

THE PROBLEM OF INEQUALITY TODAY.

A quasi-American strategy for European egalitarians?¹

PHILIPPE VAN PARIJS

University of Louvain, Hoover Chair of Economic and Social Ethics,
and University of Oxford, Nuffield College and Faculty of Law.

in *Disparità economiche e sociali: cause, conseguenze e rimedi*,
Milano: Giuffrè editore, 2012, pp. 11-18.

I might as well recognize it straight away: we egalitarians are a bit in a mess today. Worldwide, but especially in Europe, we seem to be irremediably stuck between two impossibilities. On the one hand the increasing economic impossibility of doing something serious about inequality at the national (let alone sub-national) level. And on the other the persisting political impossibility of doing something serious about inequality at a supranational level. I shall say more about this predicament shortly. I shall do so essentially by spelling it out and next sketching the three-pronged strategy which I believe we need in order to overcome it. But I first need to say a few words, if only to clear some misunderstandings, about whether and when inequalities are a problem.

When are inequalities unjust?

First, what inequality are we talking about when we see it as a problem? We are not talking about inequality, say, in the grades we are giving to our students. We are not talking about inequality in levels of happiness or of personal satisfaction among our fellow citizens. As in most of the papers at this conference, we are talking primarily about inequalities of income and wealth. There are all sorts of tricky difficulties, which will no doubt be discussed in depth at this conference, in measuring income or wealth, both practical and conceptual, for example because of the importance of the informal economy in many countries, because of the subtleties in the notion of purchasing power parity, because of the less tangible components of people's incomes such as the quality of their living environment, or because of the question of whether income and wealth should be measured at the individual or household level. However, I shall here leave these difficulties aside and simply assume that we have defined some meaningful notion of personal income.

Is inequality of income a problem? Not, in my view, if — and only if — this inequality of income can be justified in at least one of two distinct ways. The first one appeals to *personal responsibility*. Suppose we are given some possibilities at the start. One person chooses to work less, another to work more. One chooses to save less, another to save more. It does not take long for one person to earn a higher income or possess greater wealth than another. Those who consider like me that inequalities generated in this way are fine need not cease to be egalitarians. They can be *opportunity-*

¹ Opening lecture delivered at the XXIVth international conference of the Giordano dell'Amore Observatory on the relationship between law and economics (Milan, October 27, 2011).

egalitarians, as opposed to outcome-egalitarians.

The second consideration that can justify inequality is *economic efficiency*. Sometimes efficiency and responsibility go together, but not always. Those who want to make room for efficiency can be called *lax egalitarians*, as opposed to strict egalitarians. They deny that justice demands that we should go for equality at all cost. If more equality of whatever matters for the sake of justice — say income for simplicity — means less of it for all, including the victims of the inequality, then they say: stop equalizing. Making room for efficiency considerations in this way, typically because of the effect of greater equality on material incentives, naturally leads to some criterion of *sustainable maximin*. What justice requires is not that we should go for full equality or maximally possible equality but that the worst off — those with least income, least wealth, least of whatever matters for the sake of justice — should be as well off as sustainably possible.²

Consequently, inequality in income or wealth is not a problem if it can be justified in at least one of these two ways. However, if we look at inequality between individuals in today's world, as documented in some of the contributions to this conference, it will be very hard to justify much of it in either of these two ways, if only because of a feature of this inequality spectacularly displayed, for example, in Branko Milanovic's (2011) contribution: the bulk of today's inequality between people worldwide is international and hence linked to the massively different opportunities that are afforded to individuals depending on the situation of the country in which they happen to be born. Neither personal responsibility nor economic efficiency could justify inequalities of this type and magnitude.

Yet, there is at least one respectable view which says that international inequality, unlike intranational inequality, is a sort of inequality that should not bother us on grounds of justice. I am saying that it is a respectable view because it is held by a rightly admired political philosopher, whom I had an opportunity to honour yesterday here in Milan, together with others in this room, on the occasion of the 40th anniversary of the publication of his first book, *A Theory of Justice* (Rawls 1971). The view I have in mind, however, is not a view John Rawls defended in his *Theory of Justice*, but only in his later book *The Law of Peoples* (Rawls 1999). According to this view, there is a duty of assistance for so-called burdened societies, that is societies that are so underdeveloped that they are unable to sustain a just basic structure. But if, say, Costa Rica and Denmark are each sufficiently developed to protect fundamental liberties and institutionalize distributive justice between the citizens of their respective countries, then there is no injustice involved in Denmark having a GDP per capita twice as high as Costa Rica, or five times higher or ten times higher. Such inequality is not a matter of justice according to *The Law of Peoples*.

I am not saying that there is nothing to this view. But for reasons I cannot discuss properly here I believe that its plausibility becomes increasingly fragile in today's globalised world.³ My own view is that fundamentally, ethically speaking, we owe the same sort of justification for the inequality between, say, the income of a Milanese and that of another Milanese, or that of a Sicilian settled in Milan, or that of an Albanian immigrant, or that of an Albanian still living in Albania, or that of a Libyan etc. It does not follow that there is no good reason for some of these gaps to remain larger than others. But these reasons must always be rooted in the same two fundamental considerations

² Rawls's (1971) theory of social justice can be construed as a version of lax opportunity egalitarianism in this sense. My own version is presented and defended in Van Parijs (1995). Many authors, from Joe Carens (1981) and Jerry Cohen (1999) to Robert Frank (2000) and John Roemer (2011) have rightly warned against accepting too easily the need for some material incentives as justifications of existing inequalities in capitalist economies.

³ See Rawls & Van Parijs (2003) and Van Parijs (2008)

which I said were relevant in a domestic context, namely responsibility and efficiency. There is no other fundamental justification for inequalities between people belonging to different regions than those applying to inequalities between people belonging to the same nation.

Against this background, it should be clear enough that both across national borders and within each country there is plenty of equality today that can be explained in many ways but that cannot be justified. Whether this inequality increases or decreases, where and why is interesting to know and there will be a lot more about that at this conference. But even if it could be shown that there is some sign of this inequality decreasing everywhere, it would remain urgent to ask how we can move away from a situation in which, according to Branko Milanovic's data, half the world's income is appropriated by 8% of its population, including possibly some of the people in this room.

Three strategies against global inequality

So, how can we move away from this situation? There are three possible strategies. The first one consists in boosting GDP, local production in the poorer countries. This could be through targeted development aid or through remittances from immigrants channelled to investment in their country of origin. This could also be through direct foreign investment or technology transfers facilitated both by the openness of the richer countries' markets to what is being produced in less developed countries and by the important trust-building role played by diasporas in the richer countries. But there are places in the world where this will only tackle a fraction of the problem. Having visited the so-called Democratic Republic of the Congo a couple of times I have often wondered first of all how much it would cost in air conditioning and in petrol to make the steadily growing Congolese population as productive as the Texans. It is hard to escape the thought that achieving this could only come at the expense of making life on the planet completely unsustainable. Secondly, I have also often wondered how utopian the rule of law and an efficient administration — both essential to make such a country more productive — will remain as long as any local graduate with the capacity to get some sort of reforms going in that direction is poached by the private sector, or by some job opportunities abroad or even by some international NGOs. I do not mean to deny that this first strategy, GDP boosting, may work for some countries, sometimes even a bit too well according to some — when noting, for example, that Belgian steel is now in Mittal's Indian hands and (worse still!) Belgian beer in Ambev's Brazilian hands. But it certainly won't work everywhere, and particularly it won't work in some of the poorest countries in today's world.

The second strategy consists in opening the borders, in relying migration. I find that we Europeans are often unfair when assessing the performance of the United States in terms of inequality. When you look at the trend displayed by some indices of inequality through time in a country with a high rate of immigration like the United States, you should not compare inequality in today's resident population with the inequality in the resident population in that same territory ten years ago or twenty years ago. You should instead compare the level of inequality in today's population with the level of inequality in that same population today as it was ten years ago or twenty years ago *wherever they were then living*. What you could detect with this more sophisticated index is the extent to which migration contributes to increasing the level of income of people who were in a situation of great poverty before they moved, and thereby decreasing inequality globally possibly at the expense of increasing it in the host country. However, this second strategy leads quickly to what I believe is the most cruel dilemma of the Northern left, of progressive people in more developed countries. It is hard to deny that opening the borders especially to the poorly skilled workers from

poor countries is a significant contribution to the reduction of unjust inequality. But at the same time it is hard to deny that the newcomers, coming from these poorer countries, will compete most directly, sometimes ferociously, not with the bourgeois, whose shoes and bathrooms they came to clean, but with the poor local guys and women who qualify for the same sort of jobs as the newcomers, are confined to the same sort of housing and are dependent on the same sort of social services. It is simply impossible for the Northern left to be both as generous as it feels it ought to be towards outsiders and as generous as it feels it ought to at least remain with the most vulnerable of its own population. Barring an *apartheid* regime that rests on the perpetuation the sub-status of *Gastarbeiter*, borders cannot be widely opened without accepting the dismantling of the genuinely redistributive part of our welfare states. Genuine redistribution, i.e. a transfer system that is not only insurance-based, cannot be sustained without a fortress to protect it.

Bearing in mind the limits of the first strategy, how can this dilemma inherent in the second strategy be, if not solved, at least alleviated? Only through a third strategy that consists in organizing genuine interpersonal redistribution at a higher level than the only one at which it has been organized so far, namely that of the nation-state. This third strategy, I believe, is relevant at the global level but I want to zoom in to a level at which it is both more urgent and more immediately relevant, namely the level of the European Union, on which I shall focus for the rest of my talk.

The EU's predicament

Within the borders of the European Union, a quite amazing lot has been done along the first two strategies which I have just mentioned. Firstly, GDP boosting has certainly happened in the poorer parts of the European Union, in part through the so-called structural funds and through regional policy, but above all as a direct and indirect result of the free movement of capital, goods and services. Secondly, and no doubt most remarkably compared to what was happening in the past and to what is happening elsewhere, this freedom of movement has been extended to people. This has led to the crowding of immigrants in the EU's most thriving cities and even to spectacular decreases in population in some peripheral areas, such as Bulgaria and Romania.

As a result of all this, income inequality between member states is arguably a lot lower than it would otherwise have been. But this trend, which egalitarians are bound to welcome, may well be offset by another phenomenon induced by precisely the same causes. For throughout the European Union we are witnessing the rise of a general feeling, more or less founded empirically, that governments must reduce the levels of the social benefits and services they provide, or to make them more conditional, to avoid becoming magnets for net beneficiaries, and that they also have to reduce the taxation of the wealthier households and firms in order to reduce the risk of their moving out. In other words, it is now widely believed that the European Union's national governments have become economically unable to do what they had been doing not too badly in the past, namely reduce unjust inequality through a combination of progressive taxation, the welfare state and a high-quality public education system. The single market, including the single currency, is in the process of killing what we European lefties used to be so proud of. Perhaps, we Europeans would therefore be wise to pay attention to a warning issued to us over a decade ago by the respectable political philosopher I already referred to:

"One question the Europeans should ask themselves, if I may hazard a suggestion", this American citizen writes, "is how far-reaching they want their union to be. It seems to me that much

would be lost if the European union became a federal union like the United States. Here there is a common language of political discourse and a ready willingness to move from one state to another. Isn't there a conflict between a large free and open market comprising all of Europe and the individual nation-states, each with its separate political and social institutions, historical memories, and forms and traditions of social policy. Surely these are great value to the citizens of these countries and give meaning to their life. The large open market including all of Europe is aim of the large banks and the capitalist business class whose main goal is simply larger profit. The idea of economic growth, onwards and upwards, with no specific end in sight, fits this class perfectly. If they speak about distribution, it is [al]most always in terms of trickle down. The long-term result of this — which we already have in the United States — is a civil society awash in a meaningless consumerism of some kind. I can't believe that that is what you want.” (Rawls & Van Parijs 2003)

In brief, what John Rawls is telling us is “Please, Europeans, don't go the way we Americans went.” I believe, however, that there is no way back to our nation states and that in order not to end up doing far worse than the United States in terms of unjust inequalities, we have no option but to do what may look like the exact opposite of what Rawls is recommending, i.e. move in the direction of the US along three distinct dimensions, though in each case in a specific way. These three dimensions can be understood as features or preconditions of the third strategy for fighting international inequalities mentioned earlier: transnational redistribution.

A three-pronged quasi-American strategy?

Perhaps the best way of explaining the intuition behind the three-pronged strategy I am about to sketch starts with the current crisis of the Euro. How do other currency unions, such as the United States of America, manage to cope with what is the most fundamental difficulty behind the so-called Greek crisis? How do they handle significant divergences in productivity between their individual states despite their inability, intrinsic to a currency union, to use devaluation as an adjustment mechanism? Schematically, but essentially, through two in-built stabilisers: one is a high level of interstate migration, to which Rawls alluded in the passage I quoted, and the other is a massive system of interpersonal redistribution, organized and funded at the federal level, as it is in the United States, through the nation-wide pension system, Medicare, Medicaid, Temporary Assistance to Needy Families, the Earned Income Tax Credit, the food stamps programme, etc. Because of this bulky transfer system being funded at the federal level, its automatic operation works as a powerful in-built stabilizer in case of inter-state divergences, without any ad hoc decision needing to be taken.

What about Europe? If only for linguistic reasons, inter-member-state migration will remain comparatively low or, when it happens, will tend to lead to more acute tensions and to far greater and longer-lasting integration costs. Secondly, the degree of EU-level redistribution is peanuts relative to federal redistribution in the United States, whereas given the greater obstacles to inter-state migration, it should precisely be higher. What needs doing in the European Union therefore, and most urgently, both to supplement and to support the welfare systems of the member states, is to make significant EU-level interpersonal redistribution politically possible. This is the only serious way of tackling the predicament I mentioned at the very beginning: as national inequality-reducing policies become economically unsustainable, we need to make supranational, EU-level inequality-reducing policies politically possible. How? Necessarily by making the EU a bit more like the US along three

dimensions, in each case with a crucially distinctive European touch.⁴

Firstly, we cannot go for a EU-level mega welfare state, something as ambitious and complex as the US welfare state. We therefore need to go for something more modest, far simpler, far easier both to implement and to monitor, namely something like a universal basic income, funded, by an EU-wide value added tax, possibly also in part by some form of EU-wide carbon or energy tax.

Secondly, we need our European political institutions to be designed in such fashion that the top EU decision makers are not electorally accountable exclusively to their respective national constituencies, as Angela Merkel, Nicolas Sarkozy and all the others currently are. This does not mean that we should go for a US-type presidential system, with a directly elected president. Instead, we need to implement something that should achieve an analogous outcome, such as an EU-wide constituency for part of the seats at the European Parliament, with the job of president of the executive of the EU (whether the Commission or the Council) being dependent on the outcome of this election.

Thirdly, and most fundamentally perhaps, we must bear in mind that the national welfare states did not drop ready-made from the desk of a bureaucrat, let alone from the mind of a philosopher. They were the outcome of struggles, conducted by movements, associations, trade unions, political parties. The success of such struggles depended on effective communication, coordination and mobilization among between those who stood to gain most from the gradual development of those welfare states and their inequality-reducing impact. This was greatly helped, indeed made possible, by the sharing of a national language. The absence of a common language is one great obstacle to effective trans-member-state mobilization, not among the rich and the powerful who can afford the great but tremendously expensive services of translators and interpreters, but among the weakest, the most vulnerable and their organizations. Hence the importance of democratizing, as quickly and effectively as possible, competence in the same language in all layers of the population. This language, you might have guessed it, will not be Italian. It will be the language adopted at this conference. The process of spreading English among young Europeans is well on its way, though some countries, including Italy or francophone Belgium, lag behind because they are stupidly handicapping their youth, especially the youth from the poorer groups, by dubbing American films instead of subtitling them. This privilege given to the native language of a subset of the European population raises serious issues of linguistic justice, which I try to address systematically in a book published this month (Van Parijs 2011b). In its penultimate chapter, I argue that one of the ways in which linguistic justice needs to be pursued, implies that all official languages of the EU will be entitled to enjoy a form of coercive protection within a particular territory defined in most cases by the borders of the member states. This feature of the language regime of the European Union, commonly called the “linguistic territoriality principle”, is bound to be and remain a major difference with the United States.

To conclude, let us return to the predicament I formulated at the very start. In order to address the problem created by the nation states’ growing economic incapacity to reduce inequality, we need to develop the political capacity of the European Union — and of the world as a whole — to reduce inequality at a higher level. This will require us Europeans to take the US route, notwithstanding Rawls’s advice to the contrary, though in a specific way that should help handle the difficulties he saw

⁴ These three moves are presented in a broader context and discussed at greater length in Van Parijs & Vanderborght (2010), Van Parijs (2011a: ch.5 and 7), and Van Parijs (2011b), respectively.

with that route. In particular:

- 1- like the US, we must develop interpersonal redistribution at the level of the Union, *but* in a simpler, more universal, more basic way than what the US welfare state does;
- 2- like the US, we must design our political institutions so as to require Union-wide electoral accountability from the Union's top decision-makers, but without adopting a presidential system; and
- 3- like the US, we should adopt English as our shared language, as is already happening today, but without eradicating the other languages in the process — *per fortuna*.

References

- Carens, Joseph H. 1981. *Equality, Moral Incentives and the Market*, Chicago: University of Chicago Press.
- Cohen, G.A. 1999. *If You Are an Egalitarian, How Come You Are So Rich?* Cambridge: Harvard University Press.
- Frank, Robert H. 2000. *Luxury Fever. Money and Happiness in an Era of Excess*. Princeton: Princeton University Press.
- Milanovic, Branko. « Global income inequality : the past two centuries and implications for the 21st », paper presented at the Conference « Economic and social inequalities : causes, implications and remedies », Milano, 27-28 October 2011.
- Rawls, John. 1971. *A Theory of Justice*. Cambridge: Harvard University Press.
- Rawls, John. 1999. *The Law of Peoples*, Cambridge: Harvard University Press.
- Rawls, John and Van Parijs, Philippe. 2003. "Three Letters on *The Law of Peoples* and the European Union", in *Autour de Rawls*, special issue of *Revue de philosophie économique* 8, 7-20.
<http://www.uclouvain.be/cps/ucl/doc/etes/documents/2003.RawlsVanParijs.R.Phil.Econ.pdf>
- Roemer, John E. 2011. "The ideological roots of inequality and what is to be done", in *Arguing about Justice. Essays for Philippe Van Parijs* (A. Gosseries & Y. Vanderborght eds.), Louvain-la-Neuve: Presses universitaires de Louvain, 291-302, www.uclouvain.be/394650.
- Van Parijs, Philippe. 2007. "International Distributive Justice", *The Blackwell's Companion to Political Philosophy* (R. E. Goodin, P. Pettit & T. Pogge eds.), Oxford: Blackwell, Vol. II, 638-52.
- Van Parijs, Philippe & Vanderborght, Yannick. 2010. « Basic Income, Globalization and Migration », in *Sustainable Utopia and Basic Income in a Global Era*, Seoul : Seoul National University, 7-29
<http://www.uclouvain.be/cps/ucl/doc/etes/documents/2010.BIGlobalizationMigrationdraft4.pdf>
- Van Parijs, Philippe. 2011a. *Just Democracy. The Rawls-Machiavelli Programme*. Colchester: ECPR.
- Van Parijs, Philippe. 2011b. *Linguistic Justice for Europe and for the World*. Oxford: Oxford University Press.