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# **Education and equality: a post-Rawlsian note**

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**Education and equality: a post-Rawlsian note**

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**Abstract:**

Is educational expansion likely to reduce economic inequality? Egalitarians are typically interested in education's equality-enhancing potential. But is this a reasonable expectation? And if not, are there any other outlooks to explore? This paper sets out to understand the justice context in which this expectation has been couched – standard Rawlsian theory of justice – and then move on to point out some critical issues raised by recent economic evidence and theory. It also brings in, in an exploratory way, some heterodox justice alternatives.

**Keywords:** inequality; egalitarianism; capitalism; socialism; education; rents.

**JEL code:** H1, H2.

*Educação e Igualdade: uma nota pós-rawlsiana***Resumo:**

A expansão educacional é capaz de reduzir as desigualdades econômicas? Igualitaristas têm um interesse particular no potencial da educação de reduzir as desigualdades econômicas. Mas será esta uma esperança razoável? Este trabalho se propõe a examinar um contexto de justiça no interior do qual essa esperança é nutrida – a teoria rawlsiana de justiça em seu formato padrão – e então confrontá-lo com alguns problemas levantados pela evidencia empírica e pela teoria econômica recente no que se refere à relação entre educação e desigualdade. O trabalho traz ainda, de modo meramente exploratório, algumas alternativas “heterodoxas” de justiça.

**Palavras-chave:** desigualdade, igualitarismo, capitalismo, socialismo, educação, rendas econômicas.

**Código JEL:** H1, H2

**Education and equality: a post-Rawlsian note<sup>1</sup>**Celia Lessa Kerstenetzky<sup>2</sup>

Is educational expansion likely to reduce economic inequality? This is a question of great interest for egalitarians. But is this a reasonable expectation? And if not, are there any other outlooks to explore? This paper sets out to understand the justice context in which this expectation has been couched – standard Rawlsian theory of justice<sup>3</sup> – and then moves on to point out some critical issues raised by recent economic evidence and theory. It also brings in, in an exploratory way, some heterodox justice alternatives that seem better suited to deal with the critical issues.

*The justice context*

In his political philosophical work, John Rawls worries about justice, not directly about economic equality. He looks for principles of justice to regulate the basic institutions of society, seen as a broad scheme of social cooperation, in such a way as to render social outcomes not susceptible to objection on grounds of discrimination and arbitrariness.

It is within this broad context that the question of economic (in) equality arises. It comes out in virtue of the fairness constraint to which social processes should be subjected. In particular, the basic institutions of a fair society should guarantee not only equal freedoms but also equal opportunities. In this way, economic advantages which stem from unequal opportunities are deemed to be unjust. Among the many institutions that may be responsible for this outcome is the extant educational system.

Rawlsian justice also demands that the equal opportunities criterion undergoes a further fairness test. Ideally, not only should opportunities be equally distributed but they should also have the same “value” for everyone, rich and poor. For this to be so, some restriction to wealth accumulation and bequest is needed. But other sources of distortion of equal opportunities can still subsist, namely, family background and “natural” differences. On account of these arbitrary (i.e., non-chosen) circumstances, which cannot, however, be redressed in the same straight way as inequality of education can, justice requires an explicit principle of economic equality, the so-called difference principle. This principle expresses the notion that the remaining economic inequalities should be considered unfair unless they work to the benefit of the less well-off people in society. The thought is that once society is seen as a scheme of social cooperation, a sheer principle of reciprocity requires that the good fate of those who happen to have been favored by circumstances – either social or natural – also works to improve the lot of the less-favored ones.

Summing up, to the extent that the distribution of economic advantages reflects the workings of unjust institutions and other arbitrary circumstances, it should undergo correction. The emphasis is on the structural element that prompts unfair inequalities and lets arbitrary circumstances, such as family background and the “natural lottery”, translate into socioeconomic advantages. Once the freedoms and fair equal opportunities are secured, the

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<sup>3</sup> John Rawls's 1971, *A Theory of Justice*, (Cambridge, Mass: The Belknap Press of Harvard University Press) may be considered the major non-utilitarian contemporary theory of justice.

remaining socioeconomic inequalities ought to be limited by a direct principle of economic equality – the difference principle.<sup>4</sup>

Rawls is thus interested in economic inequalities only to the extent that they result from unfair processes. In particular, he is concerned with those inequalities which result not from individual choices but from the unfairness built into the social structure, which, in other words, translates unequal backgrounds into unequal social positions and economic results. To the extent that the institutional background is redressed in the way indicated by the principles, the remaining economic inequalities are to be considered fair and not to be a cause of concern.

### *Economic equality*

However directly addressing fairness not economic equality, the Rawlsian principles of equal freedoms and opportunities, once implemented, are likely to have distributive effects. Let us have a look at the expected distributive impact of these principles.

#### 1. The freedoms principle –

The freedoms principle covers various freedoms but of special interest here are the political freedoms. As far as equal political freedoms are concerned, Rawls recognizes that the effective implementation of this principle calls for some restriction to economic wealth, to the extent that economic power may translate into political power. Indeed, in his *Justice as Fairness: a restatement* (JFR)<sup>5</sup>, Rawls takes it for granted that there are “distributive effects of the fair value of political liberties” (JFR, p.46, fn). However, he also says that “[t]he fair value of the political liberties ensures that citizens similarly gifted and motivated have roughly an equal chance of influencing the government’s policy and of attaining positions of authority *irrespective of their economic and social class.*” (JFR, 46, my emphasis) And, later, in section IV, he further clarifies “that the worth of the political liberties to all citizens, *whatever their economic or social position*, must be sufficiently equal,” and that this is to be secured by *political institutions* through reforms such as “public funding of elections and restrictions on campaign contributions; the assurance of a more even access to public media; and certain regulations of freedom of speech and of the press...” (149, my emphasis). Thus, strictly speaking, the fair value of political liberties has no distributive effects *per se*, but only demands a restriction to undesirable political effects of distribution, which might be achieved by reformed political institutions, not necessarily via redistribution.

#### 2. The opportunities principle –

Let’s now briefly examine the distributive impact of the implementation of the equal opportunities principle. *Fair* equality of opportunity must be warranted on the condition of not shrinking basic liberties. This has to do with the priority of freedoms (civil, personal, political, and also some of the economic freedoms – the freedom of occupational choice, for example) in Rawls’s conception of justice. The qualification *fair*, as already mentioned, indicates that this is an equal opportunity principle that recognizes the presence, and placates the impact, of social and economic background differentiation. Therefore, this principle

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<sup>4</sup> The full description of the Rawlsian principles of justice is the following: “(1) Each person has an equal right to a fully adequate scheme of equal basic liberties which is compatible with a similar scheme of liberties for all. (2) Social and economic inequalities are to satisfy two conditions. First, they must be attached to offices and positions open to all under conditions of fair equality of opportunity; and second, they must be to the great benefit of the least advantaged members of society [the difference principle].” J. Rawls, “Social Unity and Primary Goods,” IN: A. Sen and B. Williams (eds.), *Utilitarianism and Beyond*, Cambridge: Cambridge University Press, 1982, pp. 161/162.

<sup>5</sup> John Rawls, 2001, *Justice as Fairness: a restatement*, Cambridge, Mass: The Belknap Press of Harvard University Press.

requires not only equal educational opportunities but also constraints to concentration of wealth and bequest.

The expansion of education is expected to mitigate the inheritance of destitution, i.e., the intergenerational persistence of inequality. It is also expected to reduce intra-generational wage dispersion through its likely impact over the supply of skilled work. Constraints on wealth accumulation and bequest of fortune and property, in turn, are expected to reduce the opportunity-distorting and political domination effects of riches transmitted within the family. Thus, the fair equality of opportunity principle is bound to have significant distributive effects.

To insist, there are two important things to take note of here. The first one is that Rawls considers the universal supply of public education to be an important ingredient to promote economic equality: again, to the extent that earnings dispersion is related to educational heterogeneity and education rents, as soon as the supply of skilled work increases significantly then the returns to education are likely to flatten out as a result. The other thing is that, important as it may be, education is not sufficient to guarantee economic equality insofar as rich people may still have access to an array of opportunities/resources not open to less well-off ones: e.g., supplementary private education and bequest, in particular. So, in order to satisfy the fair equal opportunities principle some complementary restrictions to bequest and wealth accumulation are needed.

### 3. The economic equality principle –

It is in this connection interesting to note that the principle devoted explicitly to deal with economic inequalities, the difference principle (DP), is actually designed only to fix a *limit* to the remaining inequalities: the inequalities that depress the prospects of the less well-off in society are ruled out. And this certainly leaves a big indeterminacy in terms of egalitarian policies. All the principle says is that socioeconomic inequalities “must be to the great benefit of the least advantaged members of society”.

Why is the principle of economic equality actually a principle of the acceptable economic *inequalities*? There are a couple of reasons for this.

To begin with, the DP is sensitive to “rationality”, in the sense that it expresses the notion that justice may be compatible with economic inequalities when economic advantages are involved: all justice demands is fairness – equal treatment in a specified sense – not necessarily strict equality; in particular, were the equality scenario to deliver a lower level of economic advantages to the least well-off than an alternative inequality scenario, it should give way to the latter.

In the same “rationality” vein, it may also happen that the greater economic advantages - or the prospect of these - only accrue to the least well-off precisely *thanks* to economic inequalities. This is the “incentive argument”: with given preferences, people shall deploy a higher level of effort/resources whenever they face incentives to do so, in contrast to a situation where the incentives are absent. And by behaving in this way, they happen to better the prospects of the least advantaged. So, to some extent, inequalities might be important to improve the prospects of the least well-off.

Again, what the DP secures, in particular, what its peculiar position within the Rawlsian set of principles of justice secures, is that the acceptable inequalities arise only after the distribution of social and economic advantages was corrected by the provisions for equal freedoms and fair opportunities. So, these might be said to be *fair inequalities*: economic inequalities that arise out of the operation of just institutions. The DP might also be said to be a principle of *fair efficiency*: it does not admit of distributions of economic advantages in favor of the better-off that do not come to everyone’s benefit (especially to the least-advantaged’s benefit).

\* \* \*

How does education fit in the fair efficiency-fair inequalities principle? In a well-ordered society, i.e., a society ordered by the Rawlsian principles of justice, high returns to education would be an incentive for people to invest in it; the results would be both productivity-enhancing and inequality reducing. In a not so well-ordered society, for reasons having to do with barriers to educational opportunities, not everyone is able to respond to the incentives and the education premium gets caught by a few. In the latter context, some redistribution is needed - under the form of state supported/provided educational expansion - in order to rectify the inequality of opportunity that hampers efficiency. Education expansion thus appears to promote some kind of efficient redistribution. And again, in relation to its expected distributive impact, the idea is that the expansion of educational opportunities would reduce not only wage dispersion but also, and importantly, inequalities from one generation to the next.

### *The problem with education*

An important criticism that has been raised to Rawlsian institutional justice is that it says nothing about the attitudes and dispositions of the better-off, in other words, the high “incentives” they claim in order to be fully cooperative in the Rawlsian sense. G.A. Cohen, for example, points out that the distribution of economic advantages, however corrected for fairness, is in itself unable to pass judgment on prevailing underlying incentives, i.e., people’s “preferences”, though in some cases one might judge that the better off are clearly demanding too much on their way to serve the good of the least well-off.<sup>6</sup> Rawls left the domain of preferences untouched, and protected by the freedoms principle.

The problem that motivates the criticism is that in Rawlsian justice we lack a criterion to assess what may still appear to be a too concentrated distribution, one that might ultimately lead to lack of effectiveness of the equality of opportunities and even of the freedoms. In his institutional account, Rawls adopted a structural theory of inequalities in which unjust institutions were the sole culprit for – and the site of redress of – unjust inequalities. The principal institution to this effect is the education system. Barriers to educational opportunities constitute a generator of unfair inequalities; an expanded public educational system is the leverage needed to cancel out inequalities over time and flatten contemporary wage dispersion. But what if these mechanisms do not work the way we thought they did?

In fact, an important amount of recent evidence has been suggesting that the expansion of educational opportunities in many countries has been concomitant with increasing earnings inequality. There are well known causes for this, and there is an inverted U-shape curve that describes the relationship between education and earnings inequality over time. The snag is that although in countries like the US with high average educational levels we should be seeing earnings inequality shrinking along with the expansion of education, it is nonetheless the inverted relation that has been in place for some years now. More education has been concomitant with increasing wage inequality instead. What is happening?

The Rawlsian depiction of the relationship between education and economic advantages refers to a static scenario in which the expansion of the supply of skills, confronted with an invariable demand for skills, results in decreasing rewards to skills. Clearly, if we take a less static scenario, such as Tinbergen’s race between education and technology, whenever the increased skill-supply is not able to match an increasing demand for skills due to technological innovation, the wage dispersion is going to rise. But this is conditional upon the (independently determined) relative speeds of skills supply and demand, and may be only a transitory phenomenon.

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<sup>6</sup> See G.A. Cohen’s, (2001), *If you’re an egalitarian, how come you’re so rich?*, Cambridge, Mass.: Harvard University Press.

However, to take this latter perspective one needs to believe that technological change is exogenous. In particular, one needs to discard the possibility that the change in the composition of the labor force towards a more skilled one, which has been driven by technological innovation itself, is not likely to impact over the demand for skilled work. And this is a step some people were unwilling to take. In fact, a number of authors have modeled the acceleration of the demand for skills as a result of the increasing supply of skilled work, and thus they have been able to relate *causally* the expansion of the supply of skills to the acceleration – or the more than proportional expansion – of the demand for skills in the labor market, and thence with increasing rewards to skills.<sup>7</sup> The thought is that skilled workers are actually the clientele of skills, especially in their capacity of generating secondary innovation and thus further increasing the demand for skilled workers. In this scenario, rents associated with skills are going to rise, and this is the likely impact of educational expansion over the labor market. If contemporary processes of technological innovation in addition to being skill-biased also happen to have this component of endogeneity, the prediction is that the direct connection between education and inequality is going to be a lasting one.

The increasing earnings inequality - related to the skill biased character of technical change as well as to the “endogeneity” component - is probably also fostered by the segmentation of the labor market, as pointed out in some models. The formation of internal labor markets piles composite rents up to the quasi-rents accruing to skilled workers in the modern sectors, being an extra source of “freely interpersonally contracted” inequality. Apparently, skilled/trained workers are the ones who have had access to the extra rents. In some models, which try to represent technological change as a Schumpeterian “creative destruction” process, a recurrent process of technical change simultaneously creates and destroys jobs. The job opportunities created in the new “sectors” are skill-intensive and, in principle, give skilled workers high leverage in the wage bargain with their employers.

A second line of reasoning, which has been trying to make sense of the combination of increasing earnings inequality with education expansion, directs attention to a different causal mechanism than the endogenous technology one. This literature has stressed that the component of earnings inequality that has been on the increase is not so much the between-groups inequality but the so-called residual or “within-group” inequality, that is, inequality unrelated to workers’ productive attributes (e.g. skills). Again, technical change is a crucial element in the explanation. In one view, the kind of technical changes that contemporary market economies are undergoing require of skilled workers not so much expertise as such but a generic capacity to learn or to deal with novelty. In this way, the earnings differentials within homogeneous groups (controlled by whatever observable group variable you like) must be reflecting some hidden heterogeneity among the people in the group, i.e., some innate differences in their abilities to learn and to deal with the yet unknown. There has been however some difficulty of making empirical sense of this intuition.

Nevertheless, other contributions emphasize the fact that what has been on the increase is not between-group inequality, but within-group inequality instead. While eventual increases in between-group inequality might be explained by non-linear processes of diffusion of technological innovation, within-group inequality though also related to technical change has been consistently increasing no matter the phase in the diffusion process. This needs an explanation that goes beyond the difference in innate abilities, especially if the two inequalities are diverging as has been apparent in the last few years in the US economy. This is so because the reasons for the increase in between-group inequality are the same as those

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<sup>7</sup> An in-depth survey of all the theoretical perspectives mentioned in this section may be found in A. C. Costa and C. L. Kerstenetzky, 2005, *Desigualdade intra-grupos educacionais e crescimento: um tema emergente*, Texto para Discussão 175/2005, Departamento de Economia, UFF, forthcoming in *Revista Economia e Sociedade*.



for the increase in within-group inequality when different innate abilities are the cause – some “skills” (either observed or not) possessed by the workers. The alternative explanation that these papers propose is that, against the backdrop of recurrent and unpredictable technical change, “luck” has been the major cause of within-group inequality. In other words, the history of the worker in the labor market somehow opens or closes future reward opportunities for him in the sense that it renders him more or less adaptable to new technologies, more or less able to transfer valuable knowledge from old vintages to new ones. These “adaptability” and “transferability” attributes of the worker are actually contingent on his history in the labor market and in no way grant him permanent success or failure. And while the high (and increasing, at least in the US) within-group inequality has become an impregnating feature of contemporary labor markets, for any individual worker this feature represents an increasing volatility of his remuneration.

So, the upshot seems to be that to the extent that contemporary processes of economic growth are strongly characterized by (skill biased) technical change - and insofar as the changes activate or render valuable certain inner characteristics of workers, or capacities they were only able to develop in virtue of a specific path they had been through in the labor market, or, still, stimulates segmentation in the labor market in favor of the skilled-and-lucky – the conventional structural theory of inequality will not do anymore. In particular, the institutional analysis of inequalities, as well as some of its prescriptions, seems less compelling in view of both the empirical evidence and the intuitions which try to figure out what is going on in our days. At least, education appears less compelling as a way of rectification of labor market’s inequalities.

#### *Innovation and rents*

Clearly, if we move beyond the labor markets in order to understand contemporary inequalities, - and also beyond the high returns to other valuable assets besides skills, whose accessibility is strongly limited by previously owned wealth - another important source of inequality are the rents generated by innovation.

The importance of this causal mechanism should not be underestimated, especially given the fact that contemporary growth processes have been innovation-driven. The rents accruing to innovators should be only transitory rents or, in Marshallian terms, quasi-rents. However, once captured, they have been responsible for the accumulation of huge fortunes and significant *wealth* inequality. This point is substantiated in a classical work by Lester Thurow. And of course, wealth inequality ends up by feeding back into income inequality via “imperfect” credit and insurance markets.<sup>8</sup>

Again, as with the case of within-group inequality, however starting out from a knowledge about what did generate the inequalities, we still lack a conventional structural mechanism whereby to redress them. In other words, our *analytical* description of the processes that are delivering huge and increasing inequalities is not in itself information enough to *prescribe* a way out, at least not in the same way as the identification of education as a transmission mechanism had been in the Rawlsian framework.

The question, then arises, is ‘technical change-oriented’ growth making us move towards a “structureless” society?<sup>9</sup> And if so, what are the egalitarian prospects?

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<sup>8</sup> Thurow’s reference (?). For a detailed explanation of the importance of previously owned wealth in relation to imperfect credit and insurance markets, see A. Atkinson and F. Bourguignon (2001), “Introduction: Income Distribution and Economics”, IN: *Handbook of Income Distribution*, North Holland.

<sup>9</sup> One of the authors who have been calling attention to this feature is Aage Sorensen. See, especially, A. Sorensen (2005), “Foundations of a rent-based class analysis”, IN: E.O. Wright (ed.), (2005), *Approaches to Class Analysis*, Cambridge: Cambridge University Press.

There is some indication that instead of lack of structure the scenario ahead displays a new kind of “structuration”, centered on mechanisms of market power and rent-generation, in the form either of individual strategies (“innovators”), or composite strategies (skilled workers and employers), or still collective actions (unions, trusts). There is a lot to say about these rent sources. First of all, there is the ambiguous (“inefficient”) character of the innovations (e.g., “creative accounting”, but also creative destruction that prematurely destroys capital and jobs), composite strategies, and collective actions. But the point I am going to take up here is another one: given that much of contemporary inequalities, as well as growth processes, stem from those rent-generating mechanisms that cannot be “equalized” without cancelling out an important part of the surplus they generate<sup>10</sup>, what should the egalitarian agenda and policies look like? Are there any conceptions of distributive justice which are compatible with these factual “truths”?

### *Justice again*

To be sure, in addition to education, the Rawlsian conception of justice has an important opening for limitation of concentration of wealth and bequest. The idea is that somehow taxation should limit the ability to accumulate and to inherit wealth in order for the fair equality of opportunity principle to be maximally fulfilled. In terms of the lexicographical logic of the principles of justice, the only thing that should restrict the application of this principle is the freedoms.<sup>11</sup>

Consider first Rawls’s critical assessment of what he calls the “welfare-state capitalism” (WSC), which has been implemented to a varying extent in European social democracies. For him, this regime is clearly unfair for “it permits very large inequalities in the ownership of real property (productive assets and natural resources) so that the control of the economy and much of political life rests in few hands. And although, as the name ‘welfare state capitalism’ suggests, welfare provisions may be quite generous and guarantee a decent social minimum covering the basic needs, a principle of reciprocity to regulate economic and social inequalities is not recognized.” (JFR: 139). By contrast, the regime he himself favors, the “property-owning democracy” (POD), fully recognizes this principle in its main institutions: “the background institutions of property-owning democracy work to disperse the ownership of wealth and capital, and thus to prevent a small part of society from controlling the economy, and indirectly political life as well.” (139)

How is POD to avoid concentration of economic and political power, in contrast to WSC? It does so “not by the redistribution of income to those with less at the end of each period ... but rather by ensuring the widespread ownership of productive assets and human capital (that is, education and trained skills) at the beginning at each period, all this against a background of fair equality of opportunity. The intent is not simply to assist those who lose out through accident or misfortune ..., but rather to put all citizens in a position to manage their own affairs on a footing of a suitable degree of social and economic equality.” (139)

So, POD emphasizes reciprocity/equality, not needs/misfortune. But how is the basic structure of a POD to realize these aims? Among the institutions that are needed is a “constitutional democracy”, instead of a merely procedural democracy: “one in which laws and statutes must be consistent with certain fundamental rights and liberties, for example, those covered by the first principle.” (145). But moving ahead towards the realization of the

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<sup>10</sup> Of course if we are talking about permanent rents we may say that cancelling these would be to the benefit of everybody else, except for the rent-owners themselves; the snag is that rent related to innovation and composite rents do not necessarily have this “bad” character.

<sup>11</sup> Rawls proposes the implementation of his principles of justice in lexicographical order, with the following priority ranking: the freedoms (the first principle), the opportunities (first part of the second principle) and economic equality (second part of the second principle).

second principle, Rawls touches upon a number of provisions which are important to preserve background justice over time. Taxation appears most prominently.

Progressive taxation is needed to regulate bequest and restrict inheritance: “the aim is to encourage a wide and more equal dispersion of real property and productive assets.” (161). It is also important to limit accumulation of wealth and income: “the progressive principle of taxation might not be applied to wealth and income for the purposes of raising funds (releasing resources to government), but solely to prevent accumulation of wealth that are judged to be inimical to background justice, for example, to the fair value of the political liberties and to fair equality of opportunity”. And he adds: “It is possible that there need be no progressive income taxation at all”. Why? Efficiency concerns, most likely. Finally, when it comes to income taxation, he proposes the adoption of a consumption tax instead, probably, again, on account of incentives: “income taxation might be avoided altogether and a proportional expenditure tax adopted instead, that is, a tax on consumption at a constant marginal rate. People would be taxed according to how much they use of goods and services produced and not according to how much they contribute. By taxing only total expenditures above a certain income, the tax can be adjusted to allow for an appropriate social minimum.” The latter would be a handy application of the DP: “The difference principle might, then, roughly be satisfied by raising and lowering this minimum and adjusting the constant marginal rate of taxation.” (161).

Rawls insists that his view on distributive justice is a pure procedural justice outlook. It aims at addressing the following question: “how are the institutions of the basic structure to be regulated as one unified scheme of institutions so that a fair, efficient, and productive system of social cooperation can be maintained over time, from one generation to the next?” (50) And, in view of “all kinds of contingencies and unforeseeable consequences”, it is necessary to regulate it, “by laws governing inheritance and bequest, how people acquire property so as to make its distribution more equal, to provide fair equality of education, and much else.” (53)

Now, it is clear that Rawlsian justice is *not* to be implemented over time *mainly* by progressive taxation.

First, because a society well-ordered by the Rawlsian principles is not expected to generate large inequalities – and its regulation over time is intended only to provide for “contingencies and unforeseeable consequences”. The expectation is that once the Rawlsian principles are in place they would provide the background circumstances for inequality to be kept as low as possible and, importantly, they would generate the publicly cultural support in terms of people’s attitudes and dispositions that is needed for large inequalities not to crop up. With freedoms and opportunities roughly equalized after a certain number of rounds of the operation of fair institutions, the need for further provisions – namely, progressive taxation – should be less and less. Another problem recommending a not too heavy hand on taxation has to do with incentives, a component of which is the expectation of wealth accumulation itself, which may attract people to invest resources in productive endeavors. A further problem relates to the high degree of indeterminacy of taxation: what is the tax rate needed to prevent wealth accumulation, bequest and inheritance from distorting the fair equality of opportunity principle? The principles cannot have this level of specificity and discretion; they work with the presumption that the main general institutions of the basic structure – among them, the market (free competition) and the educational and training system (equal opportunity) – shall provide the conditions needed for the inequalities not to be too large.

But what if these expectations turn out to be based on deceiving beliefs? As for the support for just institutions, we should not underestimate market’s pedagogy of incentives, that is, the “educating” role of market itself, as a countervailing force to feelings of reciprocity and solidarity. As far as market and formal education and training go, if innovation-oriented

growth processes are in place, we are likely to see rising inequality as a result of their combined operation. This means bringing “contingencies and unforeseeable consequences” to the forefront.

Actually, Rawls considers some objections to the DP, one of them of interest for us here. This is the following: “suppose the most effective OP [contribution] curve rises very slowly to its maximum; then the share of the more advantaged is much greater than the share to the less advantaged... This may seem unjust to the less advantaged.” This is the case in which inequalities are too large, even though institutions have been corrected for fairness and the DP is fulfilled. Rawls’s reply to this objection is that this situation is not likely to occur: “if citizens have fair and equal opportunities to develop their native endowments and to acquire socially productive skills, and if the scheme of cooperation is effectively designed, then OP curve should rise quickly enough to its maximum so that the ratio of shares in favor of the more advantaged is not likely to strike us as unjust. The idea is that given the equal basic liberties and fair equality of opportunity, the open competition between the greater numbers of the well-trained and better educated reduces the ratio of shares until it lies within an acceptable range.” (67) He notes that with background justice in place – fair opportunity and competition -, collective action in order to enhance market power of specific groups of actors is not likely to occur. Or is it? In case it is to occur, the level of fine-tuning taxation needed to warrant this condition might be an objection to the DP as a sufficient or even as a sensible principle of economic equality.

#### *What are the alternatives?*

At this point, a decision relating to social justice principles seems contingent on some factual truths about contemporary inequalities. Some of the alternatives are not at all at odds with Rawlsian proceduralism, especially with his principle of reciprocity, but focus more closely on re-arranging property rights so that inequalities would be lesser. As Rawls himself had already affirmed in *JFR*, the priority of rights concedes no special treatment to property rights in productive assets. The most remarkable among the alternatives are economic democracy, market socialism and basic income capitalism.

While economic democracy advances the proposal that property should be dispersed among workers in self-managed firms, with elected and accountable managers, market socialists are in favor of the concentration of the property of means of production, though not of their control, in the hands of the state, letting allocation decisions to a large extent to the discretion of private firms. Basic income capitalism, in contrast, favors a major redistribution of economic outcomes in terms of an unconditional income.

Clearly, all of these proposals should also undergo the test of effectiveness, that is, of the extent to which their implementation actually mitigates economic inequalities over time. However, in view of the problems this paper has brought out – chief among them, the somewhat “structureless” character of the mechanisms whereby contemporary inequalities have been arising - some of the proposals turn out to be especially attractive.

I am going to focus, right away, on what seems to be the more libertarian among the three alternatives: basic income capitalism. This will be done in a very preliminary and only exploratory way: the idea is to outline some of the appealing features of the proposal with regard to the question above, letting for further investigation both the details and the extent to which the proposed scheme is actually able to deliver a more egalitarian society than Rawlsian’s well-ordered society.

As discussed at length by Philippe van Parijs, in his *Real Freedom for All*,<sup>12</sup> basic income capitalism relies on “capitalism”, when it comes to wealth generation, and on “libertarian socialism”, when it comes to redistribution. “Capitalism” causes it that the actual distribution and further accumulation of wealth is strongly determined by luck. The central idea on which “libertarian socialism” is based is the priority of both freedom, as autonomy, and equality, as the common property of valuable assets. The latter range from natural resources to good jobs, and even to native endowments. As far as freedom is concerned, van Parijs’s libertarianism frees men and women from the mandatory character of paid work – as members of a political community even the Malibu surfers should receive their lot of the commonly owned assets.<sup>13</sup> The practical way of doing the redistribution – also the one which would not conflict with efficiency imperatives – is for the actual owners of productive resources to “pay” (via a tax and transfer mechanism) everybody else a rental for their use: the basic income.

Clearly, there is a practical matter concerning the amount of the rental as well as which valuable assets should be more taxed than others in order to raise the social fund, without losing sight of the incentives problem. Certainly, an important source of the social fund is the economic rents which have been captured by individuals and groups, for the good or for the bad, under the form of quasi-rents, composite rents, and permanent rents. This seems to be a fruitful area for further investigation.

Without looking into the details of BIC – and there is a lot to look into – the scheme addresses directly the problem of the plasticity of the structure of contemporary capitalism. It acknowledges the salient importance of luck in determining economic results and their distribution, as well as the necessity of building into the basic structure of society a general mechanism of income and wealth transfer which recognizes people’s autonomy and equal status.

### *Concluding comments*

The main objective of this paper was to outline a number of problems that mainstream theories of justice have had with regard to the relevance of principles of justice. An area that needs more attention in social justice studies is precisely that of the relationship between factual statements about the world and normative prescriptions, or in other words, the bridges between the realities of our contemporary social injustices and the normative horizon the theories of social justice point to. So, the problem dealt with here is not that of the justification of the principles, but of the robustness of the solutions they propose – the extent to which these are congruent with ordinary facts about the world.

In particular, some factual truths about the relationship between inequality and education seem especially important in view of the centrality of educational policies in social justice proposals. This paper has tried to understand this centrality; to contrast it with theoretical and empirical research relating education and inequality; to assess the capacity of mainstream social justice to deal with these stories; and finally to move on to identify some potential alternatives. And although the paper has not attempted to argue for any specific alternative, it has however argued for the centrality of this problem in any account of justice.

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<sup>12</sup> See P. Van Parijs, (1998), *Real Freedom for All – what (if anything) can justify capitalism?*, Oxford: Oxford University Press.

<sup>13</sup> Note that, in contrast, in the Rawlsian justice framework, the less advantaged, for the benefit of whom inequalities might be admitted, are the unskilled workers.