

“Inequality is not necessarily bad in itself: the key question is to decide whether it is justified, whether there are reasons for it.” (19)

“It is obvious that lack of adequate investment in training can exclude entire social groups from the benefits of economic growth. Growth can harm some groups while benefiting others...” (22)

“I have no interest in denouncing inequality or capitalism per se—especially since social inequalities are not in themselves a problem as long as they are justified, that is, ‘founded only upon common utility,’ as article I of the 1789 Declaration of the Rights of Man and the Citizen proclaims.” (31)

“Although this definition of social justice is imprecise but seductive, it is rooted in history. Let us accept it for now.” (31)

For the poor in 19<sup>th</sup> century France, “Under such conditions, why work? And why behave morally at all? Since social inequality was in itself immoral and unjustified, why not be thoroughly immoral and appropriate capital by whatever means are available?” (240)

“To be sure, income from labor is not always equitably distributed, and it would be unfair to reduce the question of social justice to the importance of income from labor versus income from inherited wealth.” (241)

“Nevertheless, democratic modernity is founded on the belief that inequalities based on individual talent and effort are more justified than other inequalities—or at any rate we hope to be moving in that direction.” (241)

“I want to insist on this point: the key issue is justification of inequality rather than their magnitude as such.” (264)

On merit: “The most convincing proof of the failure of corporate governance and of the absence of a rational productivity justification for extremely high executive pay is that when we collect data about the individual firms (which we can do for publicly owned corporations in all the rich countries), it is very difficult to explain the observed variations in terms of firm performance.” We have “pay for luck.” (334, 335).

More on formal equality: “Clearly, equality of rights and opportunities is not enough to ensure an egalitarian distribution of wealth.” (364)

Meritocracy and destructiveness: “Meritocratic extremism can thus lead to a race between supermanagers and rentiers, to the detriment of those who are neither.” (417)

“The problem is simply that the entrepreneurial argument cannot justify all inequalities of wealth, no matter how extreme. The inequality  $r > g$ , combined with the inequality of returns on capital as a function of initial wealth, can lead to excessive and lasting concentration of capital: no matter how justified inequalities of wealth may be initially, fortunes can grow and perpetuate themselves beyond all reasonable limits and beyond an possible rational justification in terms of social utility.” (443)

“To sum up: modern redistribution does not consist in transferring income from the rich to the poor, at least not in so explicit a way. It consists rather in financing public services and replacement incomes that are more or less equal for everyone, especially in the areas of health, education, and pensions. In the latter case, the principle of equality often takes the form of a quasi proportionality between replacement income and lifetime earnings.” (479)

Declaration: “men are born free and remain free and equal in rights ... social distinctions can be based only on common utility.” “The second sentence alludes to the existence of very real inequalities, even though the first asserts the principle of absolute equality. Indeed, this is the central tension of any rights-based approach: how far do equal rights extend? Do they simply guarantee the right to enter into free contract—the equality of the market, which at the time of the French Revolution actually seemed quite revolutionary? And if one includes equal rights to an education, to health care, and to a pension, as the twentieth-century social state proposed, should one also include rights to culture, housing, and travel?” (480)

The Declaration “reverses the burden of proof: equality is the norm, and inequality is acceptable only if based on ‘common utility.’ It remains to define the term ‘common utility.’ The drafters of the Declaration were thinking mainly of the abolition of the orders and privileges of the Ancien Regime, which were seen at the time as the very epitome of arbitrary, useless (KEYWORD) inequality, hence as not contributing to the ‘common utility.’ One can interpret the phrase more broadly, however. One reasonable interpretation is that social inequalities are acceptable only if they are in the interest of all and in particular of the most disadvantaged social groups.” (480)

Ft. 20 on p. 630: “The notion of ‘common utility’ has been the subject of endless debate, and to examine this would go far beyond the framework of this book. What is certain is that the drafters of the 1789 Declaration did not share the utilitarian spirit that has animated any number of economists since John Stuart Mill: a mathematical sum of individual utilities (together with the assumption that the utility function is ‘concave,’ meaning that its rate of increase decreases with increasing income, so that redistribution of income from the rich to the poor increases total utility). This mathematical representation of the desirability of redistribution bears little apparent relation to the way most people think about the question. The idea of rights seems more pertinent.”

Ft. 21 on pp. 630-631: “It seems reasonable to define ‘the most disadvantaged’ as those individuals who have to cope with the most unfavorable factors beyond their control. To the extent that inequality of conditions is due, at least in part, to factors beyond the control of individuals, such as the existence of unequal family endowments (in terms of inheritances, cultural capital, etc.) or good fortune (special talents, luck, etc.), it is just for government to seek to reduce these inequalities as much as possible. The boundary between equalization of opportunities and conditions is often rather porous (education, health, and income are both opportunities and conditions). The Rawlsian notion of fundamental goods is a way of moving beyond this artificial opposition.” [defining the weakest, luck egalitarian, reduce inequalities, so looks like leveling down.”

“The ‘difference principle’ introduced by the US philosopher John Rawls in his *A Theory of Justice* is similar in intent. And the ‘capabilities’ approach favored by the Indian economist Amartya Sen is not very different in its basic logic.” (480)

Ft. 22 on p. 631: “Social and economic inequalities ... are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society.” This 1971 formulation was repeated in *Political Liberalism*.

“At a purely theoretical level, there is in fact a certain (partly artificial) consensus concerning the abstract principles of social justice. The disagreements become clearer when one tries to give a little substance to these social rights and inequalities and to anchor them in specific historical and economic contexts. In practice, the conflicts have mainly to do with the means of effecting real improvement in the living conditions of the least advantaged, the precise extent of the rights that can be granted to all (in view of economic and budgetary constraints and the many related uncertainties), and exactly what factors are within and beyond the control of individuals (where does luck end and where do effort and merit begin?).” (480)

“Taxation is neither good nor bad in itself. Everything depends on how taxes are collected and what they are used for.”(481)

Reorganizing democratically. “That said, before we can learn to efficiently organize public financing equivalent to two-thirds to three-quarters of national income, it would be good to improve the organization and operation of the existing public sector, which represents only half of national income ...” (483)

“The logic of universal rights that governed the development of the modern fiscal and social state fits rather well, moreover, with the idea of a proportion or slightly progressive tax.” (495)

“The progressive tax is thus a relatively liberal method for reducing inequality, in the sense that free competition and private property are respected while private incentives are modified in potentially radical ways, but always according to rules thrashed out in democratic debate. The progressive tax thus represents an ideal compromise between social justice and individual freedom.” (505) More on deliberation on p. 506.

“The primary purpose of the capital tax is not to finance the social state but to regulate capitalism. The goal is first to stop the indefinite increase of inequality of wealth ...” (518)

Justice argument: “No one has the right to set his own tax rates. It is not right for individuals to grow wealth from free trade and economic integration only to rake off the profits at the expense of their neighbors. That is outright theft.” (522)

“Nevertheless, another classic argument in favor of a capital tax should not be neglected. It relies on a logic of incentives. The basic idea is that a tax on capital is an incentive to seek the best possible return on one’s capital stock. ... According to this logic, the purpose of the tax on capital is thus to force people who use their wealth inefficiently to sell assets in order to pay their taxes, thus ensuring that those assets wind up in the hands of more dynamic investors.” (526) but don’t overstate ... on p. 527.

“A seemingly more peaceful form of redistribution and regulation of global wealth inequality is immigration.” (538) Interesting immigration discussion. But it resolves only part of the problem: “Redistribution through immigration postpones the problem but does not dispense with the need for a new type of regulation: a social state with progressive taxes on income and capital.”

“Nor are they of any ‘common utility,’ to borrow the nice expression from the 1789 Declaration of the Rights of Man and Citizen with which I began this book.” (572-3)