

Horizontal Inequalities: Delivering Justice, Framing Policy

Frances Stewart

IEG Distinguished Lecture 6



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This paper is based on the IEG distinguished lecture delivered by Frances Stewart on 13 April 2011. The event was organised by the previous Director, Professor Bina Agarwal, who also oversaw the production of this paper. Frances Stewart has written extensively on the issue of inequalities. In this paper, she focuses on horizontal inequalities, which she defines as inequalities in economic and political resources between socially defined groups, in contrast to vertical inequalities between individuals or households. She makes a strong argument for reducing horizontal inequality in the interest of justice, and reflects on the kinds of policies that could be effective in achieving this goal.

Manoj Panda
Director, IEG
October 2013

FRANCES STEWART

Frances Stewart is Professor Emeritus of Development Economics at the University of Oxford and Managing Editor, Oxford Development Studies. Earlier, she was Director of the Centre for Research on Inequality, Human Security and Ethnicity at Queen Elizabeth House (2003–2010). Between 1993 and 2003, she was Director of Queen Elizabeth House.

A pre-eminent development economist, in 2010 she was awarded the Mahbub ul Haq prize by the United Nations for services to Human Development. She has an honorary degree from the University of Sussex and is Chair of the UN Committee on Development Policy.

Frances Stewart has researched extensively on adjustment and poverty, human development, group behaviour and development, and development under conflict. Her many books include *Horizontal Inequalities and Conflict: Understanding Group Violence in Multiethnic Societies* (co-edited, Palgrave Macmillan 2008); *Defining Poverty in the Developing World* (co-edited, Palgrave Macmillan 2007); and *Group Behaviour and Development: Is the Market Destroying Cooperation?* (co-edited, Oxford University Press 2002).

Horizontal Inequalities: Delivering Justice, Framing Policy

Abstract

Outlining the importance of distinguishing between vertical and horizontal inequality, this lecture will consider how philosophers and economists deal with the issue of justice and distribution, in relation to both types of inequality. There are strong reasons for believing that justice implies a move towards horizontal equality. These arguments are stronger than in relation to vertical distribution. There are also instrumental reasons for reducing both vertical and horizontal inequality. What principles should be followed in framing policy for reducing horizontal inequality? How do these relate to policies towards vertical inequality? What are the advantages and disadvantages of different approaches to policy? The lecture will address these challenging questions.

JEL codes: D63, D74

Horizontal Inequalities: Delivering Justice, Framing Policy

Frances Stewart

1 INTRODUCTION

Whichever way we look at it, we always return to the same conclusion: namely, that the social pact establishes equality among the citizens in that they all pledge themselves under the same conditions and all enjoy the same rights (Rousseau 1968 [first edition 1762]: 76).

This lecture is concerned with distributional issues: what can we say about a just distribution? In what space should such a distribution be assessed? What do the conclusions of this analysis suggest for the way we frame policy? In this analysis, I differentiate between vertical distribution (distribution among individuals) and horizontal distribution (distribution among groups). I find that stronger egalitarian conclusions emerge in relation to horizontal inequality (HI) than vertical inequality (VI). Finally, I consider some aspects of the politics of egalitarian policy change.

In considering distributional issues, a critical question centres on whom we are assessing inequality among—individuals, households, groups, or nations? Here, I differentiate between two types of inequality: inequality among individuals or households (described here as VI) and inequality among groups within a society (described here as HI). Economists have devoted the most attention to VI both in theorising and measurement and much less to HI; sociologists have paid HI more attention. While most data (including national data) concern VI—publication of data on the Gini coefficient among households or the decile distribution, for example—governments in many heterogeneous societies have initiated policies towards HI.

Of course, the meaning of HI depends on group selection. The common means of differentiating among groups are by ethnicity, religion,

region, race, caste, gender, or age. People often have multiple identities and may be members of several different types of group and, in any society, one can classify people into different categories or groups and, consequently, the measure of HI will depend on the group classification. The appropriate classification depends on the purpose of the investigation. Considerations of appropriate classifications include categories that are politically salient (i.e., relevant to political mobilisation or to position in society); that generate the most obvious injustices; and the type of policy being considered—for example, for health policy, age and gender may be the most relevant categories. Some types of classification are relevant in some societies but not in others (for example, in some societies, all people share the same religion but belong to different ethnic groups; in others, caste may be a critical type of differentiation, and so on). Further, there can be fluidity and ambiguity about some types of group boundary. People whose parents come from different ethnic or racial backgrounds are not easily categorised; people can change religion, and in some contexts (e.g. Latin America), a person's 'racial' identity is chosen according to their position in society. In general, group classifications are socially 'constructed' and not due to innate characteristics: for example, in Africa, it has been argued that 'modern Central African tribes are not so much survivors from a pre-colonial past but rather colonial creations by colonial officers and African intellectuals...' (van Binsbergen 1976). Nonetheless, although socially constructed, many identities are felt differences to people within the group and affect how people outside that group treat them. Consequently, the classifications affect people's actions and opportunities.

Typically, in any particular society, there are often clear and significant categories despite problems of group classification—many involving gross inequalities between groups. An example is the position of Blacks or Afro-Americans in the US. Despite much intermarriage, this distinction has clear salience in the US; it is a source of discrimination and affirmative action; and there remain multiple inequalities of opportunity and outcomes between those classified as 'Black' and those as 'White' (Farley 1984 [Messer-Kruse 2008]). In South Asia, caste distinctions remain a source of severe HI despite government action and the effects of modernisation. In many African countries, ethnic distinctions constitute a major source of political mobilisation, and sometimes of violence.

This lecture will assume that we have clear and salient group distinctions in discussing HIs. Changing the way groups are classified does not alter the basic argument.

I now turn to the fundamental question of what we can say about the *justice* of any distribution. I approach this issue by reviewing the conclusions of a range of philosophers and economists, first considering VI and then HI.

2 JUSTICE AND INEQUALITY

There are many ways of approaching the complex question of why inequality is (or is not) undesirable, with respect to both VI or individual inequality and HI or group inequality. Different disciplines have taken different approaches.

Philosophers start from basic principles and questions and explore the implications for a just distribution arising from those; this leads to a variety of conclusions depending on the starting point. Three different starting points that represent important alternative approaches to justice and distribution are to

- (1) explore what it means to be human (Kant 1949; Williams 1962);
- (2) investigate the implications of a posited social contract (Rousseau 1762, 1968; Rawls 1971); and
- (3) consider the implications for distribution of giving primacy to libertarian principles (Locke 1773; Nozick 1974).¹

The first approach starts from the view that all humans are, in some undefined sense, equal by virtue of their humanity. This potentially leads to an egalitarian conclusion, but the extent of equality depends on the nature of equality that individuals enjoy by virtue of being human (Williams 1962). And this has been interpreted differently by different thinkers. For Kant, all humans are of equal worth and consequently one should 'treat humanity ... in every case as an end, never as a means'. Any 'human possess[es] a dignity (an absolute inner worth) by which he exacts

¹ Of course, Locke could also be categorised as contractarian.

equal respect from all other rational beings in the world, can measure himself with every other of this kind and value himself on a footing of equality' (Metaphysik der Sitter 1786: 435). It is difficult to translate this in terms of the distribution of resources. Broadly, Kant claims that every person deserves equal respect. This does have some bearing on the distribution of material resources, since this is relevant to the distribution of respect. People who walk about in rags, are undernourished, and dirty do not receive the same respect as people who are better off. Wealthy people often treat others as being of a lower order, and their wealth enables them to order poorer members of society around, including commanding their labour. Hence, treating people as ends—and never as means—does have egalitarian *material* content, although it does not necessarily involve complete equality. The degree to which inequality is consistent with equality of respect may depend on institutions and culture, and empirical investigation into the determinants of respect for others could shed light on it.

Like Kant, Williams starts with a focus on the common humanity of people and argues that although people are not equal in every respect, they are equal in their capacity to feel and in their 'moral capacity'. Does this imply equality of resource distribution? For Williams, any difference in treatment must have justification and relevance: 'for every difference in the way men are treated, a reason should be given; when one requires further that the reasons should be relevant, and that they should be socially operative, this really says something' (Williams 1962: 123). Williams distinguishes between goods demanded by need (exemplified by illness [the need] and medical treatment [the good])²; and goods distributed according to merit (exemplified by the capacity to benefit from university education [the merit] and university education [the good]). For both

² For example, Williams argues that medical treatment should be distributed in accordance with medical need, but Nozick challenged this on the grounds that securing an efficient distribution of resources justifies inequality among medical producers in incomes (and presumably in medical treatment too). Here, Nozick confuses the best way of distributing a product with the most efficient way of producing it. Institutional arrangements can be made so that people receive equality of treatment for a given medical condition while producers receive unequal rewards as an incentive. This is, roughly, the model of the National Health System of the UK.

categories, the reasons for difference in treatment need justification and relevance but, for the *need* goods, there is a presumption of equality of treatment for all those with equal need. Williams argues that *equality of opportunity* is justified for merit goods, interpreted as involving people 'from all sections of society have[ing] an equal chance of satisfying them' (Williams 1962: 126). Williams' principle of distribution according to need could be interpreted as supporting justification for the universal provision of basic needs, goods, and services as advocated in the basic needs approach to development (ILO 1976; Streeten et al. 1981; Stewart 1985), while the 'merit' part could be interpreted as being broadly equivalent to Roemer's equality of opportunity (Roemer 1998), discussed below.

The same impetus—that humans are equal by virtue of being human—lies behind the human rights approach. This was the premise of Jefferson, embodied in the US Constitution, and later of the 1948 Universal Declaration of Human Rights, which starts with the statement: 'All humans are born equal in dignity and rights.' Subsequently, a series of covenants and conventions have interpreted global human rights as requiring equality in access to certain basic aspects of life (adequate nutrition, housing, water, education, etc.). As long as these rights are realised, the human rights approach apparently accepts that there can be inequality in access to non-basic goods and services.

The approaches that start with human equality are essentially individualistic, and the inequality they are concerned with is primarily vertical equality. By extension, the arguments would apply to groups, as collections of individuals. Moreover, some of the rights, such as cultural rights and non-discrimination, are relevant to HI since they pertain to people specifically as members of particular groups. One question is whether group rights should be recognised as well as individual rights. For example, is there a group right to the preservation of a culture, religion, or language that goes beyond the rights of individuals to follow particular customs, practise a particular religion, or speak a particular language? And, if there is, should individual rights (for example, not to speak a particular language) have primacy over group rights where there is a conflict? I do not intend to discuss these issues here beyond arguing that if

we do recognise group rights, the 'humans are human and therefore equal' argument might imply that we should give equal respect to group rights for *every* group. Whether they should be given equal weightage if the groups are of very different sizes is a more complex issue, which will not be further discussed here.

The second philosophical approach I consider is of the principles of distribution derived from a social contract. Rousseau argued that the social contract establishes 'equality among citizens' because 'they all pledge themselves under the same conditions and all enjoy the same rights', and he interpreted these to mean that 'no citizen shall be rich enough to buy another and none so poor as to be forced to sell himself' (: 96). This guide would not be helpful if it included buying or selling labour services indirectly (via goods and services) or directly (in the form of slaves and servants). That is because anyone who earns a living by some economic activity sells himself and anyone who consumes the products of others buys another. However, to the extent that the state provides a guaranteed floor on income, it could be argued that no one is *forced* to sell himself to another, and this might provide an acceptable modern interpretation of this stipulation.

What of no one being 'rich enough to buy another'? A possible modern interpretation would be to impose a limit on the ratio of upper incomes to lower incomes to rule out having servants.³ This, of course, would be massively redistributory compared with actual distributions across the world.

Rawlsian principles provide a more rigorous and detailed interpretation of distributional principles, derived from a social contract drawn up under a 'veil of ignorance'. The first Rawlsian principle is that everyone should have basic liberties, such as political liberty, freedom of speech, etc. The second principle is the one that is relevant here:

Social and economic inequalities are to satisfy two conditions:
first, they are to be attached to offices and positions open to all

³ One might stipulate that this applied to full-time, live-in servants only, thereby allowing people who are broadly equal in income to buy and sell domestic services if they wish.

under conditions of fair equality of opportunity (the principle of fair equality of opportunity); and second that they are to be to the greatest benefit of the least advantaged members of society (the difference principle). (Rawls 2001: 42-3).

Thus, a fair distribution is one based on *equality of opportunity* and of *maximin*, i.e., inequality can only be justified if it leads to an increase in the total 'pie' such that the poorest get more in a situation of inequality of distribution than they would in an egalitarian situation. Accordingly, equality of distribution is just, *unless it can be shown that the position of the poorest would be better in an unequal situation*, which would occur only if inequality raised growth to such an extent that the poor received more than in an equal situation. Whether inequality does indeed do so—and how much inequality is optimal—is an empirical question; the answer may differ across contexts.

With respect to Rawls' social contract approach, applying a group perspective would imply *maximin* applied to groups (as well as individuals). It seems likely that this would lead to more egalitarian conclusions for groups than when applied to individuals, especially where there are large numbers of individuals in both the poorest group and in the rest of society. This is because an uneven distribution of talent across groups is unlikely where there are large numbers of people in the poorest group and also in the more privileged groups.

Consequently, special incentives will be needed for the privileged group(s) as a whole (as against individuals within the groups) to increase total output and improve the position of the poorest group. Consequently, *maximin* is unlikely to require or imply inequality across groups. This conclusion is reinforced when we recognise that

- (1) the well-being of the poorest groups—or their freedoms—include the 'freedom to go about without shame', or self-esteem; and that
- (2) this freedom will be debased rather than increased if privileged groups forge ahead and leave the poorest groups behind—especially if this is justified by the claim that such inequality is because members of the poorest group lack talent and are lazy.

How does this differ from *maximin* applied to individuals? The main difference is that it is reasonable to assume a range of talents and of work propensities and tastes across individuals in a society without marked differences in identities (a 'homogeneous' society), and that special incentives may be needed to achieve maximum efficiency. If output gains are sufficiently great, then even the position of the poorest individuals may be improved by the consequent inequality needed to achieve a *maximin*. But when we apply *maximin* to groups containing large numbers, then a dispersion of talents and work propensities is not likely *across* groups, although one would expect such a dispersion *within* groups. Against this, it might be argued that some group cultures dispose to a greater taste for leisure, less ambition, less hard work etc. and, thus, we might indeed observe such a dispersion across groups at a particular time. If we do observe such differences, the question then is whether they are due to independent cultural differences or to the unequal treatment of group members over a long time. I suggest the latter, together with false stereotypes (which induce people to think they observe such differences even though such perceptions do not reflect reality, or magnify the differences they do observe), to explain the view that such differences exist in dispositions across groups. However, if this explanation is not correct (or only partially correct), and empirical research indicates that there is a genuine difference of cultural attitudes across groups which is not due to a history of oppression and discrimination, *maximin* across groups may involve some group inequality. But this is still likely to be less than the inequality implied by the *maximin* principle when applied to individuals.

The third philosophical approach is the libertarian approach of Locke/Nozick, which is the most apparently inegalitarian, since just outcomes for them are the outcomes that result from *just processes* that may be consistent with large amounts of inequality. According to Locke, people in a state of nature are entitled to any property that is the outcome of their own labour, with two restrictions. The first is that they may have only as much as can be used before it spoils. The second is they must leave 'enough and as good for others'. If Lockean property rights were really restricted in this way, together with the assumption that people can own

only the output of their own labour, his approach could be interpreted in quite an egalitarian way, even though most have interpreted it as justifying property rights and inequality.⁴

Nozick drops the direct link with a person's labour and argues that just outcomes are those that result from *legitimate* acquisition and transfer of goods and services. Since legitimate transfers include bequests according to Nozick, any initial inequality that may emerge even from an equal starting point can lead to considerable and rising inequality; and this inequality would be just so long as the process that was responsible for it was just. The consequences of such inequality (including on the size of the 'pie') are not considered relevant.

However, there is one major exception to this unconstrained situation. This is the *principle of rectification* that 'comes into play' if resources are not obtained legitimately. As Nozick accepts, 'some people steal from others, or defraud them, or enslave them' (Nozick 1974: 152). Where the resources were not acquired legitimately, including where inherited resources stem from illegitimate acquisition, 'rectification' (i.e., redistribution) is justified. How far this justifies redistribution depends on the interpretation of 'legitimate acquisition'. If one includes resources obtained by force, corrupt practices, and so on, the principle of rectification could apply very extensively, thereby modifying the inegalitarian conclusions of this approach. Moreover, even this apparently highly inegalitarian approach may be interpreted in a much more egalitarian fashion when one takes a group as against an individual viewpoint. The reason is that much (possibly all) group inequality stems from unjust treatment at some prior (and often, current) time:

- aborigines and indeed indigenous peoples generally had their lands taken from them;
- Blacks in the US were slaves;

⁴ Interpreting this principle becomes complicated if production involves machinery, employing people, and so on. Although it is normally interpreted as justifying property ownership and inequality, it could also be interpreted as a redistributory principle, involving a labour theory of value and ownership rights. See Locke 1963;

- poorer groups in many African countries were discriminated against by colonial authorities and then again by independent governments; and
- women as a group have been oppressed for millennia, often treated as slaves, forbidden property rights, etc.

These injustices may no longer exist (or exist only partially), but Nozick's principle of rectification still applies, because those who are now privileged generally inherited some or all of their privilege from people in previous generations who did not acquire their initial resources legitimately. There is a general presumption, indeed, that this is the case with *all* inequalities between sizeable groups because they would be equal otherwise.

Economists' views of inequality have evolved historically. In general, economists consider inequality from both an intrinsic and an instrumental perspective. The intrinsic perspective is similar to and draws on philosophers' arguments about the justice of different distributions. The instrumental perspective (implicit also in some philosophical conclusions, notably of Rawls) concerns how far inequality/equality affects other accepted objectives.

According to utilitarianism, which forms the basis of much of economics, the extent of inequality should depend on what distribution maximises utility *irrespective of its distribution*. Pigou (1952) argued that this led to a highly egalitarian conclusion if one assumed (as he did) that a person's marginal utility would diminish as they acquired more of a good. Robbins famously disputed this assumption; he argued that one cannot compare the utility gained by different individuals as 'in our hearts we do not regard different men's satisfactions from similar means as equally valuable'. (Robbins 1938, 1945: 156–57).

Robbins' argument was widely accepted. Since then—and as a consequence—economists have refrained from judging the desirable degree of inequality except from an instrumental perspective. Moreover, such a conclusion was reinforced by economists such as Hayek, who had strongly libertarian views about the undesirability of restraints on

individual actions and whose perspective was similar to Nozick's—in that justice lies in the justness of process rather than in the nature of the outcome.

In recent years, 'happiness' economists have attempted to measure the happiness people in different income groups derive at different levels of income. They claim that their measures are comparable across individuals (Layard 2011) although Robbins claimed this task was impossible. Their empirical work seems to support the Pigovian hypothesis that poorer people get more satisfaction or happiness from additional income than richer people (Kreuger et al. 2006; Sacks et al. 2010)⁵ but is yet to inform economists' views or policy conclusions.

Most economists do not believe in intrinsic reasons for interfering with market-produced distributional outcomes; nonetheless, they accept instrumental reasons for reducing (if not eliminating) inequality. Taking an instrumental view, the prime justification for a particular distribution rests on the impact it can be shown to have on efficiency, the optimum distribution being that which would maximise output. A certain amount of VI may be needed, for example, to encourage people to work hard, use their talents, and direct their energies so that their comparative advantage is exploited and societal output maximised. But too much inequality can reduce societal human capital—as poorer people are likely to be more undernourished and undereducated—and highly unequal income distribution can reduce the size of domestic markets (leading to underconsumption and unemployment, although these can be compensated for). Thus, there are instrumental efficiency arguments, both for and against VI. This conclusion is supported by the findings of , who has plotted inequality (as measured by the Gini coefficient of income) against the growth of GDP per capita for 1960–98. The findings show a concave relationship with growth, which rises as inequality increases from very low levels, and then declines with a further increase in inequality. One plausible conclusion from economists' instrumentalism is that the objective should not be *equality of outcomes* but *equality of opportunities*

⁵ Sacks et al. 2010 show that the relationship between subjective happiness/life satisfaction measures and income is log-linear (satisfaction diminishes as incomes rise).

since, in principle, one would expect efficiency to be maximised if everyone has the same opportunities .

Interestingly, there is both a similarity and a contrast between the efficiency arguments of economists and those of philosophers (notably Rawls). Rawls starts with the presumption that equality is desirable but that *inequality* may be justified if it serves—instrumentally via efficiency effects—to improve the position of the *poorest* compared with an egalitarian situation. Economists, in contrast, argue that *equality* may be justified if—compared with a more inegalitarian outcome—it serves to improve the position of at least one person and not to worsen that of any other, or (allowing for compensation) if it raises national income, without regard to the consequences for the poorest.

Other instrumental reasons relate to societal effects, which may in turn affect output. For example, high VI tends to increase criminality, and very great criminality may reduce investment and output. If poverty reduction is considered an important objective, then inequality is undesirable because it impedes the achievement of this objective. The force of these instrumental reasons in terms of justifying redistribution depends on empirical relationships and consequently, in principle, can be determined by empirical research (of which there has been quite a lot). For example: Does inequality increase growth or reduce it? Does inequality increase criminality? Does increased crime reduce growth? Is reducing inequality the most effective way of reducing poverty? (See, for example, Krahn et al. 1986; Alesina and Rodrik 1994; Persson et al. 1994; Brush 2007; Bourguignon 2003; Eicher and Turnovsky 2003).

Interpreting economists' approaches to distribution from a group perspective again alters the broadly laissez faire and inegalitarian conclusions. As just pointed out, Robbins rejected the egalitarian conclusion of Pigou and the utilitarians because (he argued) it is impossible to know whether one person gets more satisfaction from their resources than another. Maybe this is so, and some people have intense sensitivity and derive more utility from a given amount of income than someone less sensitive (although current happiness research does not support this view, as noted above).⁶ But, again, this is much more difficult

to argue across groups that consist of large numbers of people: Can we really assert that one identity group (Blacks or women) gets less out of a certain income than others (whites or men), and on what basis? But if we reject such a clearly racist and sexist view, then we must reject Robbins' 'refutation' of Pigou, and consequently, from a utilitarian perspective, again become egalitarians for group distribution.

The efficiency rationale for inequality is also altered. The same arguments that applied to the *maximin* approach apply here. When we are dealing with groups consisting of large numbers of individuals, there is no justification for assuming differences in talent and taste across groups that would justify inequality. This is much the same conclusion as Roemer (1998) and others come to in considering 'equality of opportunities' across individuals: if equality of opportunities is defined as equality of outcomes resulting from all factors over which the individual has no control, then virtually all group inequalities represent *inequality of opportunities*, since a person belongs to a group irrespective of her choice; this is true for most groups based on race, gender, and ethnicity. Hence, any inequality due to membership of that group represents inequality of opportunity. This might seem inconsistent with the conclusions of many econometric exercises that identify the contribution of identity to inequality in, for example, wages, which usually show that only a fraction of inequality is to be 'explained' by identity. But these exercises generally also include a number of variables, such as education, nutrition, etc., to help account for differences in outcomes, and attribute only the residual differences in returns to group membership. But cumulative disadvantage and advantage over generations means that these other variables—including education, health etc.—are unequally distributed due to group membership (Steward and Langer 2008).

Similarly, from a sociologist's perspective, Tilly (1998) has argued that 'categorical inequality' (broadly equivalent to HI) is due to a combination of opportunity hoarding, adaptation, and emulation that

⁶ Because of adaptive expectations and preferences, the results of happiness research should not necessarily be taken as a guide to distributional policy, since happiness reported depends (to some extent) on current circumstances.

generates persistent (or 'durable') categorical inequalities, which are not due to individual actions at a particular moment. Applying this perspective to inequality of opportunity, differences in group outcomes can be used to indicate differences in opportunities. This, in fact, is broadly the approach adopted by the World Bank (2006), Paes de Barros et al. (2009).

Moreover, societal instrumental reasons for equality—for example, that greater inequality increases criminality and violence, and thus impedes economic growth—are also particularly strong for group inequality, given the consistent evidence that HIs raise the risk of conflict (Østby 2008; Steward 2008; Cederman et al. 2011).

In summary, on exploring philosophers' and economists' justifications for equality and inequality, differences appear in the conclusions about VI and HI. Whereas the approaches justify some VI (and quite a lot in the view of Nozick and some economists), it is difficult to justify HI or group inequality. Egalitarian arguments apply where the groups in question include large numbers of individuals. As groups get smaller, they approximate more to individuals, and the justifications for some inequality from an efficiency (or libertarian) perspective become relevant.

Another critical issue in discussing distribution is that of the space in which distribution is to be evaluated, famously discussed by Amartya Sen *Equality of What*. Some analysts of distribution and justice reviewed above explicitly relate to their arguments to a particular space. For example, we noted that for Kant, the space was human dignity and respect. Nozick refers to 'holdings' but does not define this clearly. Most economists adopt a utilitarian perspective and measure inequality in income or consumption space. Yet, this represents a very narrow view of relevant outcomes. Not only are there many reasons why income or consumption does not reflect utility accurately, but human well-being and agency go well beyond utility as Sen has argued powerfully (1977, 1980, 1985, 1999). Rawls (1971) uses the metric of primary goods. Sen has famously criticised both 'utility' as a maxim and Rawls' 'primary goods', the former for failing to allow for social interactions and adaptive

preferences, and the latter for assuming that a 'good' means the same, irrespective of a person's characteristics (for example, whether physically challenged or not). Sen has argued that the appropriate space is capabilities or freedoms. The great attraction of capabilities as the relevant dimension to be equalised lies in the freedom it leaves each person to choose which capability to realise actually, in addition to recognising that people with different characteristics need different quantities of goods to achieve a particular capability set.

Yet, as is widely recognised, the capability approach involves major measurement problems. First, it is difficult to assess a person's unrealised capabilities, particularly as sometimes, failure to realise a capability is not a choice but is the outcome of some hidden constraint (i.e., the person did not actually have the capability); second, multidimensionality poses the usual adding up problems. This means that aiming for more equality in capability space can be an ambiguous goal, especially since empirical evidence shows little overlap between inequalities in different capabilities (Samman et al. 2011). These are real problems, which are not easy to overcome. Nonetheless, it is clearly often the case that there is substantial inequality in capability space, irrespective of choice of capability, and that redistribution of a subset of capabilities would make the distribution more equal. When it comes to group inequalities, the problem of measurement of capabilities raises even more difficult issues since observing a group's total capabilities is much more difficult than observing those of an individual as one has to know the capabilities of each of the constituent members. Yet, given that each member of the group makes choices within their capability set in order to realise a particular set of functionings, presumably often making different choices, the actual choices of a group as a whole, or the group outcomes or functionings might be argued to be a good representation of group capabilities. Hence, for assessing group inequality, we would suggest that actual outcomes or functionings be the chosen space.

Given the large number of possible functionings³ and the fact that not all individuals share the same set—there is a case for reducing the set of functionings to a subset, which (1) seem to be the most vital, being

prerequisites for other functionings; and (2) can be assumed to be shared by all individuals. Hence, I propose that we should consider the distribution with respect to such a set of dominant or primary capabilities. These are likely to include health, education, and possibly monetary income as a proxy for many other possible capabilities. Inequalities amongst these tend to be correlated, but not perfectly so; therefore, achieving equality in one may involve inequality in others. Consequently, it may be necessary to choose the priority dimension(s) for achieving equality and tolerate some inequality in other dimensions. One candidate would be life expectancy as the basis of all other capabilities.

I conclude from this review that (1) there are stronger arguments to support the view that justice requires equality across groups than across individuals and (2) that for groups, it is inequality in major outcomes/functionings/realised freedoms that we should measure to assess the extent of inequality.

3 POLICY TOWARDS REDUCING INEQUALITY

Given the conclusion that most forms of HI are unjust, this part of the paper reviews policy options for reducing HIs. Policies aimed at reducing HI would usually also reduce VI, but not always since some policies (towards capital ownership, for example) may benefit the richer members of the poor group (policies to improve asset ownership as has occurred with the Black Empowerment policies in South Africa, for example).

Two approaches to policy can be distinguished.

1. Direct approaches that involve targeting groups explicitly, positively (for the deprived), and negatively (for the privileged). Cases in point are quotas for educational access or for employment; differential subsidies according to the group. This type of policy unavoidably increases the salience of identity difference, since individuals receive benefits *because of their membership of particular groups*. Direct policies are broadly what we mean by affirmative action policies.

2. Indirect policies aim to achieve the same HI-reducing impact indirectly via general policies, but reduce HIs because of their design in relation to the circumstances of the various cultural groups. Examples are progressive taxation and public expenditure which benefit poorer groups disproportionately. Policies towards the regional distribution of expenditure and economic activity can be effective where groups are concentrated in particular regions. Universal policies (such as health care) eliminate inequalities in access. Anti-discrimination legislation is another example of an indirect policy that applies to all individuals equally irrespective of group membership but can greatly reduce group inequalities.

Direct policies have been subject to considerable debate (see, for example, Brown et al. 2012). In their favour, the policies are visible and, hence, clearly respond to political grievances of the poorer group(s). Policies of affirmative action in the US, Malaysia, and India, for example, were all introduced in response to strong political protests. Moreover, they can work quickly. But there are also problems.

First, it has been argued that they contribute to inefficiency by interfering with the market. Yet, no hard evidence has been found for this, which is perhaps not surprising since they open opportunities to previously deprived groups.

Secondly, it is sometimes suggested that affirmative action policies increase within group inequalities. Whether this is so depends on the design of the policies: for example, policies directed to improve the productivity of poor farmers would be likely to reduce intra-group inequalities, while policies to increase capital ownership may worsen intra-group distribution. In practice, it appears that intra-group inequality increased in South Africa when the policies were introduced but fell in Malaysia.

Thirdly, the policies can be associated with rentier activities—this clearly depends on the design of policies. Where the policies involve direct allocation of contracts to particular groups, without any competition, they are likely to increase rents. But policies open to

competition need not do so, like competitive scholarships open to all members of a particular group.

Fourthly, the policies may 'ethnicise' a society, hardening group distinctions, since a person's rights depend on her group membership. However, as a counter to this tendency, group distinctions may be less felt as people become more equal.

Fifthly, the policies are difficult to bring to an end, as shown by the experience in Malaysia where the policies have been in place for 40 years, and attempts to replace them are being thwarted by political forces.

Finally, the policies can arouse the hostility of the privileged groups, who lose some of their privileges as a consequence of the policies and this can worsen inter-group relations. This is evident, for example, in the hostility to affirmative action among some whites in the US and some of the Chinese community in Malaysia.

Indirect policies do not face the same criticisms but they tend to work more slowly. The appropriate policy set depends on the context, including the extent of inequality, the nature of group distinctions and the political context.

Experience from around the world shows that policies to reduce HIs can be effective.

- In Malaysia, a set of policies (mainly direct but including some significant indirect elements, such as universal education and progressive taxation) reduced the gap in average incomes between the Malays and Chinese and from a ratio of 1:2.4 to 1:1.4 between 1970 and 2009.
- In Northern Ireland, some (mainly) indirect policies (anti-discrimination law effectively applied and extension of education) greatly reduced the gap between Catholics and Protestants in higher education (where it was virtually eliminated), in housing, and in professional and managerial jobs among other aspects.
- In the US, despite continued inequalities and discrimination, the

affirmative action policies were associated with a rise in the ratio of black to white college attendance which rose from 0.46 in 1970 to 0.76 in 1995.

4 CONCLUSIONS

This paper has argued that there is a strong case for horizontal equality based on arguments derived from a selection of Western philosophers and economists. Moreover, the last section sketched a variety of policy options to achieve more HI and argued that these policies had been effectively adopted in several countries with a significant effect in terms of reducing HIs. The question then is why every unequal society does not adopt such policies.

A major explanation comes from the politics of egalitarian policy change. Comprehensive policies, sufficient to bring about real change, have been adopted in countries where there are strong political reasons to do so. In Malaysia, the unity of the country and the security of the richer (and less numerous) Chinese was at stake in 1970. In Northern Ireland, a bitter and seemingly unstoppable civil war provided a strong incentive. In the US, riots by Blacks in a number of cities in the 1960s led to the perception among the majority white group that action was needed. In each of these cases, the introduction of policies was preceded by violence. Yet, the success of the women's movement in securing reduced female/male inequality in Western countries shows that violence is not the only way to spur political change. Indeed, the policies were propelled by a sense of injustice in some countries such as India (with respect to affirmative action towards unscheduled castes and tribes) and in Australia and New Zealand (in relation to policies towards indigenous peoples). In the latter two cases, international outrage as much as political compulsion propelled the policies. But it may not be coincidental that the policies have not been on a sufficient scale in these countries to make more than a small difference to the prevalent HIs.

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