Scanlon's *Why Does Inequality Matter?*

Chapter 8: Desert

Scanlon rejects the following assumption:

Desert Levels of economics reward can be justified (at least in part) on the basis of desert.

What is it to *deserve* something? S deserves to be treated in way W iff…

General Sense: S ought to be treated in way W
Institutional Entitlement: some institution prescribes treating S in way W
Needs-based Sense: S needs to be treated in way W in order to survive

These aren't the senses of 'desert' that are of interest to Scanlon. Instead, in order for appeals to desert to provide a distinctive form of argument for/against inequality, we should confine our attention to…

Pure Desert Claims: Claims about how people should be treated that are (1) non-institutional and (2) not based on the supposed benefits that flow from treating people in that way.

Some Pure Desert Claims are valid (e.g., claims about the appropriateness/inappropriateness of certain reactive attitudes), but they don't obviously carry over to the case of distributive justice.

Examples of Desert-based Arguments in Distributive Justice:

1. *Expressive Argument.* S deserves admiration/gratitude for being economically productive; paying her a hefty monetary reward is, as a matter of custom, a way of expressing admiration/gratitude; therefore, she deserves a hefty monetary reward.
    a. Scanlon disagrees because "these convention-based reactions have no justifying force."
2. *Moral Merit Argument*. If S has exerted greater effort than others, S deserves to be paid more because S's willingness to work hard shows a kind of moral merit that deserves to be rewarded.
    a. The moral merit of an action depends on the agent's motivation for performing it (e.g., altruistic actions have more moral merit than selfish ones), so it doesn't follow that high-earners deserve what they have.
    b. Individuals' motives are hard to discern, so proportioning rewards to an action's moral merit is unworkable in practice.
    c. Moral merit provides no determinate standard for determining monetary rewards; it may be deserving of praise/admiration, but not extra pay. (Plus, rewarding moral virtue is not the function of economic institutions.)
3. *Personal Responsibility Argument.* If S could've earned a higher income had she exerted herself, then S cannot object to her lower earnings (because it is her fault for not having earned more).

   a. Not a desert-based argument; rather, based on *adequate opportunity to choose*. ("Individuals cannot complain about not having some benefit if this benefit has been offered to them on reasonable terms and if their decision not to accept these terms was made under sufficiently good conditions.")
4. *Compensation for Sacrifice.* Effort involves sacrifice, for which people should be compensated; so those who exert greater effort deserve greater rewards.
   a. Not a desert-based argument; rather, based on an idea of benefit/loss.
   b. Not a independent standard of justice; rather, a partial principle that presupposes some other, more fundamental standard. (Example: if the standard of justice requires *equal levels of well-being*, unequal incomes may be required given different levels of sacrifice.)
5. *Contributions (Mankiw).* People should receive compensation congruent with their contributions.
   a. How do we measure how much someone has "contributed"? Suggestion: that person's *marginal product* (the difference that adding/subtracting a unit of what that person does would make to the value of what is produced).
6. *Special Skills/Abilities*. Individuals deserve economic rewards in virtue of having certain special abilities.
   a. Certain skills/abilities might be excellences that warrant praise and admiration, but it doesn't follow that they deserve economic reward.
   b. Some abilities might "deserve" greater economic reward because of the benefits that they bring (but then this isn't an example of a *pure desert* claim).

Chapter 9: Unequal Income

Inequality in the US (and other developed economies) has increased significantly. Why?

1. Increased compensation of top managers in large firms
2. The rise and increased profitability of the financial sector
3. An increase in the share of national income that takes the form of returns to capital

Is this growing inequality objectionable? And, if so, why?

1. *Objections Based on Consequences of Inequality:*
   a. Is it objectionable because it gives rise to **status harms**? No. "The standard relative to which the poor suffer from status poverty and agency poverty is set by the way that 'most people' are able to live, not by the lifestyles of the super rich."
   b. Is it objectionable because it is a threat to **equality of opportunity**? "This was already a problem in 1970, given the level of inequality that existed at that time."
   c. Is it objectionable because it undermines **political equality**? Yes. "The increasing difference between what the rich can spend increases the likelihood that elected officials will be individuals whose outlooks reflect the interests of the rich, either

because they are rich themselves or because they are selected for support by rich contributors." This is objectionable in itself, and makes it less likely for political outcomes to satisfy **equal concern** and **substantive opportunity**.

2. *Objections Based on Unfairness*:
    a. Rawls' Difference Principle: "a basic structure S is just only if the inequalities that it involves are to the advantage of those in the worst off social position"
        i. The Difference Principle is very demanding; appealing to it is overkill.
    b. Scanlon's Necessary Condition: a basic structure S is just only if the inequalities that it produces (1) could not be eliminated without infringing important personal liberties, or (2) are required in order for the economic system to function in a way that benefits all.
        i. Whether this principle classifies current inequalities as being unjust depends on complex empirical questions about how our economic institutions function and how they would function if arranged differently.

Investigating a Complex Empirical Question:

1. What factors determine the compensation of top managers?
    a. Increase in the *marginal productivity* of executives running (increasingly large) firms.
        i. It's very difficult to *define* the marginal productivity of an executive [see Piketty, 330-1].
        ii. Marginal productivity (understood in the purely subjunctive sense) doesn't in itself justify greater reward.
    b. Greater rewards are need as *incentives* to attract talented individuals to take, and perform well in, executive positions.
        i. There's evidence that talented individuals would still be attracted to these positions even if they paid less well [see Bivens and Mishel].
        ii. (Plus, compensation for CEOs tracks the stock prices of firms in the *general sector* in which the firm operates, rather than that firms relative success.)
    c. Executive compensation is strongly affected by the *norms* governing the compensation that is appropriate for individuals in these positions.
        i. If this is so, then "the mechanism that generates their increased pay lacks appropriate justification." Why? Because: (1) changing it would not involve any objectionable reduction in individual liberty, and (2) it is not necessary for firms to function well.
        ii. This undermines objections to taxing the income of high-earning executives. But what positive reason is there to tax these incomes?
            1. They are required to pay for public goods that are necessary in order for the economic system as a whole to be justified.

        2. They are needed in order to reduce the negative consequences of inequality (e.g., unfairness of the political system).
        3. They are needed to prevent inequalities that are unfair in themselves?
2. What factors affect the income of workers (and the incomes of the poor more generally)?
    a. The declining power of *labor unions*.
        i. Won't greater power from labor unions interfere with economic efficiency?
            1. Maybe not? And, even if so, whether this matters depends on whether the benefits of that greater efficiency are enjoyed by all.
        ii. Mayber higher pay won't make workers better off (because it will raise the cost of production and hence the price of goods, eventually leading to job loss).
            1. This at best justifies lower *wages*, not lower *incomes* (realized by workers sharing in the profits of the company, etc.).