

## ECONOMIC INEQUALITY AND THE QUEST FOR SOCIAL JUSTICE

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The problem of economic inequality has attracted much attention in recent years. International income differentials were the central concern of the Brandt Report on the so-called North-South Dialogue. The report conveyed a conviction that such differentials are unacceptable and immoral. Responsibility for this condition, moreover, is assigned to wealthy nations. One of Washington's major intellectuals, Sam Donaldson of ABC, also said on David Brinkley's show that the existing income distribution in the United States "is obscene."

Donaldson's attitude and the Brandt Report's evaluation dominate the intelligentsia and the views found in the public arena. We should not, however, be swayed too quickly by such social consensus. We need to ponder the underlying reasons, the problems associated with institutional efforts to establish a more egalitarian society and the consequences of such arrangements. We also may usefully consider whether an egalitarian view of social justice offers the only feasible intellectual position.

### Two Views of Justice

Two alternative notions of justice need to be considered: the "end-state," or outcome pattern, concept of justice and its alternative, the "process" concept of justice. We should not draw too firm a line between the two. Some overlapping is possible, which can be elaborated and justified to some extent. Nevertheless, the distinction between them is broad enough to be relevant here. The end-state

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concept basically characterizes social justice in terms of the outcome of the social process. John Rawls's theory of justice belongs to this category and so too does the widely held egalitarian position. Rawls (1971) defines justice as fairness in terms of an admissible class of income distributions. The comparative fate of the lowest income group forms the criterion of admissibility. However, Rawls's discussion seems much too subtle and sophisticated for the public arena. One would look in vain for any discussion of these issues in the pastoral letter of the U.S. Catholic Bishops or in pronouncements offered by other groups on the issue. The basic idea continuously conveyed deplores income inequality. It is evil per se and every decline of inequality moves us closer to social justice.

It is very unclear, however, whether ultimately one really wants to achieve an egalitarian position. The rhetoric seems to be somehow geared to measure the prevailing degree of injustice against this egalitarian scale. Arthur Okun was quite explicit on this point in some of his work, presenting an egalitarian position as the only rational and adequate view of the requirements for justice (see especially Okun 1975). However, he says some tradeoffs in favor of efficiency are unavoidable.

We should also note the views offered by some theologians. Their arguments, however, are generally quite thin and remarkably irrelevant, showing little perception of the relevant issues (see Brunner, et al. 1986). One reads, for example, that justice, as a matter of linguistic logic, can only mean an egalitarian state of income distribution. This rhetoric merely covers theology's inability to cope seriously with the problem of justice. So, we also read that as we all participate equally in Jesus' love, therefore there should be an equal distribution of income. Such assertions remind me of the medieval philosopher who argued that there are seven planets, not eight, not six, not nine, and not five, because there are seven openings in the human head. These arguments share the same level of irrelevance. They contribute nothing to a useful examination of a serious intellectual and social problem of our time.

The "process" concept offers an alternative approach to the problem of justice. Justice is defined not in terms of a specific outcome pattern but as general characteristics of a social process. Outcomes are just to the extent they result from a process that satisfies these broad characteristics representing justice. The process view may be somewhat modified with some redistributive constraints. Such constraints would be designed to protect the lowest income groups in society and "buy" their participation in a social and political consensus.

## The Manna Syndrome

Advocates of an outcome pattern view of justice, typically presenting an egalitarian position, regularly suffer from a peculiar "manna syndrome." We encounter this syndrome in the pastoral letter published by the U.S. Catholic Bishops, and in statements made by the World Council of Churches. The syndrome has also surfaced in the United Nation's advocacy of an international agency to control exploitation of minerals at the bottom of the seas. The manna syndrome is expressed by the view that wealth appears as manna, a gift from God. It follows therefore that all the Earth's resources, as gifts of God, belong to mankind. They must therefore be fairly distributed among all men and women.

The manna syndrome essentially means that its victims deny any feedback from the distribution of wealth to the creation of wealth. The creation of wealth appears thus as an exogenous process showering wealth on society, irrespective of institutional conditions and the resulting behavior of men. It follows naturally that wealth seems arbitrarily redistributable without ill effects on the welfare of society. Once one denies any feedback connection from distribution to creation, any pattern of redistribution may be safely proposed. The wealth creation process, however, depends crucially on the fact that agents can reasonably expect to capture the fruits of their endeavors. Once this connection is broken, the wealth creation process will be seriously impaired.

## The Sociological Model of Man

Failure to recognize this problem is closely associated with the prevalent perception of man represented by the sociological model. Arthur Okun's book *Equality and Efficiency* (1975) relies to a large extent on this perception. Man reflects commercial values when operating in the context of private property and market transactions. In the context of nonmarket institutions, man will be guided by higher values that go beyond the dollar and other mean things pursued in commercial transactions. Self-interested behavior can ultimately be overcome by suitable social engineering and by placing man within a proper institutional context. The sociological model thus offers a useful rationale and intellectual support for the end-state vision of justice.

Unfortunately, much confusion about the concept of self-interest prevails in the debate over justice. Such behavior is expressed by the fact that people generally prefer to make their own decisions concerning their affairs. This behavior is quite consistent with altru-

ism. But concern for other people reflects the assessment and evaluation of the concerned. Even concern for the public's welfare is filtered by the underlying biologically conditioned self-interest. I elaborated this difference in the perception of man a decade ago in an article tracing its consequences for the conception of political institutions (Brunner and Meckling 1977). It also plays a subtle and pervasive role in the assessment of the issues considered here. The sociological model emphasizes the cultural relativity of self-interested behavior and denies a persistent biological component common to all men expressed by general self-interested behavior independent of the institutional context. This context, however, exerts an effect on the specific details or forms in which it will be expressed. Self-interested behavior prevails under market-oriented institutions in some form, and also under nonmarket institutions, but with very different forms of expressions. It will be particularly expressed by competition for power and the manipulation of power mechanisms that operate under nonmarket institutions.

### Implications of the Egalitarian Vision

We recognize, therefore, that behind the prevalent view of justice defined in terms of a specific outcome pattern and, in particular, represented by an egalitarian position, lurk two fundamental empirical hypotheses about man and social processes. Wealth is created exogenously, independently of human intentions and volitions guided by institutional incentives. Moreover, the sociological model of man supports and justifies this view. Both positions seem difficult to reconcile with the historical experiences of thousands of years. What now are some of the major implications that follow from all this?

#### *Creation of an Institutional Vacuum*

One implication, which I have observed time and again in discussions of social justice, particularly with philosophers, is the presence of a peculiar institutional vacuum. This neglect of any institutional context follows from the two points stated above. If wealth is exogenous and a sociological model of man is used, then the specific implementation of redistributive *activities* really does not matter very much. It has simply no feedback and therefore is not worth discussing.

Rawls's book on justice, *A Theory of Justice* (1971), excellent and interesting as it is in many ways, reflects the institutional vacuum so prevalent in many discussions of our subject. We rarely encounter any attempt to examine the detailed nature of the institutional imple-

mentation of any particular end-state criterion. Neither do we find a searching examination of the consequences to be expected from such implementation. Economic analysis tells us that we should expect serious consequences. Every institutional arrangement influences the opportunity set confronting individuals, and therefore affects the behavior of those individuals. Any *change* in institutional arrangements also changes opportunity sets and modifies individual behavior. The implementation of any particular criterion of outcome pattern would really amount to a sequence of continuous reimplementations with new institutional efforts directed to force society into the procrustean bed so ardently advocated. The dream of an egalitarian society will never be realized, and attempts to impose it produce only poverty, stagnation, and oppression.

*Disregard of the Production–Distribution Nexus*

The egalitarian view is occasionally justified with the observation that there exists no systematic connection between economic growth and income inequality. This observation seems to suggest to some that there is no feedback from distribution to productive efforts and ingenuity. However, economic inequality is not a sufficient condition of economic growth. Economic inequality and stagnation or poverty are frequently the joint result of policies that obstruct economic development. The policies of many Third World countries foster stagnation and, simultaneously, a redistribution of wealth to the ruling oligarchy and its clientele. Economic inequality will often result from institutional arrangements that obstruct economic growth. The observation that economic growth and income inequality are uncorrelated thus offers no support for the thesis asserting the possibility of an egalitarian society without any effect on general welfare.

*The Loss of an Open Society*

A society guided by an egalitarian vision is committed to choose institutions that establish pervasive instruments of political repression together with conditions of poverty and stagnation. Our search for justice needs certainly to look elsewhere for humane solutions. The process concept of justice deserves substantially more serious attention than it has been granted in the public arena. This conception of justice addresses a fundamental question bearing on the nature of social and political institutions that offer members of society the best opportunity to shape their lives and improve their lot. Such arrangements unavoidably allow a persistent inequality in the distribution of income. This does not mean, however, that specific social groups are permanently locked into particular positions of the income

distribution. An open society produces substantial social circulation within the income distribution pattern over successive generations. We need also to emphasize once more that a society guided by the egalitarian principle will necessarily develop institutions of control and management that ultimately maintain substantial inequality of economic status and political power.

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