

value judgements within economics, then we are forced to consider more carefully possible criteria for assessing economic outcomes, and this process is apt to yield better criteria than those which arise out of a mistaken sense of what economics can and should be.

If welfareism is fatally flawed in these ways, then we still need a satisfactory answer to our question “*what makes for a good economic outcome?*” What I will refer to hereafter as the “egalitarian” normative view is actually a family of diverse theoretical perspectives that exhibit two principal features that are relevant for present purposes. The first is an opposition to the neoclassical view of economics as value-free science and, as a consequence, to the normative criterion of welfareism. The second is a deep commitment to some conception of equality or fairness as a (if not *the*) chief normative principle for assessing economic outcomes. We turn now to this egalitarian perspective.

3 Distributive justice and economic heterodoxy

INTRODUCTION

Philosophers, political theorists, political economists and others have long wrestled with the matter of the normative assessment of social and economic outcomes. These scholars have generated approaches to social evaluation that differ markedly from the welfareism that has predominated within the neoclassical tradition. One important branch of thought emphasizes the concept of distributive justice, and it is this branch that has been most influential among heterodox economists.

This chapter will present several recent, influential contributions to the debate over distributive justice. Of these, the work of John Rawls is best known. Reacting to the utilitarian tradition, Rawls undertook to reorient the debate over normative assessment to encompass non-subjective criteria, and to privilege fairness over social welfare. Since the publication of his major treatise in the early 1970s, the concept of justice as fairness has gained substantial support. The following commentary will therefore commence with a consideration of his chief arguments; insofar as this work is rather well known, this summary will be brief. We will then examine the work of Michael Wälzer, an influential political theorist who has undertaken to develop an account of justice that emphasizes the important differences among the social goods that communities distribute.

The chapter then turns to the normative perspectives associated with two heterodox approaches to political economy, institutionalist and Marxian theory. We will find that egalitarianism in the distribution of social wealth is among the central normative criteria within the field of political economy, if not within the neoclassical vision. Finally, we will turn to the recent contribution of economist and philosopher Amartya Sen. Deeply influenced by Rawls, Sen has offered a criterion of social evaluation that captures the normative concerns of many egalitarians, including many heterodox economists, while having several important, practical virtues. I will explicate Sen’s normative criterion and then identify some of its chief virtues as a guide for assessing economic outcomes. The chapter then defends egalitarianism against the claim that it is inconsistent with human nature, as this is one of

the most frequent objections raised against it. The chapter concludes by indicating how a commitment to egalitarianism invalidates the neoliberal model of economic organization.

RAWLS AND JUSTICE AS FAIRNESS

In *A Theory of Justice*, Rawls advanced a thorough critique of utilitarianism and a compelling alternative normative principle rooted in the tradition of "contractualism". The latter entails a notion of justice as fairness. Rawls' approach is complex and nuanced; yet several of his chief insights may be rendered fairly simply without extreme violence to the deeper analysis from which they flow.

Rawls sets out to discover a normative principle that would be suitable for designing the constitutional foundations of democratic society. His work explores the question:

[What] is the most appropriate conception of justice for specifying the fair terms of social co-operation between citizens regarded as free and equal, and as fully co-operating members of a society over a complete life, from one generation to the next?

(Rawls 1996, 3)

This question would not be so damning were we to assume that all reasonable members of society shared the same conceptions of how we should live; but Rawls emphasizes the fact that in democratic society we may not make this presumption. Instead, democratic citizens are empowered to (and indeed do) develop and advocate fundamentally distinct "comprehensive doctrines" – philosophies, religious commitments and other deep conceptions about what is right. Many of these may be reasonable in the (liberal) sense of accepting the value of democratic governance.⁵² But these comprehensive doctrines may be largely incompatible in the way they define the social good, appropriate personal behavior and social practices, and so forth. Where such diversity exists, Rawls asks, how might we fashion a normative principle that can provide the basis for social co-operation among society's members? What kind of normative principle is apt to secure the willing assent of those with such deep disagreements?

In response to these questions, Rawls proposes what he calls a "political conception of justice". As the term suggests, this conception is limited in terms of its field of application. Rawls seeks a conception of justice that does not compete with or displace the various comprehensive doctrines that people hold, but that instead allows them to find a way to live peacefully with each other in the same democratic space. The political conception must be one that we may reasonably expect adherents of reasonable (though distinct) comprehensive doctrines to endorse – not as a temporary strategic means of furthering their

own comprehensive doctrines, but rather as the basis for an enduring, fair democratic society predicated on social co-operation.

Rawls' mission is to discover and defend a normative principle that can achieve this purpose. His novel approach entails the construction of a procedure by which rational human actors themselves discover the principles by which they can achieve social co-operation, regardless of the substantive disagreements among their respective comprehensive doctrines. Much of Rawls' argument entails specifying precisely the conditions which must be met in order for such actors to reach the right conclusions. Many of these conditions concern the nature of the individuals who undertake the exercise. Importantly in this regard, the individuals must embrace the notion of democratic citizenship, in which each person is to be regarded as free and equal. Each must be committed to reasoned discourse, in which arguments in favor of or against a particular proposition must be made in terms of what is reasonable for others to accept.⁵³

Rawls also specifies the background conditions under which individuals deliberate in their pursuit of normative principles. He asks us to presume the existence of a committee of rational deliberators, each of whom is taken to represent one of the groups of which society is composed. Each of these groups is taken to subscribe to some comprehensive doctrine or other – that is, they hold distinct religious conceptions, philosophies, etc. This committee is assigned the task of devising a political conception of justice which all (reasonable) groups in society might be reasonably expected to accept as a basis for social co-operation. Now Rawls asks us to assume, finally, that the committee's deliberations over this principle take place behind a "veil of ignorance". This means that the participants must devise the principle of justice that would apply to their society and all groups within it *prior to their knowing to which group they will themselves be assigned*. The veil of ignorance therefore separates the interests of each committee member from that of any particular group. Under these circumstances, Rawls reasons, the committee would devise the best political account of justice that would be ultimately acceptable in principle to all (reasonable) groups.

What kind of political conception would this committee devise? Rawls maintains that the committee would endorse a simple set of principles, which he captures as follows:

- (a) Each person has an equal claim to a fully adequate scheme of equal basic rights and liberties, which scheme is compatible with the same scheme for all; and in this scheme the equal political liberties, and only those liberties, are to be guaranteed their fair value.
- (b) Social and economic inequalities are to satisfy two conditions: first, they are to be attached to positions and offices open to all under conditions of fair equality and opportunity; and second, they are to be to the greatest benefit of the least advantaged members of society.

(Rawls 1996, 5–6)

Principle *a* requires the *equal* distribution of what Rawls calls "primary goods". These are "basic rights, liberties, and opportunities, and the ... all-purpose means such as income and wealth", but also the "bases of self-respect" (1996, 180–81). "These goods," Rawls continues, "are things citizens need as free and equal persons." Justice as fairness requires that they be equally provided to all of society's members, so that each has equal *substantive* ability to pursue her conception of the good and the right (as determined by her comprehensive doctrine). Rawls contends that without sufficient means, the formal rights and opportunities that people enjoy remain empty promises. The deprived are unable to secure the "fair value" of these rights and opportunities (1996, 6).⁵⁴

Principle *b*, called the "difference principle," modifies the first. Rawls allows for the case in which the equal distribution of primary goods may harm all of society's members. Justice as fairness permits inequality in the distribution of primary goods provided that the worst-off benefit most thereby.⁵⁵

The difference principle has strong intuitive appeal, especially in simple cases. Consider a group of people cast adrift in a lifeboat with limited food and water. Justice as fairness would warrant an unequal distribution of resources, with those who are most capable of rowing the boat receiving a disproportionate share, because this distribution would serve the interests of those least provisioned (by increasing their chances of survival) far better than would a strictly equal distribution.

This is an important qualifier, to be sure. Justice as fairness, read in full, requires equal distribution of primary goods, except to the degree that inequality will most help those worst off. It therefore incorporates into the justice principle consideration for the practical or instrumental effects of distributive patterns. This consideration plays an important part in other contemporary approaches to distributive justice, especially that of intuition-alist theory. But we will see that the test required under the difference principle, though straightforward in trivial cases, can be troublesome when applied to more complex situations. At best, a determination that inequality helps those worst off is difficult to make; at worst, the difference principle invites self-serving justifications for inequality from those who gain thereby.

WALZER AND "SPHERES OF JUSTICE"

Although there is broad support for egalitarianism in some form or other among political theorists, philosophers and others, concerns have been raised about the sufficiency of strict equality of distribution. Some, like Amartya Sen, highlight the complications that result from differences across individuals that affect their respective needs and abilities (see below). Others, like Michael Walzer, emphasize the differential aspects of distinct

goods as grounds for asserting a distributive principle that seeks justice through their *unequal* provision.

Like Rawls, Walzer (1983) sets out to establish a criterion for distribution of goods that is just by virtue of its inherent fairness. Also like Rawls, the domain with which he is concerned includes objects of the sort we usually classify as goods, such as food, housing and so forth, but extends beyond these to include other kinds of valuable possession. These might include political office, or a certain kind of employment or occupation, or even respect. Walzer uses the term "social goods" to include the entire range of valued, distributed entities.

Walzer's chief claim is that the particular character of each social good should determine its own criterion of distribution. An obvious example is health care: for Walzer, this vitally important social good should be distributed according to need. Simply put, those who are in poorest health (rather than those who are wealthiest) should receive the most care. Need should not, however, condition every distribution. Political office, for example, should be allocated not according to the relative personal needs of those who seek it, but according to the persuasiveness and leadership ability of the candidates. No one person deserves to be elected on these grounds, of course; we do not and should not use civil service exams to select our leaders. Rather, we should provide each with an equal ability to make her case, marshal support, excite the electorate, and earn its trust. We should then grant political office to those whom the majority of us choose. Artistic or other awards should be allocated according to merit judged against some set of criteria deemed appropriate by the relevant community and then equally applied to all those who compete. In contrast, careers should be open to talents, where those best able to serve are given the chance to do so. To be just, competition for such positions must occur in the context of a just distribution of education and training (and other vital social goods, like income), in which all are guaranteed the level of education necessary to participate as full members of society. This is not to say that education should be distributed equally, either: those with special needs must have access to sufficient assistance to develop their talents, while those with special gifts must be allowed to refine their intellects through advanced training.

Walzer offers this "complex equality", in which the character of each social good determines its distributive principle, as a corrective to univocal accounts that select but one criterion for determining the allocation of all social goods ("simple equality"). Income has served as the principal focus in many univocal accounts of justice, especially among egalitarians with socialist sensibilities. These egalitarians have objected to the means by which income has been distributed, and to the uses to which unequal income has been put. With respect to the former, Walzer argues that income should be tied to work performed, not to power, heritage, or other illitit factors that today shape the distribution of market rewards. With respect to the latter, unequal income has rightly attracted the concern of these egalitarians

because it often provides the means for laying illegitimate claim to other social goods. In Walzer's terminology, money has often been a "dominant" good that corrupts the distribution of other goods, like political office. In Walzer's view, those socialists who have called for the equal distribution of income really intend that money should not hold power outside of its sphere: "what socialists want is a society in which wealth is no longer convertible into social goods with which it has no intrinsic connection" (Walzer 1973, 404). Money should not be the basis for the allocation of most other social goods, because the justice claims of complex equality demand that they be distributed according to their own inherent qualities. Instead, money should serve merely as the means of acquiring (distributing) those goods that people may desire but which are not essential for life itself, the achievement of self-respect, political efficacy, or personal flourishing. Hence money should not acquire health care, political office, careers, education, etc.

In short, complex equality entails a system in which the distribution of any one social good must not become the basis for the distribution of other social goods; that is, in which no one social good should be dominant. Each criterion of distribution must reign in its own domain, and not be allowed to spill over to others. This argument therefore undermines univocal distributive principles, because distinct social goods call forth distinct distributive criteria. The univocal egalitarian principle of need is alien to the sphere of offices; the principle of just desserts is alien to the sphere of medical care.

INSTITUTIONALISM AND REASONABLENESS

Within political economy, several important schools of thought have rejected any form of welfarism in favor of some notion of fairness. Notable among these is institutionalist theory. Institutionalists thought encompasses a range of normative perspectives. The following treatment cannot do justice to this diversity, but intends instead to explicate some of the chief normative claims that have attracted substantial support among many institutionalists.

Institutionalist theory is explicitly normative. It rejects the idea that any social science could possibly avoid value judgements, or that it should want to do so. Institutional theory, as we have seen, also refuses to treat human subjectivity in the manner prescribed by the neoclassical vision. In this account (as with the other perspectives to follow), human nature is malleable and largely shaped by the cultural milieu which a person enters at birth, and in which she is educated and socialized. On this account, then, preferences reveal as much about the society in which one lives as about what is truly valuable in life. Unreflective subjective states therefore provide an inappropriate guide in the formation of a value principle to drive economic research, policy formation, or social critique (see Chapter 2).

Marc Tool provides a detailed account of a normative commitment that runs through much of the institutionalist tradition. He summarizes it thus: "We now affirm that that direction is forward which provides for the continuity of human life and the non-invidious re-creation of community through the instrumental use of knowledge" (Tool 1979, 293; italics in original).

This is a complex principle. "The continuity of life" refers to the imperative of society to take steps to perpetuate the species but also to sustain those members of society whom it is in its capacity to save. "Re-creation of community" entails the notion that humans are, of necessity, social creatures who come to be within a particular social milieu. This milieu is alterable: indeed, it is continually in process of being recast as a consequence of human design, accidents, experiments and natural events. By extension, the "non-invidious re-creation of community" entails the pursuit of institutions, laws, customs and practices that refuse to rate or rank persons in regards to their worth. As such, this entails a proscription on stereotyping, racism, sexism, classism, or any processes which equate personal attributes or degrees of achievement (such as income) with levels of worth. Social progress requires the replacement of invidious distinctions with forms of appraisal of members' contribution, productiveness or praiseworthiness that eschew valuations of worth. The "instrumental use of knowledge", finally, captures the institutionalist assessment of theory and practical knowledge as valuable only to the degree that these serve the purposes of addressing pressing social problems. Galbraith expresses this sentiment succinctly by claiming that theory must pass the "test of anxiety" (Stanfield 1996). To serve this function, knowledge must be reliable in the sense of arising out of careful reasoning and accumulated experience rather than out of received (and unquestioned) texts or authorities. Reliable knowledge can and will change in response to the never-ending experimentation undertaken by people democratically engaged in solving the problems that they deem important and that are within their abilities to overcome (Tool 1979, 293ff). Institutionalists subscribe to what Dewey called "evolutionary positivism", or a pragmatic empirical approach to social investigation and policy application.

This multifaceted normative position is rather demanding. It entails democratic equality in the sense of the affirmation of each person's right "to be and to belong". Democracy is endorsed not on the basis of any claims to timeless, fundamental rights of man, but on the basis that it performs better than other alternative arrangements in identifying and resolving social problems, and in recognizing and correcting policy errors (Stanfield 1996).

This normative principle also demands freedom, with each member of society afforded the opportunity to experience "an expanding area of genuine choice" (Tool 1979, 320, italics in original). The qualifier "genuine" in this context signals the need to look beneath the mere number of options before us at any given moment in order to interrogate the range of meaningful alternatives that this number actually affords. The term "expanding" reflects again the evolutionary character of social and individual existence. At the

level of society, "freedom requires the development and perfection of institutional forms to expand the spheres of discretionary involvement – genuine choice". For the individual, "freedom means the progressive enlargement of the rational, means-consequence-perceiving capacity of people and of opportunities to choose among alternative ways of organizing structural aspects of the political and economic processes" (Tool 1979, 320). This conception of individual freedom explicitly does not entail or require the relative absence of government-imposed constraints, as libertarians would have it. Instead, such constraints are vital to the protection of personal freedom itself. In common with Hegel, the institutionalist view understands that freedom follows only from the recognition of necessity.

Certainly, this is an expansive principle. For our purposes, we can focus on the more concrete question of the patterns of economic distribution that the principle implies. This principle requires justice, defined as "the assurance to all of *instrumental involvement in the social process*" (Tool 1979, 330). This notion of justice entails both intrinsic and instrumental claims in favor of distributive justice, and these are sometimes merged in institutionalist thought. Regarding the former, each member of society must be provided the means necessary to flourish as a fully human being. In this connection, Tool cites a compelling passage from Schar:

[The] poorest he that is in England hath a life to live as the richest he. There is the heart of the matter: each man has a *life* to live, not a role to perform; that life must be *lived*, not acted out according to some pre-fixed pattern; and *he* must live it, not give over the responsibility for it to someone else.

(Tool 1979, 326)

Recognition of the inherent worth of each individual entails the mandate for society to provide each with at least that minimum income and support necessary to live his life fully. This requires that each must receive lifelong "education, training, skills, employment connections, and income" and the other resources necessary (in the context of his culture) to enhance his capacities (Tool 1979, 331–2).

The instrumental argument emphasizes the broader social effects of distributive patterns. Gross inequality interferes with the ability of the dispossessed to participate in the re-creation of community – to contribute to the social processes of experimentation and learning-by-doing that are so fundamental to social progress. This harms all of society's members, not just those excluded from these vital activities. Inequality also generates sub-optimal macroeconomic outcomes. William Dugger defends the attachment of "radical institutionalism" to egalitarianism on these instrumental grounds:

More income for the poor and lower-paid workers is desirable, not only on behalf of those receiving it, but also because it keeps pecuniary

demand growing with industrial supply ... [More] income for those with low incomes will boost effective demand, boost output, and move us closer to universal affluence and full employment.

(Dugger 1989, 9–10)

This principle highlights need as the primary determinant in a just distribution but it does not explicitly require strict egalitarianism *per se*.⁵⁶ Instead, any distribution is to be judged by reference to its effects on individuals and on society. Does an unequal distribution undermine the ability of the dispossessed to *live her life*? Does it also hinder her ability to undertake "instrumental involvement" in her community? For institutionalists, these are questions that require careful empirical investigation of actual cases. As we will consider shortly when we turn to Sen, these capacities might not depend so much on absolute levels of income and wealth as on relative levels. The relatively poor may face insurmountable obstacles in living their own lives or participating effectively in the political institutions of their communities. To the degree that this can be shown, the institutionalist principle elucidated here would require rather compressed distributions of income and wealth across society's members.

Before turning to the Marxian perspective, we should take note of the view of one particularly influential institutionalist, John R. Commons, who focused extensively on the matter of labor markets and wage determination. The labor market is central to the debate over global neoliberalism, and it is an area of the debate in which institutionalists have been particularly active and influential.

John R. Commons⁵⁷

Commons pioneered institutionalist theory of the labor market. A good bit of subsequent institutionalist work has focused on the pivotal relation between labor and capital in the market economy. Commons' career spanned the late nineteenth and early twentieth centuries. This was a time of tremendous economic upheaval in the US. Large oligopolies established control over most important industries, huge manufacturing facilities emerged which drew together hundreds of thousands of workers in industrial cities, and episodic labor strife broke out across the country. As with the institutionalist tradition more generally, Commons sought to discover and implement workable reforms which would deliver the promise of economic development to all members of society while alleviating the causes of social turmoil. His chief normative concern was to secure fairness in the capital-labor nexus. In his view, the so-called "free" labor market of the early twentieth century was neither free nor fair. Only government intervention could repair the skewed balance of power that capital wielded over labor:

Unlike neoclassical economists, Commons refuses the notion that a bargain struck by nominally free parties in a market is by definition fair. The

neoclassical view stems from the simple intuition that in a free market – in which every contracting party has the formal freedom to refrain from concluding any agreement that it views as deficient – any agreement reached must be deemed beneficial in the eyes of the concerned parties. An unfair agreement will simply not be completed – or at least, must be the result of a mistake by one of the parties, and so will not be repeated. Hence, in the orthodox view, the default position in assessing market transactions must be to take them as essentially fair.

Commons' chief insight for present purposes is to see that a contract is fair only if the two parties entering into it have equal bargaining power in the formation of its terms. Commons designates the fair price achieved through contracting among genuinely equal parties "reasonable value". A contract formed under conditions of asymmetric power might be deemed mutually beneficial in the limited sense that each party gains something thereby, but could not be deemed to generate reasonable value (Ramstad 1987).

Commons focuses on the parties' "ability to wait" as the chief operational and visible component of market power. When one party in a market is more desperate to reach agreement quickly than is its counterpart, perhaps because what she has to sell is perishable or because she faces a relative absence of alternative parties with which to contract, the resulting contract reached will be unfair to that party. The greater the asymmetry in ability to wait, the greater will be the ultimate unfairness.

Through the concepts of genuine equality, the power to wait and reasonable value, Commons provides a normative basis for evaluating market outcomes. Moreover, these concepts provide direction for intervening in those markets which are marred by unfairness in order to bring about reasonable value. And in this regard, Commons identifies the labor market as a critical site in need of reform. First, he claims that the orthodox view of the labor market, in which demand and supply comprise free and equal individual actors with no market power, is an illusion. In this market, each individual worker confronts combinations of investors who are joined together in the corporation. This asymmetry is obscured by the fiction of treating the corporation as a singular entity, analogous to the single worker, even though it is itself an organization joining the resources and defending the interests of many individual investors. Second, workers and corporations do not have equal ability to wait. While the firm can refrain from reaching agreement with any particular worker (given that it represents the short side of the market), each worker needs to secure and retain employment in order to survive and to provide for her dependents. Individual workers are therefore unable to achieve reasonable value. As a consequence, the free labor market yields an inherently unjust distribution of the social product.

This asymmetry can be overcome through two chief institutional reforms: the legally sanctioned combination of workers in labor unions, and the creation of regulatory commissions to oversee and intervene in the labor market. The labor union parallels the combination represented by the

corporation, and allows workers to achieve together something they are unable to achieve individually. It enhances workers' ability to wait by pooling resources that can be distributed to union members during work stoppages, while reducing the corporation's ability to wait by removing substitutes from the market. The regulatory commission supplements the efforts of unions to ensure that genuine equality in the labor market is indeed achieved. For example, Commons argues for the imposition of "social tariffs" on imports from countries with weak labor standards as a means to prevent the weakening of the power of labor in the US (see Chapter 6).

Application of the standard of reasonable value breaks with the subjective standard of fairness implicit in the neoclassical vision. The neoclassical inference of "fairness" from "willingness" fails to give adequate attention to the possible injustice surrounding the circumstances that attend the contracting process. For Commons, a fair agreement requires fair opportunity, just as we would hesitate to bestow the status of fairness on an agreement in which a slave "chooses" to work under onerous conditions rather than risk punishment of injury or death, so would Commons have us refuse the designation "fairness" to any agreement reached under coercive force of unequal power.

Distribution and the community

The neoclassical vision incorporates an implicit commitment to the principle of first instance distribution according to net contribution, as we have seen. In this view, the total product can be decomposed into shares contributed by each individual agent so that when added together, these respective shares sum to the total product. In contrast, institutionalists refuse this additive decomposition. Institutionalists recognize the community at large as the agent of production (Dugger 1989). The community, past and present, is a repository of the knowledges and skills, language, norms and customs that dictate a society's level of productivity and its ability to generate wealth. The schoolteacher, the health care provider, the parent and coach all leave a trace on society's ability to produce – they enter the factory in the form of the skills, temperament and aptitude of the worker whom they helped to mold. These respective net contributions cannot be parsed and added to yield total output. Consequently, distribution according to the direct net contribution of individual factor suppliers makes no sense: while those who provide the actual labor, capital and land to production are taken to be the *proximate* agents of production, the community at large is understood to be its *ultimate* source. If distribution is to reflect contribution, then it is the deeper, ultimate source of output that should count.

In the institutionalist view, then, the community at large has a rightful claim to the total social output. In the view of many institutionalists, the distribution of the total product should be largely egalitarian. For Commons, this is reflected in the notion of "reasonable value" that emerges from

contracting among genuine equals, as we have seen. For institutionalists generally, an egalitarian distribution has both inherent and instrumental virtues. Egalitarianism is intrinsically right because it provides each individual fair opportunity to develop her capacities, to live a fully human life. It is also instrumentally right because it best serves the interests and needs of the broader community.

THE MARXIAN TRADITION

What is perhaps best known of the principles of the Marxian tradition is Marx's famous dictum that may be paraphrased *from each according to ability, to each according to need* (Marx 1938). For Marx, this is the distributive principle of the ideal communist society. It is a principle that is radically different from the welfareism of the neoclassical vision. But it turns out to be not all that far from the principles advanced by contemporary theorists of distributive justice, as is indicated by our brief treatment of Rawls, Walzer and institutionalism (above), and of Sen (to follow).

Marxism and class

One of the chief concepts of Marxian theory is "class". This frequently misunderstood concept follows from a rather simple presumption.⁵⁶ For any society to survive and flourish over time, those who perform the labor necessary for provisioning must produce not only enough to meet their own needs (called "necessary labor"), but also a "surplus". This is because, at any given moment, many members of society will not be able to perform the labor necessary to meet their own needs; or they (or society) will have decided that though they have this ability, they ought not apply themselves to this task. For instance, in order to survive, a society must make provision for its infants and its infirmed. A complex society will also allocate the labor of many people to tasks that contribute to the well-being of society (such as the writing of poetry), but which are not directly productive in the sense of participating in its material provisioning. If those who perform productive labor only meet their own needs, then these other members of society and these other tasks cannot survive.

In the Marxian view, societies differ with respect to the ways in which they organize the production, appropriation and distribution of the social surplus. "Production" refers to the manner in which the social surplus comes into existence. Who performs the vitally important labor that is necessary to generate the surplus, and under what social arrangements? "Appropriation" refers to the processes and mechanisms by which initial claims are made on this surplus. Who are the initial receivers of the surplus, and by what legal rights, informal customs and other arrangements do they occupy this privileged social position? Finally, "distribution" refers to the processes by which

portions of the surplus flow from the initial receivers (the appropriators) to other claimants in society. It captures the mechanisms by which the appropriators are either required or otherwise disposed to share portions of the surplus. For example, must they pay taxes to the state, or interest to lenders, or rent to landlords? Do they face pressures to reinvest a portion of the surplus? These distributions of the surplus exert powerful effects on the nature of the society in which they occur.

Marxists refer to the production, appropriation and distribution of the surplus as "class processes". In the Marxian view, these processes can be organized and structured in myriad ways. Indeed, a survey of recorded human history reveals diverse class practices and structures, comprising (for example) slavery, feudalism, capitalism, socialism and communism. Moreover, each class process may occasion diverse tensions and conflicts, or what Marxists call "class struggle". Those who produce the surplus may resist its appropriation by others, while the ultimate claimants of the surplus may mobilize to increase their respective shares. Absent here is any notion of equilibrium or social harmony.

A brief stylized account of feudalism might help to clarify the meaning and significance of class.⁵⁷ Feudalism entails a class arrangement in which those who produce the social surplus, the feudal serfs, are legally bound to the land provided to them by the appropriator, the feudal lord. Those serfs attempting to flee their bondage are liable to be hunted down and prosecuted for their transgression. Thus, although serfs are not owned by the appropriators (as are slaves under the slave class process) they are not freely contracted laborers either. Under a feudal arrangement, the surplus can take the form of "surplus labor time". This form of surplus arises when the serfs are required to divide his work time between his own family's plot of land, and that of the lord. In this case, the product generated by the serf on his own land is his family's to keep; that generated on the lord's land flows to the lord without compensation to the serf. Feudal surplus can also take the form of "surplus product". In this case, the serf works the land assigned to his family full-time, but he is required to deliver to the lord some established portion of the total product at the end of the season (again, without compensation). Feudalism often entails certain extra-economic obligations between appropriator and producer; the serfs are bound to a particular lord, while the lord is often bound to provide the serf with minimally sufficient land and protection. Finally, the surplus extracted from the serf tends to be used wastefully, especially for internal and external security, and for conspicuous consumption by the appropriators. In the Marxian view, then, feudalism is a wasteful social system in the sense that it comprises no inherent mechanism to promote increasing productivity or economic growth. Instead, the social surplus generated by the serf is squandered. And as we shall see momentarily, this class process is also taken to be unjust.

The capitalist class system differs from feudalism in several important respects. First, the producers of surplus labor are nominally "free" under

capitalism, rather than being bound to any one appropriator: Second, the surplus takes the form of "surplus value". This means that it ultimately flows to the capitalist in the form of money. Surplus value accrues to the capitalist because the wages paid to workers under capitalism fail to compensate them fully for the product of their labor. For example, though a worker might contribute eight hours to production each day, she might receive a wage that only entitles her to buy three hours' worth of society's total production. Each of her workdays therefore yields a surplus product that incorporates five hours of her labor that she delivers to the capitalist "gratis". This surplus product then forms the basis of the surplus value (the profit) that is realized when the output is sold. Third, the surplus generated under capitalism tends to be invested in new technologies that enhance social productivity. For many Marxists, the drive to reinvest the surplus follows from the inherent nature of capital as "self-expanding value"; for our purposes, we can interpret this tendency more simply as the result of inter-firm competition that forces each firm to seek greater productivity in order to survive and prosper. The firm that fails to reinvest the surplus may find that it suffers a competitive disadvantage in the face of innovation by its competitors. Hence, unlike feudalism, capitalism entails an inherent dynamic that generates rising levels of productivity and social wealth. Unfortunately, however, this wealth flows primarily to capitalist appropriators and to those most favorably positioned to receive distributed shares of the surplus.

Marx and "exploitation"

Marxists assess the legitimacy of class arrangements through the lens of justice. The Marxian tradition distinguishes between class arrangements that are "exploitative" and those that are "non-exploitative". The former refers to those class processes in which the producers of the surplus do not themselves lay initial claim to the surplus that they produce.⁶⁹ Instead, the surplus is taken from them without compensation. Exploitation therefore amounts to a form of social theft. Under feudalism and capitalism, the surplus flows to other claimants: to the feudal lords and capitalists, respectively. In each case, those who produce the surplus typically receive only that share of the total output that is necessary to sustain themselves. Whether they also are able to wrest some share of the surplus depends on their ability to overcome the power imbalance and other obstacles represented by the laws, institutions and customs associated with these class arrangements. Hence, societies in which these kinds of class processes predominate are marked by fundamental antagonisms between the producers and appropriators of the surplus, and by economic injustice.

In the Marxian view, capitalism represents a particularly insidious class arrangement because the form of exploitation associated with it is obscured by an appearance of equality and personal freedom in the market. Unlike slavery, the producers of the surplus under capitalism are not the property of

the appropriators; unlike feudalism, the producers are not bound by law to labor their entire lives for one appropriator. Rather, the producers are legally free – free to enter the labor market and to form and terminate contracts with employers as they see fit. For Marx, they are free in an ironic sense: "freed" from ownership of the means of production – the tools and materials needed to produce – they are "free" only to be exploited by the employer of their choice, or to fall into poverty. *Formal* equality before the law therefore obscures the *substantive* inequality between producers and appropriators of the surplus, an inequality that herds workers into the ranks of the exploited (Marx 1977, ch. 6).

Capitalists typically do not rely explicitly on force to secure the surplus; indeed, the regular use of force would signal some other sort of class process.⁶⁸ Instead, workers generally (but not always, and not always happily) accept the terms of capitalist exploitation. The laws, institutions and norms of capitalist society encourage workers to seek only "a fair day's pay for a fair day's work" – a level of compensation that is commensurate with their contribution. Their claim to a share of the social output is treated as formally equivalent to the claims of those who provide other resources to production, such as capitalists, financiers and landlords. These arrangements reflect the convention that these other agents also are productive, thereby obscuring the reality that their role is merely to provide the means for workers to produce the full social surplus (and hence, to be exploited by those who appropriate it). Indeed, in the Marxian view, this obfuscation is codified and achieves scientific respectability in the form of neoclassical theory, with its marginal revenue product theory of compensation. In their pursuit of value-free economic science, Marxists conclude, neoclassical theorists contribute to the exploitation and immiseration of workers, all the while purporting to provide guidance for the maximization of social welfare!

Marxian normative commitments

The Marxian focus on class yields a normative commitment to the achievement of non-exploitative class processes. A non-exploitative class process is one in which those who produce the surplus serve also as the first claimants on the surplus; in which the producers are also the appropriators. Just as people *qua* citizens should have political rights to self-governance, so should they as workers have economic rights to appropriate the surplus that their labor generates. Marxists argue that justice requires and entails the end of institutionalized theft in the form of the right of appropriation by those who do not share in its production (Geras 1992).⁶⁹

Now we must confront a theoretical problem. We have encountered here two distinct normative commitments in the work of Marx. On the one hand, we have a clear commitment to distribution according to need; on the other, we find a defense of the appropriation of the entire surplus by those who produce it. How are these to be reconciled, if at all? The answer is by no means

clear in the Marxian tradition, and remains the subject of debate. After all, it is not difficult to imagine a society in which the producers of surplus with full and exclusive rights of appropriation live lavish lives at the expense of those who do not (or cannot) participate in its creation. Moreover, as a society experiences technological advance that reduces the need for labor, it may very well be the case that the proportion of the direct producers of surplus relative to the total population falls. In this case, restricting the right of appropriation of the surplus to those who participate in its production might very well generate a small but elite "aristocracy of labor". It is hard to imagine this sort of arrangement finding much support among adherents to Marxism, even though it would be one formally free of exploitation.⁶⁸

We might resolve this tension between the dual Marxian normative commitments by recognizing that the end of exploitation is a necessary but insufficient condition for achieving Marx's needs-based distributive principle. Appropriators serve only as the first claimants on the surplus. What control they then have over the ultimate distribution of the surplus is entirely contingent, governed by society's laws, institutions and customs. We may not therefore infer any particular distributive outcome from a society's appropriative arrangements. Of course this is true in societies in which the slave, feudal and capitalist class processes predominate as well. One could imagine a hypothetical "capitalist" system in which the appropriators of the surplus were divested of this surplus, which is then distributed fairly equally across all of society's members. Indeed, actually existing capitalist societies do differ substantially amongst themselves in their degree of inequality of distribution. But Marxists worry that the constellation of the laws, institutions and customs that tend to arise in societies where exploitative class processes predominate generally obstruct fair distributions.⁶⁹ It is the Marxian hope, then, that a society in which the producers of surplus also serve as appropriators will be more apt to generate laws, institutions and customs that yield distributive justice. Having displaced the tyranny of rule by non-producing appropriators, a society in which non-exploitative class processes predominate might be expected to devise fairer systems of final distribution, not just of the social surplus, but of substantive opportunities and freedoms as well.

There is no guarantee, however, that this will be the case. Each of the three moments of the class process (the production, appropriation and distribution of the surplus) is a potential site of conflict among diverse social groups and a site of injustice. Hence, it would be mistaken to essentialize appropriation as the fundamental determinant of economic outcomes—as if the distribution of the surplus were a simple consequence of appropriation. The Marxian view therefore might better be thought of as coupling *three distinct spheres* of class justice: justice in the production, appropriation, and distribution of the surplus. Once we think about justice in this way, then we can recognize that the Marxian commitment to non-exploitation refers importantly but only to the second of these three spheres. In contrast, the Marxian principle *from each according to ability, to each according to need* refers importantly but

only to the first and third. Taking these two principles together, we approach a multifaceted Marxian notion of justice that encompasses all three aspects of the class process.⁶⁵ This Marxian notion would entail what I will call "productive justice", "appropriative justice", and "distributive justice". The Marxian project is to establish societies that approach all three forms of justice.

SEN AND CAPABILITIES EQUALITY

The principle of distribution according to need has wide purchase among scholars of distributive justice, appearing (to varying degrees and with important qualifications) in the egalitarian visions of Rawls, Walzer, the institutionalists, and Marx. The work of Amartya Sen also falls within this tradition. Influenced by and sympathetic to the work of Rawls, Sen has undertaken to investigate how the existence of *interpersonal differences* bears upon the egalitarian project. This consideration leads him to a distributive principle that approaches that of Marx.⁶⁶

In Sen's view, Rawls' approach to justice as fairness (which emphasizes the equal distribution of primary goods) fails to account satisfactorily for interpersonal differences, both within and across societies. Sen highlights the range of physical and mental capacities that exist across individuals, but also the variety of physical climates in which people live, the diverse institutional structures that mark their respective societies, and so forth. These important differences affect peoples' abilities to transform primary goods into the actual achievements that they have reason to value. As Sen notes, a person bound to a wheelchair will require more resources to achieve the same level of personal mobility than will others; a woman who is pregnant will require greater caloric intake to achieve the same level of nourishment. Moreover, a community that inhabits a malaria-infested region will require more medical resources than a more advantageously placed community in order to achieve the same level of health.

For Sen, these interpersonal differences are salient because primary goods are valuable only to the degree that they allow for the achievement of those states and conditions that people have reason to value. Sen refers to these as "functionings". They range from simple states, like being well nourished or avoiding preventable morbidity and premature mortality, to more complex states, like "appearing in public without shame", or achieving political efficacy. Sen designates the full set of functionings that a person can achieve, owing to her mental and physical capacities, but also to her social, economic, cultural, and other circumstances, her "capabilities". A person who faces a thicker and more extensive capability set is taken to have a higher potential quality of life than someone with a thinner, smaller capability set. Indeed, below some capability threshold level, a good human life as we know it is hardly possible at all (cf. Nussbaum 1992).⁶⁷

Having drawn these distinctions, Sen concludes that the "focal variable" that should be equalized in an ideal society is not primary goods *per se*, but human capabilities. Owing to the existence of human diversity, an equal distribution of primary goods is apt to yield very different levels of potential achievement. If the end to which we aspire is an enhanced potential to achieve a valued life, then an egalitarian approach to justice should seek equality of that directly rather than equality of the means to live a valued life. *Contra* Rawls, then, Sen calls for the *unequal* distribution of primary goods in a pursuit of equality of capabilities to achieve functionings. With Marx, this is a stance founded squarely on need.

This approach to equality has a number of virtues that we should take note of here, though their full significance for the matter at hand – theorizing justice in the context of global economic integration – will not be fully apparent until later chapters. First, like Walzer's, this is a complex account of equality. Sen rejects univocal accounts of equality on the grounds that human existence is too rich and diverse to be adequately accounted for by any one indicator. Though he chooses capabilities as a singular focal variable, capabilities comprise an extensive vector of distinct human functionings. Also like Walzer, he is troubled by the problem of domination. For Walzer, this occurs when the distribution of one social good (e.g. income) illicitly influences the distribution of another (e.g. political office). For Sen, this occurs when unequal capacities in one domain (e.g. the ability to achieve mobility) yields unequal capacities in another (e.g. the ability to secure meaningful employment). Walzer calls for barriers to prevent spillovers, so that a proper inequality in the distribution of one social good does not interfere with the distribution of another. Sen's solution is to call for the equal distribution of each and every kind of capability.⁶⁸

Second, Sen's notion of equality privileges what may be called "substantive freedom": Sen's ideal society does not entail that each individual reach the same achievements – that is a matter for each of us to decide; only that each have the same substantive ability to do so. A person may rightly choose to refuse nutrition, or may choose to forego the degree of sheltering that is available to him. For Sen, the act of choosing is itself a valuable functioning, one that would be effaced by any distributive system that requires compliance in the lives we live.⁶⁹ We find here, then, strong affinities with the institutionalist emphasis on the obligation of society to provide each member with the means necessary to flourish and with the freedom to live his own life.

Third, the principle of capabilities equally promotes extensive (indeed, perpetual) social experimentation. It entails no necessary presumptions about the existence of one ideal set of institutional arrangements (such as neoliberalism, communism or any other). Instead, it encourages us to interrogate vigilantly the actual performance of the actually existing economic systems that arise and to press for reform to the degree that they fail to meet the demanding standard of capabilities equality. It adamantly refuses "end of

history" narratives that anticipate the achievement of some final state of social organization. It takes an open-ended view of how societies might best enhance the capabilities of their inhabitants, understanding that different types of institution and practice will be necessary at different moments in time owing to changed circumstances and values of society's members. This may be discomforting to those who seek a closed, determinate model of how to organize society. It does, however, promote creative thinking about new alternatives that might better serve the egalitarian project than the restrictive models devised to date within reductionist social sciences.

Capabilities equality and the difference principle

Like Rawls, Sen is sensitive to the possibility that strict equality as he has defined it may not always be normatively defensible. Indeed, Sen has argued that there may be good reasons to append a difference principle to a system of capabilities equality. In this context, the difference principle would assert that particular functionings should be unequally distributed when those facing the smallest capabilities sets are helped thereby. In this formulation, for instance, a society may be forgiven the obligation to provide equal physical mobility to all its members if it could be shown that those with least mobility were somehow the primary beneficiaries of this inequality.

Is Sen correct in asserting a harmony between capabilities equality and the difference principle? And is the difference principle something that ought to be preserved? Taking these questions in reverse order, I will first examine a grave danger that the difference principle presents to the egalitarian project. I will then show that capabilities equality is not easily reconcilable with the difference principle, despite Sen's claims to the contrary. I will nevertheless conclude this discussion by examining how the difference principle might be operationalized within a capabilities framework in a way that minimizes the dangers it presents.

The chief problem associated with the difference principle is that it is prone to self-interested justification. Those who benefit from an unequal distribution can (and virtually always do) claim that the ultimate beneficiaries of this inequality are those who are worst off under the distribution. Consider the influence and even respectability of supply-side economics from the early 1980s up to the present. Supply-side economists (and their influential political allies, including US president Ronald Reagan and Britain's prime minister Margaret Thatcher) argued that the economic stagnation of the 1970s and 1980s was the consequence of tax policies that punished investors, and well-meaning though misguided social welfare expenditures that assisted the poor. Excessive capital gains taxes discouraged savings and investment, and so retarded advances in productivity, employment and income. Social welfare discouraged work effort and initiative by providing excessive payments to those out of work. The resulting supply-side policy mix was elegant and presented as entirely consistent with the difference

principle: taxes on investment income and payments to the poor were both to be cut so as to induce greater economic dynamism. The normative problem with this policy mix, which entailed cutting taxes for the wealthy while reducing payments to the poor, was that it ensured growing inequality. But this was defended on the grounds that the chief beneficiaries would be working people and the poor, to whom the benefits of the ensuing economic vitality would ultimately "trickle down".

Supply-side analysis as such is no longer fashionable, largely because of other claims it made about the effects of tax cuts on budget deficits. The logic summarized here, however, has been fully absorbed into the neoclassical vision and its defense of global neoliberalism. Today it remains at the heart of the neoclassical attack on state direction of economic affairs. Though Rawls and other egalitarians would hardly approve, the difference principle provides normative cover for the unprecedented increases in global income inequality over the past three decades.

Rawls' approach to distributive justice relied on the device of the veil of ignorance. Those devising a just framework for distribution are to have no knowledge of the social positions or groups to which they will themselves be assigned after the distribution is undertaken. This device is intended to preclude self-serving argument of this sort. Unfortunately, disputes over distribution (and everything else) do not occur behind this veil. Those debating distribution, including when and how the difference principle is to apply, are always already embedded in their social milieu. They are already members of particular social groups, having already been assigned a particular race, gender, ancestry, degree of economic privilege, and so forth. Further, they have fairly good knowledge of these assignments prior to their participation in political contests over distribution. This is not to say that their views on distribution will be simply reducible to these assignments; were that to be so, debating justice would be a vacant exercise. It is to say that in the world in which disputes over justice actually occur, the motivation to devise self-serving defenses of inequality will be ever present.

The foregoing discussion suggests that the egalitarian will face the continual task of inspecting carefully all normative claims made on behalf of inequality. But here we encounter a second, more difficult complication. *Judgments about the ultimate effects of inequality are necessarily theory-dependent.* Judgments of this sort are never self-evident (as we examined in the introduction to Part I of this book), though partisans of one theory or another often treat them as such. Different theories reach distinct and often contradictory conclusions about a policy's effects. While the neoclassical vision holds that supply-side policies are apt to generate prosperity for working people, institutionalist and Marxian theories contend, as we have seen, that they are far more apt to induce widespread poverty. Hence, even if decisions about the difference principle were to be considered by a committee of representatives behind the veil of ignorance, we have no reason to presume that the committee's members will reach a consensus except in the most trivial of

cases. To ensure consensus, we would have to impute to these members the *same* social theory. But this would violate the spirit of the entire exercise, which presumes at the outset the existence among reasonable people of alternative comprehensive doctrines. Rawls simply cannot have it both ways here: either he must demand that the members share the same theory so as to reach the same conclusion, or he must concede that they are apt to reach irresolvable differences amongst themselves when assessing the applicability of the difference principle. What is more, given the ceaseless ingenuity and imagination of human thinkers, we should expect that even the most egregious expansions of inequality will find support from some respectable social theory.

The framework of capabilities equality provides a strict and demanding criterion for evaluating normative claims for inequality predicated on the difference principle, one that may be particularly useful for filtering out self-serving claims. As Sen emphasizes, distinct functionings (or groups of them, for example economic, political and cultural functionings) are *interdependent*. The ability to avoid preventable morbidity, for instance, may depend on one's access to sufficient health care, shelter, nutrition, income, and many other functionings. Hence, any one "functioning failure" may interfere with many others, though the pathways among them may not always or even generally be as direct as this simple example suggests. Complicating matters further, relative inequality in any one functioning might induce relative inequality in others, and even absolute functioning failures. For example, a poor person in a market economy may not only be deprived of important goods, like adequate housing, but may also find it difficult to participate meaningfully in the political life of her community. Indeed, her relative poverty (or indeed, any functioning disadvantage) might therefore be expected to undermine her capabilities across the spectrum. Sen rightly concludes on this basis that it may be far worse to endure low income in a high-income community than in a community where everyone else is similarly poor. In the former, the poor person may suffer other functionings failures associated with being relatively poor, while in the latter context, she would not be so disadvantaged.

Taken together, these arguments suggest that it is most unlikely that inequality in any important functioning will promote the overall capabilities of those who fare worst in this one functioning. Instead, it is far more likely that one functioning failure will generate general incapacity. We should therefore conclude that real cases in which the difference principle would unambiguously apply will be the rare exception to the rule. Appreciation of the interdependence of diverse functionings should therefore lead us to examine critically any claims that relative inequality will help most those who receive least. Unfortunately, the pathways relating diverse functionings will not usually be clear (and in any event will be theoretically contested), and so a heavy burden must lie with those who would argue for inequality to demonstrate that it meets the difference principle criterion.

Nevertheless, we should not rule out the possibility that the difference

principle might rightly apply in a particular circumstance. To do so would be shortsighted, perhaps generating outcomes that are harmful to the most disadvantaged, and even dogmatic. The challenge in operationalizing the difference principle is to protect against the self-interested invocation by those who would benefit from its implementation. This problem might be addressed through procedures that grant exclusive veto authority to those who would become relatively disadvantaged under its implementation. Those who would defend a policy reform that entails greater relative inequality from which they stand to benefit would be allowed to argue its merits, but they would not be empowered otherwise to participate in the decision over whether to enact the policy, for example through voting. That authority would lie exclusively with those who would be required to make do with less under the policy. But this should cause no discomfort to those excluded from the vote: if the case for the policy is well made, those voting would have every reason to give their consent, as they would stand to be the primary beneficiaries. Finally, in the event that those voting find that they made the wrong decision, they should also be uniquely empowered to reverse course so as to restore the prior degree of equality.⁷⁰

Capabilities, freedom and liberty

We will explore other important attributes of capabilities equality in the following chapter. For now, an important distinction must be drawn to avoid confusion. Other normative systems privilege personal autonomy and freedom, of course, and some of these are explicitly anti-egalitarian. Chief among these is libertarianism, which demands the protection of *formal* rights and liberties. Libertarianism opposes what it takes to be artificial restrictions on personal liberty stemming from unwarranted government intervention into personal affairs (see Chapter 1). In this doctrine economic outcomes are just to the degree that they result from the voluntary interaction of free individuals, with each pursuing his own interests as he sees fit provided that his doing so does not infringe upon the equal rights of others (Nozick 1974). Libertarianism is therefore entirely consistent with even extraordinary inequalities in income and wealth.⁷¹

Despite a shared concern with personal freedom, these two doctrines are markedly different in underlying worldview and practical consequences. The libertarian view privileges the autonomous individual as primary and foundational, as the irreducible source of all capacities, preferences, rights and interests. In this view, the community emerges simply as an instrumental construction instituted by such individuals in order to protect their autonomy from encroachment as each pursues his own life plan (Nozick 1974). In contrast, Sen's view parallels that of institutionalism in treating the community and the human beings who populate it as mutually constitutive. The community shapes the life circumstances of its members, but also their personalities, ways of being, desires and capacities. In this account, it is

impossible to consider the human actor outside of the social milieu he inhabits – hence, the specification of the individual as foundational is nonsensical. This does not mean, though, that social actors are merely dependent variables who absorb the social customs, norms and institutions of their communities. Rather, these socialized individuals react back upon their social and cultural inheritances, reshaping them in accord with their own judgements and interests.⁷²

The fundamental difference between the libertarian and Senian conceptions of the individual and society shapes their respective accounts of personal freedom and justice. Libertarianism endorses “negative” freedom – not freedom to achieve anything concrete in particular, but freedom to devise and pursue a life plan unhindered by onerous government actions (cf. Berlin 1958). Those who fare poorly in pursuit of their goals have no right to exploit the coercive force of government to overcome their own failings. Government initiatives to reduce inequalities in social wealth are therefore deemed unjust insofar as they infringe upon the liberties of those whose rightful claims to property are thereby abridged. In contrast, Sen's commitment to equal substantive freedom reflects the view that the community has a strong obligation to each of its members, to provide her with the means she needs to flourish at a level achievable by others. Negative freedom is not enough. Indeed, to the degree that it gives rise to inequality in substantive freedoms, it is normatively indefensible. In this view, a community that refuses to take measures to promote and equalize capabilities can be indicted for preventing the full flourishing of those members whose substantive freedom it neglects.

DISTRIBUTIVE JUSTICE AND “HUMAN NATURE”

We have now explored several egalitarian distributive principles. But is any such distributive principle possible or desirable, given our common, irreducible human nature? Many have argued that any society that seeks to implement equal distributions must impose all sorts of untenable restrictions on the freedoms of its citizens, given their natural propensities to seek to accumulate wealth, compete, and achieve. Given these propensities, the restrictions will also distort economic activity. An egalitarian society, on this account, deprives itself of freedom and wealth, yielding an outcome in which all are equal, but equally impoverished (Hayek 1944). Wouldn't it be better for society to establish institutions and principles of distribution which accord with our basic drives, rather than try to suppress them in the name of fairness? And isn't this precisely the basis of the neoclassical support for neoliberalism?

In its own way, each of the heterodox approaches surveyed here rejects the essentialist notion of an inherent human nature, if that term is taken to mean some ineradicable set of drives that necessarily shape our private and

social aspirations, actions and ways of being (see Chapter 2). We do have biologically inscribed needs, to be sure. In the anti-reductionist view, however, we ought not to think of human behavior as somehow reducible to these needs. If humans have a nature, a set of capacities or drives that distinguishes them from most (if not all) other species of life, it is the capacity to alter their knowledge, their understandings of themselves and their environment, and thereby to become something other than what they were. It is the capacity to strive to overcome their inherited nature (Levins and Lewontin 1985). For Marxists, this is the essential human capacity: the ability to change the physical and social environment in accord with the plans humans conjure in their minds, and thereby to change themselves.⁷² Institutionalists agree, arguing only that Marxists underestimate the variety of social factors that affect human motivations and behavior (cf. Toal 1979). This view of human nature implies that when we encounter in ourselves or our societies particular attributes or ways of being that we take to be malevolent or otherwise illegitimate, we need not accept them as immutable. Rather, we are encouraged to recognize them as contingent, as fundamentally alterable through the labor we perform on our environments, and thereby on ourselves.

Much confusion and controversy has surrounded the claim of the inherent plasticity of human nature. Natural and social scientists (ranging from biologists and geneticists to anthropologists and sociologists) have attempted to distinguish that part of human behavior that is due to biology ("nature") from that due to social circumstance ("nurture"). Some have argued, for instance, that human intelligence and drives are locked into and largely governed by our genetic makeup (cf. Herrnstein and Murray 1994). For some of those who occupy the biological pole of the debate, the claim that human nature is malleable is misinterpreted to mean that humans face no biological constraints whatsoever. But the anti-reductionist argument is not that no such constraints exist; it is, rather, the more nuanced and far more tenable point that *these constraints are not ultimately determinative when it comes to the matter of how we live*. Rather than fully determine social behavior, they participate along with innumerable other factors in overdetermining our social existence (Resnick and Wolff 1987a). This means that while their effects should not be ignored, neither should they be privileged as the undirected, fundamental cause of human behavior or social institutions.

The claim that human nature is fluid and overdetermined by both biological and social factors does not mean that anything is always possible. Indeed, the point is rather the reverse – that at any historical moment, given what "human nature" and society's institutions and norms have become, certain paths of change are possible, and many others are not. Social change, on this account, is *path-dependent*. Certain kinds of human actors, operating in a certain kind of social environment at a particular moment in time can work to alter both their own and their environment's natures, but the possibilities that exist for them at that moment are largely shaped by these existent natures. Paraphrasing Marx, we may conclude that humanity makes its own

history, but not under circumstances of its own choosing. The anti-essentialist claims only that these natures can be changed, allowing society to evolve into new forms comprising new kinds of people.

All of this is by way of saying that when we encounter disputes over the nature of policy regimes and especially claims for radical reform, we ought to be wary of those who would automatically invoke what I will call the "human nature constraint". This is the refuge of those who cannot or will not risk envisioning alternative ways of being. The claim that "human nature won't allow it" is to be read, not as an irrefutable scientific proposition, but as a protest against being forced to consider that the way we have lived and taken to be right to live is, indeed, not the best (or worse, *not even an appropriate*) way to live. It is a defense against the self-repudiation that engaging alternatives often entails. And as a criterion of policy choice, it is deeply biased. The human nature constraint almost always serves to solidify the status quo against demands for social reform – be it by abolitionists, feminists or egalitarians. After all, it is far easier to legitimize what already exists by reference to it than it is to defend that which exists only in the imagination of the reformer.

Market rewards and incentives

The dispute over human nature bears directly on the matter of the role of market incentives in inducing socially benevolent behavior. Those advocating for substantive equality, whether before a gathering of professional economists or a class of first-year students, inevitably face the argument that an economy lacking monetary incentives will lack dynamism and innovation. Why should rational individuals work hard and take the substantial risks associated with innovation if they don't stand to reap substantial compensation? For example, workers will hardly strain to provide good service to their employers, or accept dangerous or onerous but vitally necessary assignments, if their compensation is not commensurate with their contribution. Moreover, the discovery of new life-saving drugs often entails the expenditure of millions of dollars on research over many years, during which there is no guarantee of success. Without the promise of substantial financial reward, there is no reason why a medical researcher will invest the time, energy and funds to the project.

The anti-reductionist reply to these claims entails, first, as we have seen, a rejection of the notion that human subjectivity is reducible to the egoistic pursuit of individual satisfaction. In place of the presumption of a universal human nature such as that specified by neoclassical theory, anti-reductionists view the human actor as a social product with heterogeneous and even conflicting needs, aspirations and sentiments. Even in a fully marketized economy, in which the egoistic orientation posited by neoclassical theory is most likely to prevail, the individual is driven by far more than sticks and carrots. It is important to add a further argument, also fully consistent with this

perspective. Even if material or financial incentives are sometimes necessary to induce certain important social behaviors, the magnitude of the necessary incentive is entirely socially determined and therefore variable. Consider the following: in 1965, the ratio of the average salary of the chief executive officers of the 365 largest corporations in the US to the average salary of US factory workers was about 44 to 1. By the 1980s, that ratio had grown to over 200 to 1; by 1997, it had reached 326 to 1 (*New York Times* 2/7/99). This startling trend begs the simple question of those who sing the virtues of market incentives: *just how much inequality in market rewards is sufficient to induce economic actors to pursue socially beneficial behaviors?* Was the ratio of 44:1 insufficient to encourage honest effort by our CEOs? Is 326:1 just enough? Can we infer from the more than sevenfold increase in the inequality in market rewards a commensurate increase in the level of socially benevolent behavior over this period? Are today's CEOs contributing more to social welfare than their counterparts ten, twenty and thirty years ago? Would a smaller increase have reduced the supply of beneficial behavior? *Where is the proof of that?* Meanwhile, the level of salaries of CEOs in other industrialized countries has been and remains far below the US level. For instance, British CEOs today earn about 60 per cent of their counterparts in the US, while Japanese and German CEOs earn only about 39 and 37 per cent, respectively (*New York Times* 1/17/99). Insofar as wages for factory workers in these countries are close to US levels (and are in some cases higher), we find much lower levels of inequality in compensation in these countries. But Japan and Germany have exhibited levels of productivity growth that exceed those of the US for most of the postwar period (even after they had approached US levels). Might we infer, then, that the CEO compensation levels (and the resulting ratios of CEO to factory worker pay) in these countries are high enough? If not, just what is the "right" level of inequality? Unfortunately, the neoclassical vision provides no answer, and in its silence on this matter it implicitly takes whatever level of inequality arises through the market as essentially correct. On this basis, it concludes that any reduction in inequality would undermine the market's incentive structure, and thereby reduce social welfare.²⁴

Putting before us the question of how much inequality is enough should suffice to demonstrate the anti-reductionist view that the incentive effect of any particular level of inequality of market reward will depend fully on the context in which it occurs. Where people have come to expect small differentials in income as adequate reward for their labors, small differentials may very well suffice to induce honest effort, saving, innovation and sacrifice. Where people instead have come to expect huge differentials, it may be the case that only huge differentials may induce these behaviors. Neoclassicals might argue that this difference simply reflects differences in peoples' exogenous preferences – preferences that are therefore impervious to alteration via policy reform. But the anti-reductionist counters that this difference is fully endogenous to the institutions, norms, and existing patterns of

distribution that permeate society. As such, they are malleable and susceptible to change through explicit policy interventions.

In the neoclassical vision, one's level of satisfaction derives exclusively from the level of one's own consumption, independent of the consumption level of others. Due to human insatiability, a higher income necessarily generates increasing satisfaction. But critics contend that in a society marked by substantial inequality, where one's worth as a person is tied to one's material acquisitions and income, people may gain satisfaction not primarily from their *absolute* level of income, but from their standing *relative* to other community members. Indeed, many social researchers have validated these hypotheses (Daly 1991). Related to this, a person's satisfaction might result from the acquisition of "positional goods" – such as the highest house on the hill, or the largest salary in the country club. In this case, only relative increases in income, and/or the acquisition of additional positional goods, might induce greater personal satisfaction. As soon as one executive secures a raise, his peers may feel terribly aggrieved by their relative loss. They will likely demand a higher salary in exchange for their best work. Last year's bonus of \$200,000, which seemed so princely at the time, might now look paltry and grossly inadequate as just compensation for a man of one's abilities. Unconstrained by law, norms or conventions, we might therefore expect income escalation among those most favorably placed as they vie for increasing relative reward – and a consequent deepening chasm between rich and poor. As this occurs, the neoclassical visionary has no choice but to legitimize the resulting inequality as a necessary incentive to induce productive behaviors.

Recognition of the importance of relative reward for personal satisfaction in a stratified society actually may be taken to have egalitarian implications. First, it provides us with a further basis for rejecting the normative legitimacy of personal desires as the basis of social choice. As with lavish tastes (see Chapter 2), we have good grounds for discounting the preference to achieve greater income and status than others. When people desire the wrong ends, these ends ought to be disqualified as normative criteria. But the concept of relative reward also implies that even a market economy predicated upon the inducements of financial rewards can get by with far less inequality than often arises. If satisfaction is tied to one's relative standing, then we might conclude that the absolute gap in incomes and wealth experienced today is entirely unnecessary. It might very well be the case that individuals are willing to work every bit as hard when the differential rewards to which their labors give rise are a mere fraction of current levels. The satisfaction of owning the highest house on the hill may not be diminished in the least when its purchase price is, say, \$300,000 as opposed to \$3 million; the pleasure of commanding the greatest salary in the club may be just as great at \$200,000 as it is at \$20 million. The competition for relative rewards and positional goods can carry on just as aggressively when the differentials at stake are denominated in pennies rather than dollars. If indeed it is the subjective importance that gets attached to a differential rather than its absolute

size that matters, then there is simply no good reason to presume that the differential needed to induce appropriate behavior be at all substantial. Hence, even were we to decide that differential rewards are sometimes necessary to induce certain beneficial behaviors (and this would have to be shown, not presumed), we are warranted in seeking to diminish these differentials to the minimum necessary to do the job.

To sum up: once we take account of the fundamental human capacity to change human nature and human society, then we can recognize that the invocation of the human nature constraint entails an important error. This is the error of elevating the merely contingent to the status of indelible essence. This constraint solidifies the status quo by strangling the imagination and staving off social experimentation in pursuit of a more just society. Moreover, even when financial incentives are desirable, we have no reason to accept the legitimacy or desirability of whatever arbitrary level of inequality emerges from market processes. Just what level of inequality will suffice to induce particular attitudes and behaviors is socially determined and variable.

Nevertheless, when pursuing radical reform, we must attend not only to what we believe is desirable, but also to what might be possible, given where we presently stand. We must be prepared to join any policy reform agenda (not least, an egalitarian agenda) to a practical, available politics that seems likely to achieve this agenda, where both the policy ends and the political means are normatively defensible. While the presumption that all radical reform is impossible is defeatist, the presumption that any reform we might imagine is always possible is utopian. The egalitarian project is poorly served by either presumption.

EGALITARIANISM AGAINST NEOLIBERALISM

I concluded the previous chapter by arguing that welfareism is a deeply flawed normative perspective, and so fails to provide a compelling normative defense of neoliberal market outcomes. The question we now need to address is whether the egalitarian perspective devised here does so. Indeed, it does not. To see this, let us consider the neoclassical ideal of the perfectly functioning competitive market system, absent all imperfections, as the basis for our evaluation. We will consider here the neoclassical view of the legitimacy of market-based rewards.

Rewarding contribution: the instrumental argument

Recall that in the neoclassical vision, distribution is to be tied entirely to contribution, not to need. Distribution based on contribution is taken to be instrumentally right. As we found, the market is taken to be an ideal mechanism of distribution in the neoclassical vision precisely because it does ensure equality between (marginal) contribution and reward. The owner of

each factor of production, from labor to land and capital, receives payment commensurate with the net contribution of the factor she provides – its marginal revenue product. Chasing higher rewards, she will undertake to improve the quality of the factor she contributes to production – and thereby will yield a higher contribution to social output. Were rewards not tied to contribution, rational economic agents would have no incentive to enhance their contributions. Were rewards instead tied to need, for instance, they would have an incentive to appear more needy, so as to garner a larger share of that which they did not themselves produce.

Viewed from the perspective of Sen's capabilities framework this instrumental view of market reward fails. In the Senian perspective, the level of one's productivity is a function of one's complete set of capabilities as well as one's effort (and other choices). Inequality in physical mobility, or access to education or health care, will necessarily translate into inequality in productivity, regardless of the choices people make. In a society that has achieved relatively equal capabilities across its citizens, we might take differences in contribution (provided this was something we could measure) to be largely the result of differences in effort. But we cannot make this judgement in a society with substantial capabilities inequality. Here the range of productivity levels available to the society's members will vary considerably, despite the individual choices that they make. In this case, it becomes illegitimate to reward effort by tying compensation to contribution. In an unequal society, this formula merely rewards the capabilities-rich for their advantages. If we believe on instrumental grounds that effort should be rewarded, then we need to find some way to measure and compensate that directly. Though convenient, it is entirely illegitimate in an unequal society to take contribution as a satisfactory proxy for effort.

In the neoclassical vision, as we found in Chapter 2, this problem is suppressed. Neoclassicals recognize, of course, that an agent's market contribution (and hence current income) depends on the resource endowments that she brings to the market. In this vision, however, each agent is taken to be responsible for the level of endowments she possesses. Here we find the combined force of the essences and reductionist logic of the vision striking with a vengeance. Present inequalities in resources are the natural consequence of the distinct patterns of past decisions made by utility-maximizing, rational actors – decisions about amassing human capital, and about managing the trade-off between consumption and savings. Those with large amounts of capital (or more likely, their ancestors) evidently chose to forego consumption in the past to amass savings. Those with few endowments chose instead immediate gratification over investment and provisioning for the future. That one agent now brings to the market a large sum of accumulated capital while another brings only her ability to perform low-productivity tasks is therefore hardly cause for normative complaint. Why, after all, should we possibly want to punish the well-endowed for their past prudence? Doing so would disrupt the very incentive structure that encouraged them to pursue

marginal revenue product twice that of his counterpart in the toyshop. He will therefore command double the wage, rightfully reflecting his larger net contribution to social output. This inequality will no doubt induce the (rational) toyshop worker to seek work in the gun factory, of course. When he does so, his marginal revenue product and wage, and the supply of handguns relative to toys, will increase. Consequently, both our relocated worker and his society will experience rising welfare.

At the risk of further repetition, it must be emphasized that the normative weight of this formulation depends on our treating market prices as "right" in the sense of reflecting social values. Only by taking the higher price of the handgun as evidence of its greater social value can we infer that the worker who produces it enhances social welfare more than does the toyshop worker – or that the shift from toy to gun production has increased social welfare. This depends in turn on our treating all preferences as both exogenously formed and equally valid. It also depends on our committing to a reductionist view of the market, so that only the essences recognized by neoclassical theory determine market prices. We discovered earlier that unless we commit to these severe assumptions, we cannot attribute any particular importance to market prices; nor can we take any normative comfort from market outcomes. If, for example, the preferences seeking fulfillment are in any sense indictable, then the equilibrium market prices for goods will be normatively suspect, and so then will be the rewards that flow to the suppliers of resource – like wages, rents, dividends and profits. And in this event, that the worker in the handgun factory earns a higher wage than his counterpart in the toyshop tells us absolutely nothing about their respective social contributions.

Generalizing from this example, we can specify a difficult set of conceptual problems that confronts all those who would draw a normative link between reward and contribution. First, they have to theorize the social product to which individual agents contribute. Second, they then have to theorize the mathematical function that relates any one agent's behavior to the total social product. One could envision the social product as the physical embodiment of total hours of the community's labor, and then allocate shares based simply on hours worked. Alternatively, one could also envision the social product as spiritual fulfillment, or the absence of suffering, or equality of substantive freedom, and then allocate shares based on one's contribution to the achievement of this goal. Under these latter alternatives, even a mediocre nurse would likely rate a substantially higher reward than would a very clever advertisement executive. Neoclassical theory chooses instead to think of the social product as a level of social welfare which stems exclusively from peoples' subjective states, and identifies marginal product as the link between the individual's contribution and the total social product. The neoclassical vision then takes the next step of valorizing marginal product as the appropriate measure of an agent's reward.

Why should we accept this formulation, from among the countless

alternatives, as intrinsically right? Neoclassical theory is spared from having to defend this choice by deriving it axiomatically from its set of initial assumptions that are treated as causal essences. Having committed to these essences, there is little basis for interrogating what follows logically therefrom. But this implies that this particular normative claim fails once we surrender either the essences or the reductionist logic of neoclassical theory. Absent these essences and logic, we recognize that though peoples' subjective states may be a consideration when evaluating alternative economic outcomes, they are hardly the only worthy consideration.

CONCLUSION

What we have identified here as the heterodox view actually entails a family of loosely related theories. These share an aversion to welfareism. Each asks, *what makes for a good economic outcome?* And each answers that question with a particular kind of egalitarianism. Some, like Rawls, emphasize equal distribution of the goods people need to achieve a valued life; others, like Marx and Sen, emphasize actual potential achievement, and reach the conclusion that goods must be unequally distributed according to need so that all are equally able to live valued lives. All of these egalitarians take equality of substantive opportunities to be inherently right; though some (like the institutionalists) emphasize its instrumental validity insofar as it induces better behaviors, institutions, social experimentation and problem solving.

Egalitarians reject the claim that there is some essential human nature to which social and economic institutions must correspond. Instead, they understand human subjectivity to be heterogeneous, socially constructed and variable. They therefore bristle at the claim of neoclassical visionaries that only an economy that is compatible with self-interest is feasible, just or desirable. Moreover, even where market incentives are shown to be necessary, they understand that the magnitude of the incentives necessary to cajole appropriate behaviors might be patently compared to the levels of inequality we face today.

Egalitarianism refuses to grant normative cover to the neoliberal market ideal of the neoclassical vision. But this is hardly surprising: those who champion the neoclassical vision, after all, do not claim that neoliberalism yields equality of incomes, wealth, primary goods or other outcomes. They do claim that it provides economic agents with relatively equal chances to improve the quality of their lives by dint of hard work and sacrifice, with the rewards they deserve based on the decisions they make, and with the right kinds of incentive to induce them to undertake socially-benevolent behaviors. Essentializing rational choice, they are able to suppress the degree to which non-choice variables determine peoples' substantive life chances under a neoliberal regime.

Advocates of egalitarianism demand far more than this kind of formal

equality. They recognize that formal equality even in perfectly functioning markets of the sort that the neoclassical vision celebrates is apt to yield very unequal rewards across society's members. They also recognize that inequality in market rewards and substantive freedoms is apt to be self-reinforcing over time. Insofar as they view substantive equality as the vital component of a just society, they break with the neoliberal ideal as an appropriate distributive mechanism.

We have seen that the neoclassical vision that ties an agent's reward to her marginal productivity is but one token of a broader normative type that ties reward to contribution. We have found that this principle runs up against the difficult challenges of how to theorize the total social product to which the efforts of distinct agents give rise, and to disaggregate the social product across these diverse agents. Egalitarians tend to reject all approaches that equate reward with contribution, insofar as this generally entails rewarding most those with the greatest capabilities. But they particularly object to the neoclassical formulation of this link, as it is founded on weak premises about the nature of preferences that allow them to valorize the market price as inherently right. As should by now be clear, a social science that strives so hard to avoid value judgements is prone to normative errors of the most basic sort.

Part 2

Global neoliberalism

As I have emphasized throughout, one of the most seductive aspects of the neoclassical vision is its explanatory elegance. On the basis of a simple set of initial assumptions, the neoclassical vision produces dramatic and unambiguous policy conclusions. Chief among these is the claim that the unfettered market is the optimal institution around which to organize any economic system. This claim is universal, permitting of no qualifications of time, place or context. Whenever and wherever a society populated by rational humans of the sort specified by neoclassical theory comes into existence, it will be better served by neoliberalism than by any alternative form of economic organization.

We can take note now of a second aspect of this universalist impulse. Not only is neoliberalism uniquely optimal for any individual society, so is it also the optimal regime under which to integrate the economics of distinct societies. The neoclassical vision promotes what I have referred to as global neoliberalism, which entails the replacement of state- with market-mediated economic flows and outcomes, within and across all national borders. Ideally, the international flow of resources, goods and services, and the determination of income shares should be dictated by the market forces of supply and demand, as private economic actors pursue their own individual interests in the unified global marketplace. In this sense, advocates of the neoclassical vision would divest national borders of their economic significance.

Global neoliberalism therefore entails the formation of a global policy regime that comprises free trade and the free flow of resources via market mechanisms. We will investigate some of the specific arguments made in defense of this regime below. We must, however, acknowledge provisionally here the analytical efficiency with which this extension from domestic to global neoliberalism is achieved. The case for global neoliberalism requires a minimum of *ad hoc* theoretical adjustments. By contrast, the logic and intuition informing the neoclassical vision remain essentially the same in all important respects.

Global neoliberalism extends all the virtues of the market to the international arena. First, it expands consumer choice in domestic markets,

Consumers can choose domestically produced goods, or goods produced thousands of miles away. Second, neoliberalism allows each factor of production to relocate in search of the highest possible rewards. This increases the income to the owners of the relocating factors. But as we have seen, insofar as a factor's reward is tied to its marginal contribution in a market economy, this means that the factor will also yield a higher social contribution. Hence the market incentives associated with global neoliberalism generate greater economic efficiency. Third, and as we will explore in Chapter 6, global neoliberalism allows each country to concentrate its efforts on the production of those goods for which it is best suited, while acquiring other kinds of goods from other countries through trade. This specialization increases total world output, and induces higher income for all countries. Taken together, we find that global neoliberalism enhances global social welfare.

In this section we will focus on two principal aspects of the neo-classical defense of global neoliberalism. The first is the neo-classical antipathy toward active state involvement in the economy in pursuit of national competitiveness. Since the 1970s, many economists and policy analysts have argued that a nation's prosperity depends on the competitive success of its domestic firms in global markets. This argument has intuitive appeal – when a firm fares poorly in global market competition, after all, its workers generally lose their jobs, income and economic security. Proponents of this view argue for all sorts of government strategies to promote competitive success, as we will see. Neoclassicals disagree, finding national competitiveness to be analytically suspect and normatively bankrupt. Indeed, they argue that national competitiveness has virtually no impact on a nation's level of prosperity.

The second aspect that we will consider is free trade. Over the past several centuries, economists and others have voiced diverse complaints against free trade. The nature of these complaints has changed over time, as we might expect. Today, two very different alternatives to free trade have achieved some standing among heterodox economists and others – strategic trade, and fair trade. Neoclassicals have proven to be universally unsympathetic to the critiques raised against free trade. Not surprisingly, then, they are also uniformly opposed to these two alternatives.

These two controversies have proven to be among the most heated and divisive within global political economy and economic policy circles for the past two decades. Unusual alliances have emerged in these debates. For instance, many heterodox economists join ardent neoclassicals in resisting the charms of national competitiveness, despite the fact that they disagree about the nature of global neoliberalism. The chapters in this section are intended to clarify what is at stake in these debates. In keeping with the focus of the book, we will investigate the normative rather than the empirical substance of these controversies.

Three chief positions have emerged in these two debates. I will refer to these somewhat inelegantly as the neo-classical vision; progressive nationalism; and internationalist-egalitarianism. Chapter 5 will undertake to explore

what each of these has to say about national competitiveness; Chapter 6 will examine their respective claims about trade.

First, we must explore a difficult question that arises in the context of global economic integration; namely, how to think about formulating normative principles to assess and construct global policy regimes in a world marked by substantive cultural differences. What are we to do, and how are we to proceed, when we find that different societies hold distinct accounts of what is good or right? What are we licensed and/or obligated to do when economic integration brings us into consequential interaction with societies which have defined for themselves ways of being that strike us as not only different but also indictable against the standard of our own normative commitments? To what degree and in what ways should we take these differences into account in formulating the rules of international economic integration?

Chapter 4 seeks to elucidate these matters in the abstract. We will examine the theoretical contest between two alternative normative frameworks that inform global economic policy debates, and that offer strikingly different answers to these questions. These frameworks are cultural relativism and moral objectivism. Though most neo-classical visionaries do not draw explicit reference to this debate, we will see in Chapter 6 that in fact their vision is predicated on a strong attachment to a rather strict form of cultural relativism. In contrast, many critics of neoliberalism draw on moral objectivism. I will argue that, despite their respective laudable aims, each of these normative frameworks is deficient. In their place I will advocate the principle of capabilities equality, and will attempt to demonstrate that the virtues of this approach become particularly salient precisely in the cross-cultural context, where we must balance the competing virtues of cross-cultural respect with a universal intolerance for injustice and oppression.