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0521574455 - Egalitarian Perspectives: Essays in Philosophical Economics

John E. Roemer

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Introduction

The essays collected here were written between 1981 and 1992. They are organized into four parts, which follow a roughly, but not exactly, chronological order. (The most recently written essays are numbers 8 and 15.) The four parts also display the intellectual development of an author who began thinking about egalitarianism from a Marxian viewpoint and whose tools were those of a neoclassical economist. Some personal details of that development may help the reader discern a thread through these essays that is not, perhaps, readily apparent.

In 1979–80, while writing what was to become a book in Marxian economics (*A General Theory of Exploitation and Class* [Harvard University Press, 1982], hereafter referred to as *GTEC*), I came to realize that the political philosophy motivating the Marxian concept of exploitation was unclear. At the time I was reading G. A. Cohen's magisterial *Karl Marx's Theory of History: A Defence* (Oxford University Press, 1978), my first introduction to analytical philosophy. In my book and a previous one (*Analytical Foundations of Marxian Economic Theory* [Cambridge University Press, 1981]), I had examined Marx's economics from a modern and rigorous viewpoint;¹ Cohen's example showed me that it was possible and important to apply the same standards to Marx's philosophy. Essay 1 summarizes my version of exploitation theory as I had developed it in *GTEC*. As I presented the theory, the political philosophy which motivated the diagnosis of "exploitation" was an egalitarian one in which justice entailed the equal distribution of certain kinds of property among the population.

In the spring of 1981, with the help of a Guggenheim fellowship, I visited G. A. Cohen, then at University College, London, and began to learn from him the range of questions addressed by modern political philosophy. Emboldened, I pushed further against the classical Marxian conception of exploitation, and the result was Essay 2, in which I staked my claim that the "surplus value" approach to exploitation was wrong-headed, and that what Marx had "really meant" was better captured by

¹ I was inspired by Morishima (1973) in this project.

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the property-relations approach. Essay 3, written several years later, went still further and argued that the Marxian definition of exploitation gave incorrect verdicts about who was really exploiting whom when people had different preferences.

The next landmark in my development was reading the pair of essays published by Ronald Dworkin in 1981 on egalitarianism ("What is Equality? Part 1: Equality of Welfare," and "Part 2: Equality of Resources," *Philosophy & Public Affairs*). Having come to the conclusion that the political philosophy justifying Marxism's condemnation of capitalism was a kind of resource egalitarianism, I decided I had to understand Dworkin's work, which was the state-of-the-art presentation on that subject. Dworkin proposed a kind of comprehensive resource egalitarianism, in which resources were specified to include internal talents that people possessed; thus, equalizing resources was not a conceptually simple task, because one had to decide what degree of compensation with transferable resources was due a person with a low endowment of nontransferable ones. I was completely in sympathy with Dworkin's approach, and was hopeful that his insurance mechanism would solve the problem. But, after experimenting with examples, I concluded that the insurance mechanism did not always do what it was supposed to do, that is, compensate those with low talent with more transferable resources. My studies on this question are summarized in Essay 6.

I had recently discovered the work of William Thomson,² who was using the tools of axiomatic bargaining theory to study egalitarianism. This gave me the idea of trying to salvage Dworkin's attempt at finding a way to equalize resources comprehensively by modeling the problem as one of mechanism design, after the methods of Thomson. But I soon discovered that axiomatic bargaining theory was inadequate for the task, as it possessed no language for representing "resources," but only "utility." This led to my efforts to model equality-of-resources by specifying axioms on resource allocation mechanisms, which, after quite a while, led to the work summarized in Essay 7, whose main mathematical idea, the CONRAD axiom, would not have been discovered without the insight of Roger Howe. Howe also developed a key theorem in the representation of concave functions that was used in the proof of the main theorem of that essay.

Although that theorem said that any comprehensive resource egalitarianism must dissolve into welfare egalitarianism, I did not put it forth as an ethical argument for the latter kind of equality, but rather as an argument for devoting more thought to how, precisely, one should distinguish

² Now available in Thomson and Lensberg (1989) and Thomson (1991).

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a fortunate endowment of resources from a fortunate set of preferences. For that theorem was based upon a refusal to make such a distinction. After Richard Arneson's (1989) and G. A. Cohen's (1989) recent contributions, I came back to this problem and wrote Essay 8, which proposes how a society might distinguish between those aspects of a person's situation for which he is responsible, and those for which he is not, and is therefore due compensation under an egalitarian ethic.

During 1981, G. A. Cohen was formulating a rejoinder to Nozick's justification of capitalism, as follows. The Nozickian–Lockean presumption was that, before their private appropriation, resources in the world external to human beings were unowned. Why not, Cohen said, view them as having been, morally speaking, publicly owned? Perhaps *this* presumption would suffice to reverse the inequalitarian outcome that Nozick deduced as just, without challenging his relatively more appealing postulate that persons were owners of themselves and their labor. Thereby it would be shown that inequalitarian outcome requires more than a self-ownership postulate. I tried to model “the Cohen problem” in various ways, as reported in Essays 9 and 10. Essay 11 came about from thinking about the problems of representing the kind of information that ethical theories use in axiomatic models of resource allocation.

Thinking about the Cohen problem, and discussing it with Joaquim Silvestre, made us realize the lacuna there was in economics with respect to the articulation of a theory of public ownership. Our collaboration in an effort to construct such a theory led to the results that are reported in Essay 13. The proposals we made for a normative theory of public ownership were, however, with one exception, not easily implementable with markets. By 1988, I (finally) understood that any solution to the problems of socialism would require the massive introduction of markets, and that the formulation of a theory of market socialism was in order. The beginnings of such a theory are summarized in Essays 14 and 15. I have further pursued this undertaking elsewhere, with collaborators.³

To save the reader time, I will briefly describe what I think are the six principal ideas or claims of this book. The first five are substantive and the sixth is methodological. (1) We should not search for the cause of exploitation in the Marxian sense in the labor process or at the point of production, but in the distribution of property. The call for the abolition of exploitation is a call for an egalitarian distribution of resources in the external world (Part I). (2) Defensible egalitarianism is equality of opportunity; Ronald Dworkin's equality-of-resources theory is a major contemporary statement of such a theory. While Dworkin argued convincingly

³ See Ortuño, Roemer, and Silvestre (1993), Bardhan and Roemer (1992), and Roemer (in press).

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that equality of welfare should not be the egalitarian's goal, his own proposal for implementing equality of resources is flawed. Moreover, it was later work, by Richard Arneson and G. A. Cohen, which explained more clearly what a system ensuring equality of opportunity must do: fully compensate people precisely for that aspect of their situations for which they are not responsible. I propose how this may actually be done in Essay 8 (Part II). (3) Although a regime implementing full equality of opportunity, so defined, cannot respect self-ownership (because people are in large part not responsible for their inborn talents and characteristics and therefore the highly talented should be taxed to compensate those with low talent),⁴ it is nevertheless of interest to ask how much equality of outcome would be achieved by a less radical egalitarianism, which held that resources in the external world were to be publicly owned while talents remained owned by those in whom they reside. Several answers to this question are offered (Parts III and IV). (4) Indeed, there is, in economic theory, no well-developed theory of public ownership. How should a society that wishes to respect public property rights in some resources but private ones in others allocate labor and output to its members? Several suggestions are offered (Part IV). (5) The egalitarian whose views are described here should, in our present world, advocate an economic mechanism that can be described as market-socialist. While the concept of market socialism is as old as the century, it has been thoroughly transformed by the experiences of the Soviet-type economies and advanced capitalist economies. There is a new generation of market-socialist ideas, which deserve the serious consideration of egalitarians (Part IV). (6) While the axiomatic theory of mechanism design (of which social choice theory and axiomatic bargaining theory are instances) is a major achievement of the social sciences, its application to political philosophy must be made with great care. Apparently compelling mathematical assumptions are sometimes philosophically unacceptable. One specific lesson from this approach to political philosophy is that there will be no simple statement of a theory of justice in the language of mechanism design (Part III).

To help place the essays of this book in the context of contemporary political philosophy, I will provide a thumbnail sketch of modern attempts to answer the question: What should an egalitarian wish to equalize? Attempts to address this question have engendered an exciting literature which, I believe, has made much more precise than heretofore our understanding of what distributive justice consists in. I take the frontier of the work on this question to be represented by the recent writings of

⁴ This point is fully articulated by Rawls (1971), who states that the distribution of talents is "morally arbitrary."

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Richard Arneson (1989, 1990), G. A. Cohen (1989, 1990, 1992), Ronald Dworkin (1981, 1981a), Amartya Sen (1980, 1985, 1985a, 1992), and, of course, John Rawls (1971).

The most prominent nineteenth-century theory of distributive justice was utilitarianism, the view that society should seek “the greatest good for the greatest number.” The quoted phrase is ambiguous; the most obvious interpretation, I think, is to recommend, for any given population size, that distribution of resources which maximizes total welfare, and then to choose population size to maximize that number. (In other words, let $W(n)$ be the maximum total welfare that can be achieved in a world with n people; the ideal world has a population n^* that maximizes $W(n)$.) It is clear that this could lead to the advocacy of an extremely large population, where no individual was much better off than he would be at a starvation level. (Derek Parfit, 1984, describes a theory of justice closely related to this as leading to a “repugnant conclusion.”) Nevertheless, utilitarianism was viewed by J. S. Mill and others as an egalitarian ethic. For if everyone had the same utility function, which we might express in a reduced form as a utility for money, and the quantity of money is fixed, then, for a given population size, the distribution of money which maximizes total utility would be the equal distribution.

If, however, utility functions are not identical across people, then utilitarianism recommends that distribution which equalizes the marginal utilities of persons, a distribution that can lead to extremely unequal utility *levels* for individuals.⁵ In looking at only the total sum of utility, utilitarianism is in a sense indifferent to how individuals benefit: persons are viewed simply as machines for producing utility, and resources should be poured into them only insofar as they are effective at producing the desired output. In particular, a person who is handicapped in the sense of not being a good utility-producing machine fares very poorly under utilitarianism. Thus, twentieth-century egalitarians, who took seriously differences across people, viewed utilitarianism as recommending a potentially regressive social policy.

The modern debate between utilitarianism and egalitarianism began with Rawls (1971), who proposed a theory of justice in which distribution was determined by the difference principle, which stated that, first, one should look at “primary goods,” instead of utility, and second, that justice requires the adoption of that economic mechanism which maximizes the bundle of primary goods that the group that is worst off (gets the fewest of them) receives. Rawls did not propose how to aggregate primary goods into an index that could be used to apply maximin; one cannot

⁵ This assumes interpersonal comparisons of utility are possible. For a number of views on this question, see Elster and Roemer (1991).

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maximize a bundle or a vector, and others have claimed that in trying to specify such an index, Rawls would inevitably be pulled back into evaluating primary goods with some sort of “welfarist” metric. The two salient points for the present discussion are that Rawls proposed that certain kinds of resources, presumably necessary for every conception of welfare (or for realizing any life plan) should be the equalisandum for egalitarians, not welfare itself, and that one should replace utilitarianism’s concern for the total sum with a concern for equality across people.

Amartya Sen’s rejoinder to Rawls was first broached in a paper entitled “Equality of What?” (Sen, 1980), in which he argues that Rawls’s concern with primary goods was misplaced; what should be equalized are not the resources that all people need to carry out life plans, but rather the capabilities to function in various ways that resources engender. One should not, for example, equalize the amount of money (a primary good) that all receive, but rather the capabilities to function that money facilitates (e.g., the capabilities to be well nourished, well sheltered, well educated, well dressed, to move about freely, etc.). Thus, a paralyzed person would generally require more money than an able-bodied person to reach the same level of functioning as the latter. For Sen, a person’s degree of well-being is some index of his levels of functioning (Sen, 1985, p. 25). Because levels of functioning are for the most part observable to an outsider, a person’s level of well-being is therefore not a subjective matter – it may be independent of his degree of happiness, for instance, which is in part a subjective matter (though surely influenced by his levels of functioning).⁶ If welfare is that thing which preferences maximize, then Sen, like Rawls, degrades welfare to be only one goal among many that people might have, and hence not the sole concern of a theory of just distribution. Both Sen and Rawls were reacting against using subjective utility, the level of a person’s preference satisfaction, as the key attribute of a person insofar as distributive justice is concerned; they sought a more objective standard.

In 1981, Ronald Dworkin, in two papers I referred to earlier, offered a third proposal for what egalitarians should concern themselves with: resources. For Dworkin, resources include not only objects in the world external to people, but also their internal resources, their talents and handicaps. But how can one equalize all resources when some are inalienable in the physical sense? The originality in Dworkin’s proposal rests in his answer to this question. Dworkin’s ethical stance is that, although a person cannot be considered responsible for his inborn talents and their early nurture – these are, in Rawls’s words, traits whose distribution is morally

⁶ In later expositions of the view, Sen includes happiness as a functioning (1992, p. 39). This decreases the distinctiveness of Sen’s approach.

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arbitrary – a person is responsible for his preferences, including his attitude toward risk, so long as he identifies with these preferences, views them as an essential part of himself. Thus, although a person's preferences may be formed in large part by resources whose distribution is morally arbitrary – one's family, one's talents, one's culture – Dworkin asserts one can nevertheless be morally responsible for the choices that preferences direct one to make. A similar position is maintained by Thomas Scanlon.⁷ Given this assumption, Dworkin asks us to consider a hypothetical experiment behind a thin veil of ignorance (although he does not himself call it that, and has indeed argued against Rawls's veil-of-ignorance formulation of contractarianism). Suppose each person knows her preferences behind the thin veil, but does not know what resources she will receive in the birth lottery, internal or external; she knows the distribution of resources that characterize the world she shall be born into, but not her place in it. (Think of the birth lottery as distributing places to souls behind the veil.) Suppose, behind the veil, each person is given the same number of clamshells (or vouchers) with which she can purchase insurance, whose price will be quoted in clamshells, against being born into certain places. If people have different goals and different attitudes toward risk, they will purchase different insurance policies. There will be an equilibrium in the market for insurance. Dworkin's proposal is essentially this: in the actual world, a tax scheme should be devised that implements the distribution of transfers that the hypothetical insurance market would have brought about. Thus, those who end up in a place they did not insure against pay net insurance premiums which are distributed to those who end up in places they did insure against, who receive net insurance payouts. In Dworkin's view, egalitarianism should seek to compensate people only for that bad luck that they would have insured against, had they had the opportunity. The cost of the insurance, moreover, is determined by the preferences of everyone, given that all start with equal purchasing power for insurance, in the sense that an equilibrium in the insurance market depends on those preferences. One can say that the hypothetical insurance market implements a distribution of resources in which people are held responsible for their preferences but not for their resource endowments.

Dworkin's contribution injected subjective preferences and choice back into the debate on egalitarianism, after the more minor role played by these features in the theories of Rawls and Sen. As I noted, both Rawls and Sen were seeking an objective basis on which to evaluate a given distribution. Dworkin, like Rawls and Sen, is opposed to equalizing welfare across persons, and his reason for opposing equality of welfare is similar

⁷ See Scanlon (1988 and 1986).

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to Rawls's, that people should be held responsible for their preferences, and hence their conception of welfare (the thing that preferences maximize). One's level of welfare is therefore not morally arbitrary.⁸ Egalitarianism should only attempt to equalize "resources," those things that people are not responsible for. The example given (by both Rawls and Dworkin) to clarify the point is one involving expensive tastes. She who loves expensive French wine but detests beer, and identifies with those tastes, should not receive a money transfer from him who is satisfied with cheap beer, on the grounds that such a transfer would be necessary to equalize their welfares. She should receive the transfer if, in the hypothetical insurance scheme, she would have contracted to guarantee herself an income level sufficient to enable her to consume French wine.

Richard Arneson (1989) and G. A. Cohen (1989, 1990) both argue that Dworkin's and Rawls's arguments against equality of welfare do not hold against equality of opportunity for welfare, where welfare is the level of preference satisfaction. Arneson defines equality of opportunity for welfare as follows. A person with given resources can choose a number of life plans; each plan will yield an expected level of welfare. Call the set of such possible life plans a life-plan tree. Two persons are said to face equal opportunities for welfare if they face life-plan trees which are equivalent in the sense that the expected levels of welfare achieved by the branches in one person's tree equal the expected levels of welfare of the branches in the other's. A distribution of resources equalizes opportunities for welfare across persons if it renders the life-plan trees of all equivalent. (Actually, Arneson's definition of equivalence is too demanding, and will, in most cases, rule out the possibility of attaining equality of opportunity for welfare. But I suggest that no great harm is done to his proposal by weakening 'equivalence' to mean that the maximum expected welfare achievable on one tree is equal to the maximum expected welfare achievable on the other.) In general people will not all choose the life plan which maximizes their expected welfare, because, for instance, of lack of planning or lack of will power; those who are in one of these ways imprudent receive no further compensation. They are responsible for the shortfall. The problem of expensive tastes is handled: if a person is responsible for her taste for champagne, she could have trained herself to like beer; the "beer life plan" would have given her more welfare for the same money endowment. It follows that equality of opportunity need not compensate the champagne lover (at least, one with voluntarily cultivated

⁸ Dworkin also opposes welfare egalitarianism on the grounds that people have such incommensurably different concepts of welfare that it is meaningless to talk about equality of it. But the reason that the previous sentence in the text gives for his opposition to welfare egalitarianism would hold even with commensurable welfare across persons.

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expensive tastes) by transferring money to her from him who has chosen the beer life plan.⁹

Cohen makes an essentially similar proposal, to equalize “access to advantage”; his notion of access is somewhat different from Arneson’s “opportunity” and he views “advantage” as a broader concept than welfare. The key point is that both accept Dworkin’s main focus, that egalitarians must distinguish between those aspects of a person’s condition for which he is responsible, and those for which he is not, and egalitarianism requires compensating people only in regard to welfare or advantage deficits for which they cannot be held responsible. They differ from Dworkin, however, in where to make the cut between these two sets of aspects: Dworkin says people are responsible for their preferences but not for their resources, while Arneson and Cohen say that people are responsible for outcomes, but not for the set of opportunities they face.

I hope that the essays that follow will be read with the rich intellectual tradition that I have hastily summarized in mind.

⁹ It must be noted that, for Arneson, a person’s choices do not necessarily maximize the satisfaction of his preferences. For if they did, then the choice of a life plan from one’s tree would by definition maximize one’s (expected) preference satisfaction (i.e., one’s welfare), and hence equality of opportunity for welfare would deflate into equality of welfare.

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PART I

Exploitation