

# Inequality in a Just Society

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## I. Introduction

This essay examines how the inequality of wealth and income may infringe upon the principles of justice as fairness in a Rawlsian framework and how the principles of justice as fairness can be the basis to redress inequality of wealth and income. It argues that **infringement of the principles of justice as fairness deepens inequality, and compliance with the principles of justice reduces inequality.** It questions the claim made by Piketty in *Capital in the Twenty-First Century* ("*Capital*") that the driving force for inequality is  $r > g$ , i.e., rate of returns on capital ( $r$ ) is greater than the rate of growth of income ( $g$ ). Accordingly, this essay contends that the primary remedy for inequality is not a global wealth tax to reduce the wealth of the super-rich, as Piketty proposes, but rather compliance with the principles of justice as fairness to improve the conditions of the super-poor.

For the principles of justice as fairness, this essay adopts a version that transforms the two Rawlsian principles of justice as fairness and the difference principle into three simply stated principles. The three simply stated principles are listed in order of priority: **First, each person is to enjoy equal basic liberties; second, each person is to enjoy equal access to social and economic opportunities that are open to all; and third, the least advantaged should have priority to benefit from social resources.**<sup>1</sup> For the rest of the essay, these three simply stated principles are referred to as the three principles of justice as fairness.

## II. Principles for a Just Society

The three principles of justice as fairness are discussed in turn. First, each person is to enjoy equal basic liberties. The first principle speaks to equal citizenship and has the highest priority among the three principles. In general, no amount of benefits gained from the second or third principle can compensate for any infringement of the first principle. Basic liberties in the first principle include political liberty, freedom of speech and assembly, liberty of conscience and freedom of thought, freedom of the person, the right to hold personal property, and freedom from arbitrary arrest and seizure. The first principle is a simply stated version of the Rawlsian first principle of justice as fairness.

Second, each person is to enjoy equal access to social and economic opportunities that are open to all. The second principle speaks to equal opportunity in economic distribution. It promises social mobility by making social and economic advantages open to all. Because social and economic opportunities are given to everyone, including those with the abilities to avail themselves of the opportunities, the second principle dictates that education and training are accessible to those willing to obtain them. The second principle is a partial adoption of Rawls' second principle of justice as fairness. It drops the part from Rawls' second principle about social and

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<sup>1</sup>Rawls' two principles of fairness as justice are: "First, each person is to have an equal right to the most basic extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others. Second, social and economic inequalities are to be arranged so they are both (a) reasonably expected to everyone's advantage, and (b) attached to positions and offices open to all." Rawls, *A Theory of Justice*, Harvard University Press 1999, at 53. The difference principle says: "the higher expectations of those better suited are just if and only if they work as part of a scheme which improves the expectations of the least advantaged members of society. *Id.*, at 65.

economic inequalities being arranged such that they are reasonably expected to everyone's advantage. The reason for the partial adoption is because what is dropped from the original Rawlsian second principle is implicit in the overall principles of justice as fairness.

Third, the least advantaged should have priority to benefit from social resources. The third principle speaks to a path for consistently improving the conditions of the society as a whole and the ongoing effort to remediate existing inequality. By prioritizing the least advantaged to receive social resources, the least advantaged will improve their situation. As the least advantaged improves their condition, those who are slightly better off than the least advantaged will similarly benefit from social resources and improve their condition as well. As the process repeats itself, everyone benefits from the social resources, and the condition of everyone in the society is improved. The third principle takes the spirit of Rawls' difference principle and his original second principle to provide a simply stated principle supplemental to the current version of the first and second principles. 8

As the first principle of justice as fairness is given the greatest priority, the second and third principles must comply with the first principle. Also, basic liberty guaranteed by the first principle can only be compromised to protect another basic liberty.<sup>2</sup> This is because equal basic liberty for all is fundamental to justice as fairness. Inequality in basic liberties creates inequality *per se*. The second principle has priority over the third principle. Opportunities and positions should be open to all on an equal basis based on abilities and willingness to use the abilities and not simply given out to anyone on an anti-competitive basis. Further, education and training opportunities must be provided on as equal a basis as possible to everyone so that everyone, if they are willing, has the skills necessary to compete for opportunities and positions in society. The third principle recognizes that inequality can exist despite the first and second principles and aims to direct resources to those who are less advantaged to level the playing field continuously. In reducing existing inequality, improving the condition for the least advantaged to minimize the gap is preferable to reduce the wealth of the better off through taxation.<sup>3</sup> Taxing the well-off with a purpose to reduce inequality would require the tax rate to be so high that it could be considered punitive, which may infringe on the first principle.<sup>4</sup> In contrast, providing assistance to the least advantaged is not only consistent with the first principle, but it also improves the conditions for the application of the second principle as the least advantaged is put in better conditions and can take better advantage of the social and economic opportunities that are open to them. 9

The basis for the three principles of justice as fairness for a just society is based on choices rational persons who do not know their actual positions in society<sup>5</sup> would have made for the society they live in<sup>6</sup> and based on the social contract theory 10

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<sup>2</sup>*Id.* at 131.

<sup>3</sup>This is not to say that the well-off should not pay taxes. Taxation should be conceived of as members of the society contributing to the collective social resources based on one's ability to pay and not as a way of reducing inequality.

<sup>4</sup>The basic liberties include the liberty to hold property. If the tax rate is so high that it becomes punitive for one to have a certain level of property, it violates their liberty to hold property.

<sup>5</sup>*Id.* Rawls' concept of the veil of ignorance.

<sup>6</sup>*Id.*, at 102. Rawls says that the principles of fairness "are those which rational persons concerned to advance their interests would accept in this position of equity to settle the basic terms of their association."

and the theory of natural duty. The principles of justice as fairness are the basic principles rational persons would have embraced among alternatives because these principles provide the best method for each person to secure their ends. Not only do these principles guarantee individual liberties and equal opportunities to pursue one's conception of the good, but they also render assistance to those at the time of need so that they may recover from bad fortunes. The social contract theory marks the mutuality of rights and obligations among the parties based on promises. Although the principles of justice as fairness originate without identifying particular parties or their particular positions, it is clear that each person has both rights and obligations as a member of the society. Lastly, the principles of fairness as justice are based on the theory of natural duty in that an important natural duty is to support justice, the first virtue.<sup>7</sup> The natural duties include the duty of mutual respect and the duty of mutual aid, which are subsumed in the conception of justice.

### **III. Inequality and the Principles of Justice as Fairness**

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For the distribution of wealth and income to be fair and just, it must comply with principles of justice as fairness. When average workers are barely able to afford basic food, shelter, and healthcare, and the CEO of the same corporation enjoys a salary almost 300 times that of the average worker, or something similarly large, it is a manifest inequality that infringes the first principle of fairness as justice because a lack of basic necessities for workers in the face of such excesses for the CEO is an injury to the workers' basic liberties. Under the first principle of justice as fairness, each person is to enjoy basic liberties such that the person has a sense of self-respect as a free member of society. A worker without basic subsistence necessities such as food, shelter, education, and healthcare, especially when their leader is given so much more, cannot be described as having enjoyed basic liberties because the worker is deprived of a sense of self-respect by the circumstances. Rawls enumerates the basic liberties to include: political liberty (the right to vote and to hold public office) and freedom of speech and assembly; liberty of conscience and freedom of thought; freedom of the person, which includes freedom from psychological oppression and physical assault and dismemberment (integrity of the person); the right to hold personal property and freedom from arbitrary arrest and seizure as defined by the concept of the rule of law.<sup>8</sup> Because basic subsistence such as sufficient food, adequate shelter, basic healthcare, and education are as important as basic liberties such as political freedom or freedom of the person in a person's survival as an individual with dignity, basic subsistence should be included among basic liberties.

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As stated, if workers are not provided with basic necessities while CEOs enjoy extraordinary excesses, it is a manifest case of inequality that infringes on basic liberties. In such a situation, institutions and government must step in to ensure that the first principle is complied with by requiring that (1) employees are given sufficient compensation that would at least provide for their basic needs for survival, including food, shelter, education, and healthcare, and (2) when an individual somehow

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<sup>7</sup>*Id.*, at 293. Rawls says: "The most important natural duty is that to support and to further just institutions."

<sup>8</sup>*Id.*, at 53.

cannot obtain sufficient earning to provide for their basic needs, institutions and government are required to step in to make up the difference. Thus, providing for the basic needs is necessary for compliance with the first principle because an individual would be in such a needy and miserable state without meeting basic needs that it would be impossible for the individual to claim basic liberties such as political liberty, freedom of speech, and assembly, liberty of conscience and freedom of thought. Therefore, the first principle is infringed when a corporation pays its full-time workers less than what can provide the basic necessities for the workers while keeping large surpluses. Rawls discusses the concept of social minimum in distribution. Social minimum should address basic economic needs. Government and institutions must step in to correct the infringement of the first principle by compelling corporations to provide sufficient wages. In practice, this is to set a mandated minimum wage. The mandated minimum wage should be automatically or frequently adjusted to compensate for inflation and living standards. Further, under the first principle, when individuals cannot find employment at all or cannot find sufficient employment that will pay sufficient wage to maintain the necessities, government and institutions must step in to make up the difference so that basic needs are provided to these individuals. In practice, this is unemployment or underemployment benefits paid to individuals. The unemployment or underemployment benefits should similarly frequently adjust for inflation and changes of living standards to comply with the first principle of justice as fairness. Thus, the first principle of justice as fairness guarantees basic necessities by requiring a minimum wage in addition to other basic liberties.<sup>9</sup>

Under the second principle of justice as fairness, each person is to enjoy equal access to social and economic opportunities that are open to all. It is natural for individuals to acquire initial arbitrarily unequal qualities such as social circumstances, chance contingencies, and good fortune. The second principle aims to prevent economic and social inequality due to these unequal qualities by providing fair equality of opportunities. Under the second principle, persons with the same ability and the same willingness to use their ability should face the same prospects, regardless of their initial conditions. In practice, it is impossible to guarantee equal prospects to those with the same ability and the same willingness to use their ability. Chance contingency is a natural process of human life that exemplifies itself in conception. So long as chance contingency is equally applied to those with the same ability and the same willingness to use their ability, and not consistently skewed by certain other arbitrary factors unless it is to correct a past error, such contingency for distribution of social goods should be accepted as fair and consistent with justice. Given that distribution among persons of the same ability and the same willingness to use their ability is subject to chance contingency, the second principle dictates equal education opportunity to all to cultivate equal abilities among individuals. Complete social and economic mobility is a manifestation of compliance with the second principle. As society faces the increasingly urgent need to address wealth and income inequality, the second principle of justice as fairness directs our attention to social and economic mobility, in particular, fair access and equal education for those who are disadvantaged. 14

In providing fair access and equal education for all, most countries in modern soci- 15

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<sup>9</sup>It is not a focus of this essay, but healthcare and basic education should also be included as basic liberties.

eties have compulsory free education until secondary school. However, as technology develops and more advanced skills are required, a secondary school education no longer meets the needs of most jobs. As adults should be free to pursue what he construes as good, compulsory education may not be suitable at the college level. However, affordable or free education at the college level must be provided to ensure that the economically disadvantaged have full access to educational opportunities afforded to them by the second principle of justice as fairness. Alternatively, some colleges have need-based aid policies and need-blind admission policies to ensure that admission is based on ability and that everyone who is admitted can afford to attend. The second principle demands that such policies be widespread. Making loans available for those who need them for educational purposes is an inadequate measure to make fair education accessible. Even if one is not deterred by the potential burden of debt to pursue education, the debt from education can become a crushing burden upon graduation.

The third principle of justice as fairness requires that the least advantaged be given priority to benefit from social resources. The difference principle states that the long-run expectations of the least advantaged social group should be maximized. A distinction can be made between distribution made due to wage earning and distribution made due to social distribution by institution or government. The first principle addresses distribution due to wage earning to a degree where guaranteeing basic liberties requires that a minimum wage be provided. Providing a minimum wage aims to allow the least advantaged to secure basic necessities. If the basic necessities are not met by wages, government and institutions should step in to make up the difference. 16

As the difference principle requires that the long-run expectations of the least advantaged social group should be maximized, the third principle of justice as fairness embodies the difference principle to address the distribution of social resources beyond minimum wage. In the distribution of social resources, the least advantaged should benefit the most with the gradual decrease of distribution corresponding with a gradually improved state of conditions among persons in society. The reason for such an arrangement is straightforward, as resources would be directed where most needed. Examples of such prioritized distribution for the worst off include direct government payments during challenging times such as a pandemic. Such practices are commonly employed to level the playing field. For example, it is a long-established tradition in various American sports leagues that the worse the team's standing, the higher the priority in their picking new team members from the pool of available new players. 17

Prioritizing the least advantaged to receive the most benefits from social resources incorporates the rational ideas of redress, mutual benefits, and reciprocity. Using a large nationally representative sample, 59 percent of Americans will spend at least one year below the official poverty line between the ages of 20 and 75. That number rises to 76 percent if it includes people who are near the poverty line. Because everyone has at least 3 out of 4 possibilities of being near or below the poverty line, it is rational for everyone to support providing the minimum to the worst off to benefit oneself at the time of need. Complying with the third principle of justice as fairness to distribute to the least advantaged the most is also part of requirements and obligations under the social contract theory of fairness. Everyone agrees to be bound by fairness under the social contract. Fairness accounts for all requirements 18

and obligations that are not natural duties and holds that a person must abide by the rules of an institution if the institution is just and the person has voluntarily accepted the benefits of the institution. When a number of persons engage in a mutually advantageous cooperative venture according to rules and thus restrict their liberty in ways necessary to yield advantages for all, those who have submitted to these restrictions have a right to a similar acquiescence on the part of those who have benefited from their submission.<sup>10</sup>

Thus, infringement of the three principles of justice as fairness would increase and deepen inequality, while compliance with the principles would reduce inequality.

#### **IV. Existence of Inequality and Its Remedy**

In *Capital*, Piketty examines the long-term development of income and wealth and concludes that, without intervention, wealth and income inequality will only widen in the foreseeable future. As Piketty in *Capital* warns about the long-term tendency of widening inequality, he suggests that the driving force for this development is the tendency for the rate of returns on capital ( $r$ ) to be greater than the rate of growth of income ( $g$ ), i.e.,  $r > g$ . With the rate of returns on capital greater than the rate of growth of income, the share of income from wealth will outpace that of income from wages. Consequently, according to Piketty, wealth from inheritance will play an increasingly important role in one's economic position. This leads to illegitimate inequality because, instead of the inequality being a consequence of different abilities, it is a consequence of inheritance which is unearned and unjustified. One of Piketty's primary proposed solutions is a progressive global tax on wealth. Instead of offering fixed numbers as tax rates on wealth, he provides a suggestion for discussion on how much wealth tax should be collected. For example, he suggests no taxes due for a fortune of less than 1 million euros, 1 percent for a fortune between 1 and 5 million euros, 2 percent for anything over that, and 5 to 10 percent tax rate for hundreds of millions or more.

There is no doubt that extreme wealth and income inequality exist now and throughout history. However, one may not readily accept  $r > g$  as the driving force for the persistence and deepening of inequality. To accept  $r > g$  as the driving force is to concede that societies do not have organizing principles and economic developments take place without any oversight. But civil societies have organizing principles. What if the principles of justice as fairness are complied with? Would it not make society less unequal? As discussed above, compliance with the principles of justice as fairness would reduce inequality. Even if inequality continues to exist when the principles of justice as fairness are substantially complied with, such inequality would be consistent with justice.

There are two main reasons why Piketty's proposal to reduce inequality of wealth and income through taxation does not adequately address the inequality problem. First, genuine reduction of inequality cannot be achieved through taxation. For example, even if a 10 percent wealth tax is imposed on a billionaire, the billionaire will remain vastly better off than the majority of the population with remaining wealth

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<sup>10</sup>*Id.*, at 96.

after taxation and returns on capital from it. Second, high rate of taxation can have harmful social consequences. In the extreme, outright confiscation of wealth to forcefully remove inequality, as the communists did during the process of installing their regime, has proven to be a disaster not only violating basic human rights by taking away one's property without due process but also destroying the social production dynamics by taking away the incentives and entrepreneurial spirits to create and innovate. As Piketty reports, as a way to curtail inequality, between 1940 and the end of the 1970s, the top tax rate in Britain was always above 90 percent, in the US between 70 and 95 percent. Yet inequality continued to exist during the same period, according to Piketty. In Britain, the upper decile's share fell from more than 90 percent on the eve of World War I to 60-65 percent in the 1970s; things look similar in the US. Not only did not high tax rates not meaningfully reduce inequality but they were also cited as reasons for the economic crisis in 1973. As a result, radically different tax policies were put in place. The tax reform in 1986 under Ronald Reagan put the top tax rate at a low point at 28 percent. There was a similar development in the UK under Margaret Thatcher.

Reduction of inequality of opportunity by focusing on taking away advantages alone similarly will not be productive. Rather, the solution should equally, if not more so, emphasize on aiding the disadvantaged. Unless one could go through genetic engineering to ensure an equal level of intelligence and equivalent level of attractiveness and put children in a commune to be educated and raised in the same way, the strict sense of equality of opportunity cannot be achieved. The end is to achieve a well-ordered and just society that is sustainable. While Piketty correctly points to the injustice of the society through inequality, it is not enough to create a just society through progressive global taxation. Taxation alone cannot alleviate inequality. Improving the conditions of the worst off is preferable as a direct method to alleviate inequality. Taxation should be an indirect method to alleviate inequality in that distribution to the least advantaged is part of the social resource that needs to be offset through taxation. The wealthy should be taxed more based on their ability to contribute to the resources necessary to maintain a well-ordered society, including adhering to the three principles of justice as fairness. 24

## V. Conclusion 25

Human society and human life are marked by many ways of life based on a multitude of choices by persons of various characteristics and inclinations. Compliance with the three principles of justice as fairness ensures that humans can live life freely based on their preferences, inclinations, and characteristics. Inequality can exist in a just society as long as the principles for justice as fairness are complied with. The three principles of justice compel us to ensure that (1) everyone is afforded the basic necessities of life to guarantee a sense of respect for himself and from others, (2) everyone is afforded equal access to education to facilitate social mobility, and (3) social resources are given to those who are most in needed. 26

Endnotes