‘informational basis’ of social justice, he does that with a clear and subtle objective: he is trying to persuade the reader that all definitions of justice have the same structure, but his own, of capabilities, is better. He considered his approach better because of its focus on the destitution of the most deprived. His intention is truly honest: he cares about the poor, but the premise is far away from the truth. It is shown in this paper that different definitions of distributive justice come from a variety of philosophical ideas. Not all definitions of justice have the same structure. Therefore, Sen’s approach errs because it is too narrow. Caring about the

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<sup>33</sup> Sen’s value judgment has the same basis than Rawls’ justice, but the approach is different. Sen’s justice is also Marxian, but rather than use ‘categorical imperatives’, he uses different arguments and rhetoric to convince the reader that inequality is bad itself. In previous work he emphasized the Marxian approach of distribution based on needs rather than desert (Sen, 1973, p. 80-1), quoting Marx in detail, finalizing with his famous quote: “From each according to his ability, to each according to his needs!” (Marx, 1875, p. 23

poor is not a sufficient ideal to encompass all justice matters in one. In theory, Marx and Rawls did the same. The mathematical and simplistic framework of Sen is also biased, because it offers a pure ‘rationalistic’ view of justice, which is a clear Aristotelian conception of the Western world applied to the concept of fairness.<sup>34</sup> On the other hand, most of the efforts of Sen about the concept of justice lie in the discussion about the ‘space’ where inequality and poverty are assessed. We know that Sen is mainly concerned, in traditional economic theory, with pointing out the limitation that the space of income has in order to express all people’s necessities. In this light, his approach of social justice became only an instrumental device to support, in a ‘philosophical’ way, his capability approach.

The consideration of Sen referring to justice is still useful for understanding some insights into the relationship among justice, inequality and the space of measurement from the point of view of welfare economics. The modern economics literature discusses normative, descriptive and prescriptive issues related to income distribution. So the assessments of inequality, and because of that, of justice, can be helpful for understanding their value judgments.

#### 4.4 Other approaches.

In spite of the view of inequality as a social problem, where the society has a belief that ‘inequalities’ are ‘bad’, and in some cases ‘wrong’, there might be some considered as ‘natural’, neither bad nor good, just normal. For instance, wage income across time, which at the beginning of every individual’s career is low, rises later with age and experience. The determination of available resources related to the individual’s country of origin might be another example. Yet another example might be the consideration of sex or gender. There are some physical differences that naturally drive people’s behavior, because of the role of nature (if sex type is not artificially changed, of course). In this case, the epistemological focus to inequality might have other philosophical views, which can see inequality in a different way, maybe as an

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in Sen (1973, p. 88), but Sen’s rhetoric comprises abstraction and formalization of concepts in a mathematical way.

<sup>34</sup> See the Greek influence on justice in section 4.4, part I

opportunity, as will be explained below. These philosophical views have a different conception of power relations, and they might link the explanation of inequality with a preconceived [exogenous] order, that is attained due to the exercise of authority. Therefore, the variety of philosophical traditions have as a result some value judgments, that either might be a root of a present concept of inequality, or might be a different view, as can be the consideration of inequality as an opportunity for altruism. Some of the well known philosophical traditions will be commented briefly.

## I Justice and the Greeks.

The inheritance of the Greek tradition is vast. Rawls (1971, p. 3) take his belief that justice is “the first virtue of social institutions” from Plato. In *The Republic*, Plato (360 BC [1892]) conceives a dual understanding of justice, first on the individual that is just, and second, in the creation of a ‘just’ city, which is organized according to the law made by the ‘just’ individual. His cosmopolitan approach of justice was probably influenced by Protagoras and the sophist school (Nussbaum, 1986, p. 102). According to Plato, the individual is just as long as he/she is guided by a vision of the ‘Good’, a vision that is achieved through the acquisition of knowledge (Slote, 2006). He thought that philosophers are the most likely to attain that vision. He also claimed that philosophers, rather than the guardians or workers, were better prepared to find the ‘Good’, because of their constant looking for knowledge. In this case, the virtuous person, that had not only justice as a virtue, but also temperance, wisdom and courage, became a ‘harmonious’ soul, and the city, if it was ruled by this virtuous person’s laws, would enjoy the best possible status, a just status. The critique of Plato’s approach is very similar to that of Rawls, that it is deficient to explain how this harmony would be reached, and leaves this approach as an intellectual exercise.

Aristotle in his *Politics* takes a different strand in regards to justice. Deeply influenced by Protagoras’ anthropocentric view, he might be one of the first credited for taking away the matters of justice from divine hands (Nussbaum, 1986, pp. 246, 304, and 102, n.33). So he supported the issues of justice according to every person’s merits, in order to increase his/her own happiness (*eudaimonia*). This might be the oldest account

of desert-based justice (Slote, 2006). One of the important influences in regards to justice is that he supported each person's development in order to construct a just city (*polis*).<sup>35</sup> He attached value to the process of development itself, not looking at this only as an instrumental exercise: "But we must now add that Aristotle believes the political participation of the citizen to be itself an intrinsic good or end, without which a human life, though flourishing with respect to other excellences, will be incomplete" (Nussbaum, 1986, p. 349). The participation method, which is rooted also in the idea that humans are essentially social 'animals' and part of a whole,<sup>36</sup> has recently been influencing welfare literature, as is the capability approach of Sen. It is clear that for Aristotle, the nature of justice was very important indeed. He took another step in his *Nicomachean Ethics*, saying that the virtue of justice could in such a way be related with other virtues such that without justice, none of the others virtues would make sense (Nussbaum, 1986, p. 353).

## II The Jewish Tradition.

An older account of Justice can be found in the Jewish Tradition. Different from the Greek tradition, more than a philosophical or psychological treatment, it has a practical value. It is rooted in the continued behavior of individuals according to the following of the God given Law (*Torah*): "What stands out in the entire development of Jewish ethical formulations is the constant interpenetration of communal and individual obligations and concerns" (*EB*: 'Judaism', p. 419).<sup>37</sup> Justice is not an end but a result. In this tradition, inequality is not viewed as a 'social disease', but as an opportunity. Each person can be entitled to receive more or less, according to their needs and as a sign of reward for good behavior. This ideal includes both resource-based and desert-based entitlements.<sup>38</sup> It is very important to clarify that 'good behavior' was never related with 'abstinence from bad things', as the Catholic tradition says, but to the pursuit of justice through the constant following of good works, in the spirit of God's commandments.<sup>39</sup> In

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<sup>35</sup> As long as they were neither females nor slaves (Aristotle, 335 BC [1999], Book I, Part XIII). Discussed in Nussbaum and bibliography therein (1986, p. 499, n. 51).

<sup>36</sup> "...the human being is by nature a political animal,..." in his *Politics* (Aristotle, 335 BC [1999], Book I, Part II).

<sup>37</sup> See also Abrahams (1921), p. 14;

<sup>38</sup> See *Holy Bible (NIV)*: 2 Sam. 12:7-8; 1 Kings 3:3-15; also note 22.

<sup>39</sup> *Holy Bible (NIV)*: Is 56:1.

the Jewish tradition, justice is based on faith in the unique and supreme God,<sup>40</sup> and that should be both a necessary and a sufficient condition to inspire good behavior, this being a non-Kantian ‘categorical imperative’. Justice is also the product of all the actions and attitudes of humans, which, if those are good, will produce ‘God’s Justice’,<sup>41</sup> otherwise just ‘human justice’.<sup>42</sup>

To explain inequality in this tradition, if an individual receives more than others, that would simply imply the responsibility of that individual to share with his/her proximate fellows. Starting with the immediate family, followed by the neighbors and the foreigners,<sup>43</sup> and always paying special attention to the poor.<sup>44</sup> The pragmatic Justice of the Jew is then a “series of virtuous acts—honoring parents, deeds of steadfast love, attendance twice daily at worship, hospitality to wayfarers, visiting the sick, dowering brides, accompanying the dead to the grave, devotion in prayer, peacemaking in the community and in family-life—and concludes by setting study of Torah as the premier virtue.” (*EB*: ‘Judaism’, p. 419). The Jewish law was enhanced also by following the *oral tradition*. This set of commandments were first ‘orally’ transmitted, as the name suggests, but later one those were written, from the 5<sup>th</sup> to the 7<sup>th</sup> century (AD), in the book that is known as the *Talmud*. This *oral tradition* gave a more detailed expression to the established canon in the *Torah*, and it made more explicit the commands that normal people should follow, particularly in regards with their fellows.

The Christian tradition of the first century, as a Jewish inheritance, narrowed (or extended) this view of justice to a simple command. The so called Golden Rule of Jesus stated to behave with good attitudes with their fellows as a reflection of loving God with all the self.<sup>45</sup> This view neither lost the sense of exogenous commandment, nor lost its expression through positive actions to the other fellows: “Christian writers ... were downplaying another central element in Christian thought and morality, the emphasis on agapic love [, such] love seems to be a matter of motivationally active feeling rather than

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<sup>40</sup> *Holy Bible (NIV)*: Gen. 15:6; Prov. 2:1-9.

<sup>41</sup> “The LORD commanded us to obey all these decrees and to fear the LORD our God, so that we might always prosper and be kept alive, as is the case today. And if we are careful to obey all this law before the LORD our God, as he has commanded us, that will be our righteousness.” (*Holy Bible (NIV)*, Deut 6:24-5).

<sup>42</sup> *Holy Bible (NIV)*: Deut 9:4-6; also Lev. 6:25.

<sup>43</sup> *Holy Bible (NIV)*: Deut 10:18;

<sup>44</sup> *EB*: ‘Judaism’, p. 382; *Holy Bible (NIV)*: Psal. 41:1; Mic. 2:1

<sup>45</sup> *Holy Bible (NIV)*: Matthew 22:36-40;

of being rational.” (Slote, 2006). The sense of inequality in the earlier Christian tradition was also viewed as an opportunity to share with their fellows. For instance, Paul (57 AD) wrote in his letter to the people in Corinthian the following: “Our desire is not that others might be relieved while you are hard pressed, but that there might be equality. At the present time *your plenty will supply* what they need, so that in turn their plenty will supply what you need. *Then there will be equality*” (*Holy Bible (NIV)*: 2 Cor. 8:14, emphasis added). He was quoting the same history of the manna in the *Torah* (see note 22). The responsibility for the head of the household always existed, the same as in the tradition of the *Torah*, both to provide for his own people and also for his extended family,<sup>46</sup> with particular emphasis on his parents.<sup>47</sup> It was normally viewed that some individuals would receive less and some others more, but the rich have more responsibility to share than the poor.<sup>48</sup>

In the Jewish tradition, the role of the government was not supposed to be the enforcement of law, as is common for Western culture and assumes such enforcement to be a burden for the common citizen. In theory, the Jewish law was not supposed to be an undesired load for the inhabitants: “[Law and commandments] were their very love and their very life” (Schechter, 1909, p. 148). The concept of government arose in the Jewish tradition because of the people’s need to be rescued from the harsh treatment of their neighbors (*EB*: ‘Judaism’, p. 383), and that popular demand was viewed as the rejection of the ‘kingship of God’. So the government, in the Jewish tradition, was not responsible for alleviating poverty or reducing inequality. That was something that should be resolved by all the inhabitants through the accomplishment of the commandments within the given law. The government had the role to judge people’s behavior, obviously to punish the bad person through human judgment in order to obstruct evil works.<sup>49</sup> However, the existence of common problems of avarice was acknowledged, the same as love of money and the selfishness of rich people, but that was criticized as a sign of people’s reluctance to follow God’s law,<sup>50</sup> and not as a failure of the government. In that

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<sup>46</sup> “If anyone does not provide for his relatives, and especially for his immediate family, he has denied the faith and is worse than an unbeliever.” (*Holy Bible (NIV)*: 1 Tim. 5:8)

<sup>47</sup> *Holy Bible (NIV)*: Mark 7:9-13.

<sup>48</sup> *Holy Bible (NIV)*: 1 Ti 6:17-8.

<sup>49</sup> *Holy Bible (NIV)*: Rom. 13:1-4.

<sup>50</sup> *Holy Bible (NIV)*: Luke. 21:1; Stg. 2:6; 5:1.

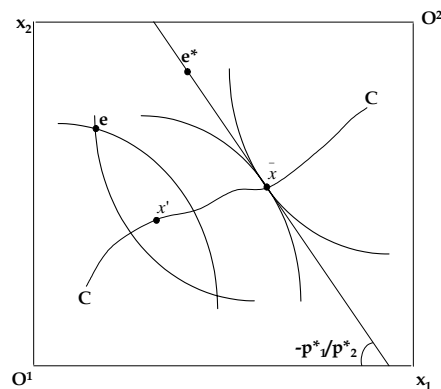
sense, ‘equality’ was not a ‘communal’ responsibility, nor the government’s responsibility, but it was everyone’s task.

## 5 The view of traditional economic theory.

Traditional economics deals more with the issue of efficiency, rather than of inequality. Taking one of the most recurrent frameworks in this tradition, which is the perfect competitive market, individual preferences and initial endowments are taken as given. Achieved efficiency is good as long as the distribution is Pareto-efficient, where it is not possible to shift somebody’s welfare to a better condition without decreasing the welfare position of somebody else. If there is some intervention for redistribution, it should be done following the Kaldor-Hicks criterion, where the welfare of the society is raised if it is possible to change conditions such that the winners can compensate fully the loss of the losers, and still gain. Following the utilitarian framework, the things that determine equilibrium is individual rationality and the form of their utility preferences. Traditional economics steps aside from the definition of social or distributive justice. A very standard quote in this sense claims: “Nothing we have argued so far should lead us to believe that [Walrasian Equilibrium Allocations (WEA)] are necessarily “socially optimal” if we include in our notion of social optimality any consideration for matters of “equity” or “justice” in distribution.” (Jehle and Reny, 1998, p. 300). The coverage of this framework is bounded by ruling out the allocations that are not Pareto-efficient, which are not even likely to be candidates for being socially optimal. Given some set of additional restrictions, a candidate for a social just distribution must be the set of the (existent) WEA.

One of the links provided as a mechanism to enhance a more equal social welfare, is the Second Welfare Theorem, which states that every Pareto-efficient allocation can be supported by a Competitive Equilibrium Allocation (**Figure 2**), but this framework has some limitations. The redistribution of initial endowments from  $\mathbf{e}$  to  $\mathbf{e}^*$ , should lead this economy to achieve a socially superior competitive equilibrium allocation, which is  $\bar{x}$  rather than  $x'$ . Assuming zero transaction costs, if the society previously defined that  $\bar{x}$

was a better result, the new redistribution allocation gives a chance for government intervention. This framework does not need a central planner in order to guarantee a competitive equilibrium, but a third-party is still needed to reallocate the initial endowment.<sup>51</sup> Social Choice and Welfare theory faces other challenges (due mainly to the puzzle represented by Arrow's impossibility theorem), but definitely gives up the choice of the best social state, and reassigns that responsibility to ethical grounds: "your choice of social welfare functions is a choice of distributional values and, therefore, a choice of ethical system" (Jehle and Reny, 1998, p. 356).



**Figure 2 Efficiency and social optimality in a two-person economy.**

By the same token, it is said by Coleman that "The concept of 'equality' has no place in positive economic theory" (1987, p. 170). He explains that the very essence of what he called 'equality of result' would imply a distribution process that would be the antithesis of the market. On the other side, normative economics tries to compensate for the absence of the equality concept within the utilitarian welfaristic framework. Pigou (1938) came with the, perhaps contestable, idea that because of the decreasing marginal utility of money, the maximization of social welfare was inevitable, and indeed, that would lead to equality of incomes. That did not happen. This approach was rejected by Robbins (1938) with the critique of interpersonal comparisons of Jevons. Edgeworth pointed out before Robbins, as early as in 1897, that equality of means would lead forcefully to an unequal distribution. Again, traditional economic theory does not fully

<sup>51</sup> It is also possible to change this equilibrium with post-equilibrium transfers of income, or through some artificial change on prices (pre or post equilibrium) through subsidies or taxes (Adelman and Robinson, 1989, p. 970).



contains the important issue of inequality, so the theory still remains incomplete: “..., the very programme of welfare economics –not to speak of the foundations for a policy designed to bring equality – is emasculated.” (Coleman, 1987, p. 170).

In economic theory as well, both Rawls and Sen followed the justice value judgment of Marx, who is credited to be the first classical economist to introduce ethical value judgments into the theory of distribution (Adelman and Robinson, 1989, p. 968). It is argued in this paper that the Marxian criticism of classes are inconvenient, in the sense that the Marxian setting assumes a predetermined perennial negative social framework, which is the inheritance of the theory of historical materialism (Mandel, 1987, p. 369). For the follower of this tradition, it will never be possible to conceive of a clear advance in regards to inequality, the very existence of inequality will be a proof that something is wrong. Using that value judgment it is easy to lose the valid search for real unfairness, legitimizing and exacerbating only people’s envy (Simmel, 1922; in Coleman, 1987, p. 170). Not surprisingly, traditional economic theory only looks at (income) differences, assuming them to be undesirable, following with precise calculations that ignore the processes that cause them. It is always assumed that the cause of all inequality is “exploitation of labor” (Adelman and Robinson, 1989, p. 968). Unfortunately, traditional economic theory gives the same treatment to the poor person who has been sick for years as they do to the poor whose poverty is due to some vice or because of irresponsible spending. The researcher in both cases will recommend to the policy maker some transfer from the rich to the poor, regardless of the reasons behind the status of poverty. In this case, the consideration that some inequalities might come from natural processes or from merit-based reward issues is lost. Then the pure consideration of inequality as unfairness shall be rejected.

## 6 Concluding remarks.

For most theoretical frameworks, the definite and indubitable relationship of inequality as unfairness goes beyond the scope of scientific discourse, the discussion of morals and ethics enters. For this reason, it should not be surprising to know that

inequality, even though it might be measured with ‘objective’ mathematical precision, will always be subjectively perceived in regards to the value judgment used.

The typology of the inequality concept helps us to discuss with an organized methodology, centering our attention on the important issues. On the one hand, the attributes of inequality make clearer the thing that is measured in reality, so studying the attributes is a good premise for looking into the definition of the suitable space for measurement. On the other hand, the processes driving inequality recognize the causal relationship between inequality and its historic composition. It can be comprehensible why inequality measurement goes beyond the simple analysis of dispersion of income, asset or wealth distribution. For instance, some of the properties of inequality measurement identify the sub-group composition of inequality, looking not only at the big picture, but at the underlying composition of inequality measurement, which is a relational attribute.

The space of inequality has been a matter of debate in welfare economics, because of the problematic narrow view of having just income as the expression of well-being. It was shown that the utilitarian framework inherited a one-dimensional space, which was approximated by income. The Basic Needs Approach discussed the possibility of a multidimensional space, but because of practical issues, it measured welfare again on the income space that was needed to buy a basic basket of goods. It will be taken from this school of thought the pragmatic value of the income space, such that many of the computations of inequality measurement will be done in data that come from income surveys. The space of capabilities and functionings tries to capture the multifaceted nature of human welfare, including not only food or material things, but also issues like freedom, opportunities, education and health. The capability approach explains the serious limitations in welfare measurement, making clear that it would be best to have a more expanded space. But many times the researcher will still need to use the available (income) data, while the government institutions developed other mechanisms of data collection. For this research, some functionings will be available in the form of data sets, so those will be used in the computations in order to know the degree of deprivation that is related with high values of inequality.

A good part of the discussion of inequality is around value judgments; this paper clearly shows that these judgments are not ‘neutral’ or value free. Some of the previous frameworks in regards to inequality and justice have penetrated into our present concept of economic theory. The Rawlsian principles, the Utilitarian maximizing rule, or Sen’s Capability approach are clear and well known examples, but these examples are not the only ones. The philosophical foundations of the traditions mentioned above clearly go beyond ‘scientific truths’, because they deal with individual and social motivations, and these traditions enter into the blurred non-falsifiable scenario of morals and ethics. Our reason to show other schools that are clearly known as ‘non scientific’, such as the Greek or the Jewish tradition, is twofold. First, to show the influence of those schools on modern economic theory, and second, to make the reader aware that the discussion of justice and inequality could not be reached with full certainty in old frameworks, but neither is it possible with modern exercises. Even the self-evident reasonability of the equality concept, as discussed by Isaiah Berlin in his *Equality* (1961), could not do that. It only brought to science another mental exercise that was tautologically based on fairness and aesthetics.<sup>52</sup>

In regards to value judgments, we do not need to assume a perennial Marxian set up in order to study inequality. The pejorative view of inequality, regardless its nature, which is seen on the Rawlsian inheritance or the Capability approach, takes as given the Marxist view of inequality as unfairness. In that sense, there is no separation between natural inequalities from inequality as a component of deprivation. The existence of classes is not a problem by itself, but rather the artificial conditions that are unfairly changed. This has some implications. We can still try to measure inequality, as a social disease, mostly as a lack of people’s responsibility for their fellows, rather than as the existence of classes itself. It is necessary to include all people, and not only the government in discussing the matter of inequality alleviation. The government, addressing the problem, might explore the artificial raise of inequality that is usually responsible of unhelpful situations. Those situations are also responsible of persistent

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<sup>52</sup> “... an equal distribution of benefits for that is ‘natural’, self evidently right and just, and needs no justification, since it is in some sense conceived as being self justified ... The assumption is that equality needs no reasons, only inequality does so; that uniformity, regularity, similarity, symmetry,... need not be

effects of unfairness. The government can also focus not only in transfers of money from the rich to the poor, but also on the understanding of the causes that enlarge and enforce this process.

Some useful and practical advices can be taken from old traditions. The Jewish tradition suggests both a resource-based and a merit-based approach to inequality, and it provides the government some practical advice, as it is to make the whole population aware that everyone is entitled to justice matters, not just to the rich or to the bureaucracy. If someone criticizes this suggestion as ‘non scientific’, it can be said that it is much more practical than the mental exercise suggested by Rawlsian Platonism. The Jewish tradition explains that there are natural (or at least exogenous to humans) causes of inequality, therefore it is a duty of each person to try to balance that situation because they care for their fellow human being. Following also the old traditions, it might also be helpful to take some of the Aristotelian suggestions, as in the case of social participation. As long as the community is aware of other communities around them, they can make good decisions that take into account a more global environment by giving voice to all groups. It is clear that participation shall address in the first place the rights of the poor by not allowing for any kind of discrimination, which might be the source of real inequality and injustice.

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specially accounted for, whereas differences, unsystematic behavior, changes in conduct, need explanation and, as a rule, justification.” (Berlin, 1961, p. 131).

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