

DOCUMENT RESUME

ED 183 472

SO 012 410

AUTHOR Vernez, Georges
 TITLE Notes on Alternative Conceptions of Equity.
 INSTITUTION Rand Corp., Santa Monica, Calif.
 PUB DATE Oct 78
 NOTE 26p.; Prepared for presentation in the lecture series "Equity in the City," Columbia University, Continuing Education Program, 1976
 AVAILABLE FROM Publications Department, The Rand Corporation, 1700 Main Street, Santa Monica, CA 90406 (\$3.00)

EDRS PRICE MF01/PC02 Plus Postage.
 DESCRIPTORS Beliefs; Delivery Systems; Economic Disadvantage; Equal Facilities; Equalization Aid; *Evaluation Criteria; Government Role; Literature Reviews; *Needs Assessment; Planning; Policy; Public Opinion; *Public Policy; *Resource Allocations; Social Attitudes; Social Disadvantage; Socially Disadvantaged; Tax Allocation; *Theories

ABSTRACT

Five interpretations of equity are examined as they relate to the distribution of public goods and services. The first principle, utilitarianism, maintains that individuals are free to pursue their own interests and are rewarded according to contributions. The second principle, needs, is the basis of communist societies in which each gives according to ability and receives according to needs. Egalitarianism, the third principle, suggests that social inequality will be eliminated if each person receives an equal share of goods and services. The fourth principle, contentment, is based on the extent to which people are satisfied or dissatisfied with goods and services they receive. The final principle, the maximum criterion, suggests that the objective of public policy is to improve the share of the least advantaged members of society. Throughout the paper, emphasis is placed on the philosophical underpinnings of each principle, strengths and weaknesses when used as a guide to designing public policy, and social and economic inequalities which result from policies based on each principle. The conclusion is that policy makers apply these equity conceptions in a deliberately fuzzy manner because to do so enables them to hold down costs and to reverse distributive measures when costs are perceived as excessive. (DB)

 * Reproductions supplied by EDRS are the best that can be made *
 * from the original document. *

ED183472

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Rand

NOTES ON ALTERNATIVE CONCEPTIONS OF EQUITY

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

Georges Vernez

October 1978

Papers are issued by The Rand Corporation as a service to its professional staff. Their purpose is to facilitate the exchange of ideas among those who share the author's research interests; Papers are not reports prepared in fulfillment of Rand's contracts or grants. Views expressed in a Paper are the author's own, and are not necessarily shared by Rand or its research sponsors.

The Rand Corporation
Santa Monica, California 90406

P- 6223

SP 012 410

NOTES ON ALTERNATIVE CONCEPTIONS OF EQUITY¹

A major objective of federal, state, and local government policy is the *equitable* distribution of publicly provided goods and services. But what does equitable mean? Does it mean that each ought to receive according to his contribution or according to his needs? Or that each ought to receive an equal share or be merely contented with his share? Each of these conceptions of equity have different implications for the distribution of public services such as fire and police protection, sanitation, education or social services.

The purpose of these Notes is to highlight selected issues associated with selecting and operationalizing a criterion of distributive equity of public service delivery. We examine five alternative principles of distributive equity deriving from the concepts of: (1) utilitarianism; (2) needs; (3) egalitarianism; (4) contentment with one's share; and (5) maximin criterion. The paper discusses their philosophical underpinnings and explores their strengths and weaknesses as guides in the design of public policy and in the assessment of social and economic inequalities.

UTILITARIANISM

The most compelling and best developed conception of equity is that of utilitarianism. According to this conception a society is rightly ordered, and hence just, when its economic institutions are arranged as to realize the greatest aggregate sum of satisfactions. Coupled with a principle of "equal treatment," utilitarianism leaves each person free to pursue his/her own interests and be retributed according to his/her contribution to the total. "From each according to his ability to each according to his contribution" is the maxim of the utilitarian conception of equity. Each one receives according to

¹Prepared for presentation in the lecture series "Equity in the City," Columbia University, Continuing Education Program, 1976. Comments are invited.

his marginal productivity and consumes according to his ability to pay as to maximize his utility.²

The most natural way of arriving at utilitarianism is to adopt for society as a whole the principle of rational choice for one man. Just as it may be rational for one person to maximize the fulfillment of his/her own good, it may be right for society to maximize the net balance of satisfaction for all its members. This rationale lies on a basic premise of liberal thought: the individual--and not the family, the community or the state--is the basic unit of society.

A striking feature of utilitarianism is that it does not matter how the sum of utilities is distributed among individuals and how one person distributes his/her satisfactions over time.³ Avoidance in making interpersonal comparison of utilities is well captured in the dominant welfare principle of utilitarianism: pareto efficiency. According to this principle the allocation of goods and utilities is efficient when society reaches the point where it is impossible to change an existing distribution pattern as to make some persons (even one) better off without making some other persons worse off.

There are, however, an infinite number of distributions of goods and utilities between individuals that are efficient. It is consistent with a situation in which one percent of families have about one-third of the wealth and receive about six percent of after tax-income (roughly the situation in the U.S. today)⁴ or a situation in which everyone

²Note that utility for economists implies no more than the idea of preference of one thing over another to which some number or weight can be applied. They do not make the step of relating this kind of utility to some quantity of satisfaction, happiness, goodness, or welfare. For a discussion, see Asmen Aldrian, "The Meaning of Utility Measurement," in Breit and Hochman, *Readings in Microeconomics*, Holt, Rinehard and Winslow, Inc., 1968, p. 73.

³John Rawls, *A Theory of Justice*, Harvard University Press, Cambridge, Massachusetts, 1971, p. 59.

⁴Wealth estimates from Dorothy S. Projector, "Survey of Financial Characteristics of Consumers," *Federal Reserve Bulletin*, Vol. 50, March 1964, p. 291. After tax-income estimates from Daniel B. Radner and John C. Hinrichs, "Size Distribution of Income in 1964, 1970, and 1971," *Survey of Current Business*, Vol. 54, October 1974, pp. 19-31. Cited in Arthur D. Okun, *Equality and Efficiency: The Big Trade-Off*, The Brookings Institution, Washington, D.C., 1975.

has an equal share of wealth or income. Thus, the principle of pareto efficiency is not useful in choosing among an infinite number of efficient situations. Similarly, it cannot aid in allocating goods and services to move from a non-efficient situation to an efficient one because the move can be made to a (finite) number of alternative efficient situations. Each alternative move makes no one worse off, but distributes the gains differently among individuals. Unavoidably, making a choice among alternative efficient moves require making interpersonal comparison of utilities.

The search for a criterion to overcome the problems of interpersonal comparison of utilities has not been fruitful. One criterion designed to make a choice among alternative efficient situations has been suggested by Kaldor:

A change is an improvement if those who gain evaluate their gains at a higher figure than the value which the losers set upon their losses.⁵

In other words, a move is desirable if Y gainers could compensate X losers--at least in money terms--and Y still gained.

Because the Kaldor criterion does not require that the compensation actually take place, it constitutes a good example of utilitarian concern for societal utility maximization rather than for individuals. Another criticism is the use of money compensation as a proxy for making comparisons of utilities. Implicitly this means that service distribution should be based on willingness and ability to pay for that service. For example, if poor neighborhood A declares it is willing and able to pay n dollars for a police patrol and rich neighborhood B declares it is willing and able to pay $n+m$ dollars, then the police patrol should be allocated to neighborhood B. Even though n dollars

⁵ Scitovsky has complemented this criterion with a return criterion in order to take care of the possibility that the desirability of a move from State A to B may not prove desirable if it was made from B to A. For a detailed discussion of Kaldor criterion and of Scitovsky double criterion, see William J. Baumol, *Economic Theory and Operations Analysis*, Prentice-Hall Inc., Englewood Cliffs, New Jersey, 1965.

may mean a great deal more to neighborhood A than $n+m$ dollars may mean to neighborhood B.

The axiom of diminishing utility of income is a second criterion used by utilitarianism in dealing with distributional issues. Under this axiom, it is argued that transference of income from a relatively rich person to a relatively poor one of similar temperament must increase the aggregate sum of satisfaction because the rich would feel their loss less than the poorer would appreciate their gain.⁶ This is a powerful argument for income redistribution. Lerner suggests that "total satisfaction is maximized by that division of income that equalizes the marginal utilities of income of all individuals in society," and that "the probable value of total utilities is maximized by dividing income evenly."⁷ This conclusion, however, assumes that the initial condition is one of income equality, rather than the present unequal distribution of income. Under this restrictive condition,⁸ those who oppose equal distribution would lay upon themselves the burden of proving that the rich have the greater ability for enjoyment, an undertaking which cannot fail to shock every presupposition of a democratic society.⁹

Applied to individual characteristics other than income, equalization of marginal utilities may have regressive as well as progressive consequences. Assume that utility is associated with ability.¹⁰ Then, in the field of education, equalization of marginal utility suggests

⁶ See Pigou, *Economics of Welfare*, London, 1948, p. 89.

⁷ A. D. Lerner, *The Economics of Control*, 1947, p. 29.

⁸ This condition is restrictive because the present distribution of incomes may have developed the tasks of each one in accordance with their incomes, and equalization may not do justice to the intensity of dissatisfactions due to a loss of income; in other words, the way in which resources are presently distributed may by itself affect individual preference development. See Lionel Dobbins, *An Essay on the Nature and Significance of Economic Science*, London, 1935, Chapter IV.

⁹ See Bertrand de Jouvenel, *The Ethics of Redistribution*, Cambridge University Press, London, 1951, p. 33.

¹⁰ See Kenneth Arrow, "A Utilitarian Approach to the Concept of Equality in Public Expenditures," in *The Quarterly Journal of Economics*, No. 3, August 1971, p. 415.

that more public money would be spent on the more intelligent children. Conversely, in the field of health where ability means essentially "state of health," expenditures will be less productive of increased utility for a healthier individual, thus more money would be spent on the less healthy. Similarly, more monies for fire and police protection would be spent in neighborhoods with higher fire and police hazards.

Neither of the above attempts by utilitarians to resolve the issue of interpersonal comparisons of utilities has reached consensus. To date, little conceptual progress has been made departing from the basic utilitarian distributive principle that each one should receive as much as one is able and willing to pay for a given good or public service.

In the conventional liberal sense, this principle is *equitable or fair* whenever each one is given "equality of fair opportunity." Whatever the resulting outcome, it is equitable provided each one has the same prospects of success regardless of their initial place in the social system--i.e. irrespective of the income class into which they are born. Since the legitimacy of utilitarianism as a conception of "equity of outcome" hinges on this principle of "equality of opportunity," it may be of value to examine briefly the philosophical criticism and operational difficulties its applications have encountered:

- o While the principle of "equality of opportunity" accepts the elimination of social differences in order to assure an equal start, it also justifies unequal result on the basis of natural abilities and talents. If pure meritocracy is a selection by intelligence, and that intelligence is based on inherited genetic differences, then privilege is obtained on the basis of an arbitrary genetic lottery, which is the antithesis of social justice.¹¹
- o There can never be a pure meritocracy because high-status parents will invariably seek to pass on their positions,

¹¹ Daniel Bell, "On Meritocracy and Equality," *The Public Interest*, 1972, p. 42.

advantages their children possess. Some of the contestants get a head start, while others have handicaps. Accumulated social and economic disparities among families make the race unfair.¹² Some help is provided to the most disadvantaged but it never goes as far as to assure "equality of opportunity" in its ideal sense.

- o Equality of opportunity is for all to develop those talents which are highly valued by a given people at a given time. Put this way, it implies a prior acceptance of an already established socio-moral order.
- o A meritocracy implies a competitive feeling into society, which is damaging to those who succeed and even more so to those who fail. As Karabel puts it:

A meritocracy is more competitive than an overtly-based class society, and this unrelenting competition exacts a toll both from the losers, whose self-esteem is damaged, and from the winners, who may be more self-righteous about their elite status than is a more traditional ruling group. Apart from increased efficiency, it is doubtful whether a frenetically competitive inegalitarian society is much of an improvement over an ascriptive society which, at least, does not compel its poor people to internalize their failure.¹³

In addition to the above, a policy of "equal opportunity" faces two major difficulties in being translated into operational rules for use in the formulation of public policy and administrative procedures. The first concerns the identification of equal opportunities for what. For instance, there is disagreement on how to operationalize the idea of "equal educational opportunity." Those who see education as an end in itself argue that all equal educational opportunity means is equality of educational inputs, letting each student make the most out of them according to their abilities and drive. Accepted are less than equal results. In contrast, those who interpret the equal opportunity principle as referring to life expectations for social and economic

¹²Op. cit., p. 43.

¹³Quotation from Jerome Karabel cited in Bell, op. cit., p. 43.

7

benefits will regard education output as an input to this higher order objective. To them, equality of opportunity for adult careers requires no less than equality of educational output, because this output is to be viewed as an input in this larger context.¹⁴

The second issue concerns the definition of equal opportunities over time. Do we mean, for instance, that people who have the same skills now should have the same chances *from now on* for success in accordance with skill? Differences in skills in part results from variations in the opportunity to acquire skills. And differences in the opportunity to acquire skills stem in part from past inequalities of opportunities. Thus, are we to implement a policy of "equality-of opportunity-from-now-on," viewing past discrimination as unfortunate but inevitable handicaps for which present and future generations are not responsible? Or are we to make an attempt to compensate for handicaps resulting from past discrimination?

CONCEPTION OF NEEDS

"From each according to his ability, to each according to his needs" is a second conception of distributive equity.¹⁵ Two important remarks can be made on this conception of equity. First, it rejects the belief in equal natural capabilities and thus, the utilitarian claim that individual effort ought to be rewarded on a competitive basis and according to merit.¹⁶ The idea is that talent is to be regarded as a social asset, and its fruits should be available to all. The conception of equity based on needs takes the form of a social contract. Second, since needs are unequal it is not a conception

¹⁴ This means-end dimensions of education are of course not that clearly bounded. Education is valued as an end in itself and as a means towards occupational achievement.

¹⁵ While this conception has been popularized by Marx in *Critique of the Gotha Program*, 1875, it was first developed by Louis Blanc in *L'organisation du travail*, Paris, 1850. The latter stated "true equality is that which apportions work to ability and recompense to needs." Cited in D. O. Wagner, *Social Reformers*, The MacMillan Co., New York, 1946, p. 248.

¹⁶ Sanford A. Lakoff, *Equality in Political Philosophy*, Harvard University Press, Cambridge, Massachusetts, 1964, p. 224.

of distributional justice that demands equal distribution. Its application will yield an equal distribution of resources only in the rare case where needs are the same.¹⁷

While distribution according to personal needs may lead to unequal allocation of resources, it does not conflict with equality of distribution required by the conception of "equal rights." In this sense, "to each according to his needs" has been said to be the most perfect form of equal distribution.¹⁸ This can best be understood by means of an illustration.

Suppose, for instance, New Yorker X gets a note from Murder, Inc. that looks like business.¹⁹ To allocate several policemen and plainclothesmen to guard him over the next few weeks at a cost of hundred times greater than the per capita cost of security services to other citizens during the same period, is not to make an exception to the equal distribution required by the equal right of all citizens to the security of their life and person; it would not be done on the assumption that X has a greater right to security or a right to greater security. On the contrary, the greater allocation of resources in X's favor is made because X's security rights are equal to those of other people in New York. Hence under the special circumstances (special needs) noted above, where his security level would drop to zero without extra support, he should be given additional support to bring his security level back to the normal.

Now, consider a limitation in resources. Probably the best that can be done for X without disrupting the general level of security maintained for all other New Yorkers is to decrease his chances of being bumped off in a given week from a sure hit, to one to ten thousand, while those of ordinary citizens, with ordinary protection, are say, one to ten million. Now if New York was more affluent, it

¹⁷ Hugo Adam Bedau, "Egalitarianism and the Idea of Equality," in Pennock and Chapman, *Equality*, Atherton Press, New York, 1967, p. 12.

¹⁸ George Vlatos, "Justice and Equality," in R. B. Brandt (ed.), *Social Justice*, Prentice-Hall, Inc., Englewood Cliffs; New Jersey, 1962, p. 40.

¹⁹ Illustration borrowed from Vlatos, op. cit., pp. 41-42.

would be able to buy more equality, or security for its citizens; by getting more policemen, it would be able to close the need gap between security maintained for people in ordinary circumstances and that supplied in cases of special need, like that of X in his present predicament.

Here a point of considerable interest is encountered. Equal security benefits for all citizens is a function of two variables: first, it depends on the pattern of distribution of resources; and second, and less obviously, it depends on the size of these resources. If the distributable resources are so meager that they are exhausted to maintain a general level barely sufficient for ordinary needs, their reallocation to meet exceptional needs will look too much like being unfair. In such conditions, there is likely to be little, if any, provision for extremity of need, and what is more, the failure to meet the extreme needs may not be felt as a social injustice.²⁰

This point is helpful in understanding why "to each according to his need" did not become popularized as a precept of justice until the first giant increase in the productive resources during the industrial revolution, and then only by men like Marx, and Blanc, a French philosopher preceding Marx, who anticipated the coming of a super-affluent, machine-run society.²¹

Once identified, needs can easily be incorporated into an equity formula designed to distribute services. But just as the measurement of individual utility is problematic, so is the measurement of needs.

A first issue is whether needs are absolute or relative. There are needs that could be termed as "absolute" deprivation; i.e. needs which can be assessed in reference to some minimum benchmark, such as a "survival level." Even this idea, however, breaks down under close scrutiny. There are, perhaps, absolute needs in the sense of what is required by the human organism in order to survive. But they do not furnish a useful definition of "absolute" in the sense of universally valid. The level of so-called absolute need can be just as well fixed.

²⁰Vlatos, op. cit., p. 42.

²¹Vlatos, op. cit., p. 42.

at one level as another. Furthermore, there is no necessary reason why a sense of need deriving from an external reference group should be less "absolute" or less valid. How is one to measure the needs of the manager of a factory, or the needs of a worker in that factory, granted that they are different? Who is to determine what the needs of people are? To suggest that services ought to be distributed according to needs does not per se indicate how these needs should be assessed.

A second issue concerns the additivity of needs. To assume, for instance, that a measure of the relative incidence in a geographic area of factors known to create individual needs is an adequate measure of the relative need of the population in question is similar to assuming that we can add individuals' need for services. The utilitarians were criticized for assuming they could do something similar with utilities.²² The argument that although we can add the need-creating circumstances that affect utilities, but cannot add people's utilities is an inadequate answer to this problem. If there is no way in which we can measure units of utility--because of the difficulties of understanding an individual psychological process one goes through in evaluating a change--it may be equally impossible to define the need-creating circumstances that define individual needs²³--also because the assessment of need-creating circumstances may depend on individual psychological processes. Thus, the conception of equity based on needs offers similar theoretical and operational difficulties typically attributed to the utilitarian conception of equity.

An associated third issue is the so-called temporal problem. Information about the needs of an individual or neighborhood for a particular service can become out-of-date very quickly. Change may occur quickly because of out-migration and in-migration and shifts in land use patterns and population structure. Also, the view that needs

²² I.M.D. Little, *A Critique of Welfare Economics*, London, 1950, p. 53.

²³ For a contrary argument see Bleddin Davies, *Social Needs and Resources in Local Services*, Michael Joseph LTD, London, 1968, pp. 19-20.

change in some approximate ratio to rising prosperity is at least as old as Adam Smith.

A last issue concerns the possible disincentive effects of an equity criterion based on needs: will it undermine desirable private incentives, such as incentives to save, to innovate, to invest, to allocate one's own labor, ability, and other resources towards increasing total production? Although knowledge about the relationship between distribution of principles and private incentives is limited and not at all conclusive, a presumed reduction in production incentives has been a powerful weapon in the hands of adversaries of distributional equity based on needs.

EGALITARIANISM

"To each an equal share" is the maxim of the egalitarian conception of equity. Its radical form implies that all social inequalities--class, political, legal or economic differences among persons--are unnecessary, and unjustifiable, and ought to be eliminated.²⁴ Under this conception, there is nothing objectionable in equalities among persons despite differences in needs, abilities, or merit. Only natural or physical inequalities such as age, health, strength, color, race or sex are excluded.

The conception of radical egalitarianism has proved a powerful basis from which to discredit the typically humbler objectives of most advocates of egalitarianism. A number of undesirable consequences are presumed to result from radical egalitarianism:

- o The abandonment of otherwise valued societal objectives among which efficiency and freedom of choice are the most often noted.
- o Personal hardship for individuals of unique talents.
- o A loss to society of the special efforts these persons would make in order to satisfy their special needs; such as creative intellectual and artistic activities.

²⁴ Hugo Adam Bedau, "Egalitarianism and the Idea of Equality," in Pennock and Chapman, *Equality*, Atherton Press, New York, 1967, p. 13.

- o A loss to society of pluralism in ways of life.
- o A loss to society of those activities which are supported by minority demands.
- o An increased centralization of power to the state.
- o Reduced incentives for individuals to save, produce, innovate, and invest.

The above are only some of the ills identified by opponents of radical egalitarianism.²⁵ But few have advocated a radical form of equality where everybody and everything would be similar to everybody and everything else. Differences in political power, social status, income, consumption of private goods and public services are recognized. What is usually meant by egalitarianism or "equality of outcome" is some more humble ideal that attacks not all inequalities, but inequalities based on "arbitrary" or "capricious" distinctions.²⁶ At the root of the desire for economic equality lies the conviction that none should have luxuries while some lack necessities. Or the view that certain specific scarce commodities should be distributed less unequally than typically results from the principle of distribution according to ability to pay for them.

This milder form of specific egalitarianism loses much of its sharpness. It raises a number of operational issues, four of which are briefly discussed in the remainder of this section.

A predominant issue of specific egalitarianism concerns the choice of goods and services that ought to be distributed equally. The argument that only arbitrary and capricious inequalities ought to be removed is an inadequate guide for this purpose. The concepts of "arbitrary" and "capricious" are open to alternative interpretations, but no sharper guideline is available. The permanent task for the

²⁵ It is mainly radical egalitarianism that most writers had in mind when criticizing egalitarianism. See F. A. Hayek, *The Road to Serfdom*, 1958, p. 109; and I. Berlin, "Equality," *Proceedings of the Aristotelian Society*, 1956.

²⁶ For a thorough treatment of these qualifications see Bedau, *op. cit.*, pp. 17-27.

egalitarian, then, becomes one of scrutinizing inequalities among persons in order to assure us that they are based on justifiable differences, and of eliminating those inequalities which are not. In this interpretation, specific egalitarianism is to be viewed positively as a dialectical weapon for political and social change, rather than as a normative conception of equity.²⁷

A second issue arises--once and if consensus can be reached on the previous issue--about the type of goods and public services whose distribution ought to be equalized. It concerns the choice of the component of public service delivery upon which the equality principle should be applied. For instance, consider fire protection. Should the equality principle be applied to service inputs, or service outputs, or alternatively to service performance? If the equality criterion is to apply to inputs, the question arises as to which inputs should be equalized.

On the input side, distributional equality can be pursued alternatively for: (a) capital expenditures; (b) total operational expenditures; (c) operational expenditures for one specific aspect of fire protection services such as fire fighting; (d) number of firemen; and (e) operational equipment. More succinctly, should we equalize money spent or in-kind inputs? In-kind inputs raise problems of quality differentials both in manpower and equipment. Is a young fireman on the ladder truck worth less or more than an older fireman? Is a new fire truck better than a similar five-year-old fire truck. On the other hand, total operational expenditures in any service category may be expected to legitimately vary according to age of the structure and other environmental factors.

An additional problem arises because inputs can be viewed in two entirely different ways: (1) inputs as disbursed by the service administrator; and (2) inputs as received by the recipient of the

²⁷ For a positive or operational point of view in which social justice becomes an essential variable in determining social dynamics, see Kenneth E. Boulding, *Beyond Economics*, The University of Michigan Press, Ann Arbor Paperbacks, 1970, pp. 241-257.

service.²⁸ A fire department can spend identical amounts on engines and trucks in two different fire districts, so that inputs as disbursed by the fire department are identical; but if engines and trucks depreciate more rapidly in the first district than in the second--because of more numerous potholes in the streets, or hilly terrain--then the inputs received by residents of the first district will be perceived to be lower than the inputs received by residents of the second district.

Input losses between disbursement and reception that are due to external diseconomies are common occurrences that, in some cases, have necessitated the mediation of the courts. In one such court case, *Beal vs. Lindsay*,²⁹ the judge dismissed a complaint of black and Puerto Rican residents living in the neighborhood of Crotona Park, which alleged that New York City unconstitutionally discriminated against such residents by failing to maintain the park in a condition equivalent to that of other multi-community parks in the Bronx. While not disputing the allegations concerning the deplorable condition of Crotona Park, the City showed successfully that it had made not merely an equal but a disproportionate effort in providing maintenance and operating inputs in favor of Crotona Park. Failure of the City's maintenance effort--inputs as disbursed--to provide equal results--inputs as received--was attributed to the high degree of vandalism at Crotona Park. In other words, it was due to external diseconomies for which the City is not responsible. The judge concluded that:

In view of the level of the City's efforts, the problem resulting from the inefficacy of its expenditures to keep Crotona Park in its previous satisfactory state is one to be resolved through cooperative efforts, by the City and the community surrounding the park, which also has its responsibilities, not by interposition on the part of a federal court.³⁰

²⁸ For a discussion of this issue in the context of education, see James A. Coleman, "The Evaluation of Equality of Educational Opportunity," in Rosteller and Moynihan, *On Equality of Educational Opportunity*, Vintage Books, New York, 1972, pp. 150-153.

²⁹ *Beal vs. Lindsay*, United States Court of Appeal, 2nd Circuit, No. 2, September Term, 1972.

³⁰ *Beal vs. Lindsay*, *ibid.*, p. 32.

Now if instead of inputs, the principle of equality is applied to service output or performance, the same questions arise. What outputs of fire protection services should be equalized: loss of life, loss of property, or some measure of fire service performance, such as response time or the number and type of equipment responding to alarms? Equalizing the distribution of one specific component of fire protection services may require or result in the unequal distribution of all other components of this service delivery.

Also, it is not enough to specify that the distribution of such a component of public service delivery is to be equalized. Equality of fire protection or street cleanliness can be achieved at any level. Thus, egalitarianism necessitates a statement indicating at which quantitative and qualitative level equality of service delivery ought to be achieved.

The last issue of egalitarianism examined concerns the possible disincentive effect on private expenditures of service output equalization. To illustrate this issue, let us consider two neighborhoods equal in all characteristics but one: Neighborhood A has installed at private expense an early fire detector system in its entire housing stock and Neighborhood B has not. The lag time between the beginning of a fire and its detection will be lower in A than in B, resulting in a lower probability of losses in the first neighborhood than in the second. A policy of "loss equalization" would, thus, lead the fire department to act on the only two variables it controls--fire fighting equipment and personnel sent to the alarm, and response time--in order to restore the output balance between Districts A and B. It would have to provide higher service--possibly lowering response time and sending more equipment--to fires in Neighborhood B than to Neighborhood A.

In this example, the more fire prevention-oriented residents of A might argue that the policy is unjust to them. They may respond by withholding their private investments in the early fire detector system. Now, if the level of losses is to continue to be maintained constant and equal between A and B, the fire department will have no other recourse but to increase its allocation of resources in Neighborhood A to a level equivalent to that of Neighborhood B. Or if

public resources do not permit this move, it will have to transfer some resources from Neighborhood B to Neighborhood A, thereby equalizing losses at a higher level.

In the field of sanitation, were the government to implement a policy of equalization of street cleanliness across neighborhoods, a similar shift from private to public responsibilities could take place. Under this policy, a higher trash generation in Neighborhood B than in Neighborhood A would require more frequent runs in the former in order to achieve a cleanliness level of X. More cleanliness-minded people in Neighborhood A (generating little or no trash on the street) could reasonably argue that the higher amount of public resources used in Neighborhood B (whose residents are less cleanliness-minded) is inequitable. They may retaliate by becoming equally careless, shifting the burden of maintaining the same level of cleanliness to the public sector.

The above discussion suggests that equalizing service output creates a potential clash between public and private expenditures on one hand and between fiscal and distributional goals on the other. There is a potential disincentive effect on private expenditure (or effort) contained in the equalizing principle. How substantial this effect might be is difficult to assess. But, as illustrated above, one likely effect may be to stimulate greater total public spending. If increased spending is fiscally acceptable to the city, this causes no problem. But if checking or minimizing the growth of public expenditures is the primary city goal, then a conflict between distributional and fiscal objectives can arise.

"EACH ONE CONTENTED WITH HIS SHARE"

Hobbes once wrote:

... There is not ordinarily a greater sign of the equal distribution of anything than that every man is contented with his share.³¹

³¹ Thomas Hobbes, *Leviathan*, Collier Books, New York, 1962, p. 80.

According to this principle, a distribution is equitable if "each person is contented with his/her share." It clearly does not require equal distribution; it only requests that perceived inequalities do not give rise to dissatisfactions. This is essentially an empirical question: What are the feelings of those relatively deprived or not deprived, regarding these inequalities? Each one has his own images of his situation and of the society that surrounds him, and can air his feelings accordingly.

The above principle, however, is an incomplete principle for equitable distribution of services. Having described the extent to which people are satisfied or dissatisfied with institutionalized inequalities; it is still necessary to ask how these perceptions are to be evaluated. Are the reasons for the perceptions legitimate reasons? Or is it legitimate to speak of people's perceptions of inequality as "distorted" or to attribute a disproportionate awareness of inequality to envy or "false conscientiousness?" Satisfactions or dissatisfactions with the distribution of goods and services may have no relationship with objective measures of this distribution, may be manipulated, may be based on ignorance, or may arise because of self-interest motivations.

A study of attitudes towards social equality in England found no simple and stable relation between objective social inequalities and the feelings of relative deprivation they generate.³² In addition, it was found that the strength of this relationship varied depending on the nature of the inequalities considered--economic, social or political. Among a number of possible determinants of dissatisfactions it was found that the *least* powerful is the abstract ideal of social justice, and that the *most* powerful is the "reference group" to which the individual compares his achievement and relative deprivation.

The important role of the reference group in assessing individuals' perception of inequalities was also identified by Stouffer in a survey

³² W. G. Runciman, *Relative Deprivation and Social Justice*, University of California Press, Berkeley, 1966.

of the military police, where opportunities for promotion are very poor.³³ He found that satisfaction with opportunities for promotion in the military police was higher than in the Air Corps, where opportunities for promotion were conspicuously good. This discrepancy was attributed to the soldiers' expectations and achievements relative to others in the same boat with them. Those not promoted in the military police tended to compare themselves with the large number of their fellows who were also not promoted, while those few who had been promoted were likely to appear to themselves to have done relatively better. In the Air Corps, by contrast, the man who was not promoted would be likely to compare himself with the large number of his fellows who had been promoted.³⁴

There are, in addition to the "reference group," other factors determining an individual's attitude towards inequalities. They include ignorance, habit, or traditionally restricted expectations, such as when people are convinced that they have no right to more. As Durkheim puts it "What is needed if social order is to reign is that the mass of men be content with their lot. But what is needed for them to be content is not that they have more or less but that they be convinced they have no right to more."³⁵ Also, the idea of social justice may influence people's perceptions of inequities. In the U.S. that has a strong egalitarian ideology in the sense of "equal opportunities open to all," social discontent is kept low because people continue to believe, however erroneously, that the rags-to-riches myth is true.³⁶ A person who believes that he or she is shortly to rise to great heights will not resent a brief position of inferiority.³⁷ Finally, whenever growth or policies breaks the status quo

³³ Samuel A. Stouffer et al., *The American Soldier: Adjustment During Army Life*, Princeton, 1949.

³⁴ This explanation can be found in R. K. Merton, *Social Theory and Social Structure*, Glencoe, Illinois, 1957.

³⁵ E. Durkheim, *Socialism and Saint Simon*, Gouldner, London, 1959, p. 200.

³⁶ S. M. Lipset and R. Bendix, *Social Mobility in Industrial Society*, University of California, Berkeley, 1959, p. 31.

³⁷ Runciman, op. cit., p. 26

by making individuals aware of the possibility of a higher standard of living than it would have otherwise been possible, such policies can increase rather than decrease their sense of relative deprivation, by acting on the choice of reference group.

Feelings of dissatisfaction expressed by those well-provided for, raise the important question of motivation. Are the reasons for their dissatisfactions due to altruism or self-interest? The latter motivation has been argued equally well as the former. For instance, Kristol has claimed that "intellectuals most eloquent in their denunciations of inequalities ... are engaged in a class struggle with the business community for status and power."³⁸ Similarly, Moynihan assessing the militance of certain public employees for social programs and increased public expenditures remarked that "We don't presume disinterestedness on the part of persons whose interests reside in the growth and prosperity of the private sector of the economy," and asked pointedly, "Why should those whose interests reside in the growth of the public sector be treated differently?"³⁹ Raising the issue of the motivation of political discontent is not meant to enter into the complex analysis of political processes and conflicts. Simply, it underlines that a positive approach to social justice, while it can describe and possibly explain the evolution of society, cannot aid in assessing whether the discontent, be it personal or political, is legitimate or not.

There exists, however, one class of cases where the demonstration that a person is mistaken in his/her perceived dissatisfactions of inequalities does not involve a complementary reference to a principle of equity. This is when it can be shown on technical grounds that what the person wants will not achieve the purpose for which he/she wants it. This point is best illustrated by means of examples. Consider first a neighborhood that may feel deprived--and discontent--with police protection after a decrease in police inputs provided to the

³⁸ Irving Kristol, "About Equality," *Public Interest*, Fall 1972, p. 2.

³⁹ Daniel P. Moynihan, "Equalizing Education: In Whose Benefit?" *Public Interest*, Fall 1972, p. 76.

neighborhood. If it is shown that this decrease will not affect the level of police protection, or may even enhance it, because the police force has been reassigned to combat crimes "at the source," it can be argued that the neighborhood was mistaken in its perceptions, without need to appeal to a principle of equity. Another example is suggested by Moynihan's argument "that increasing educational expenditures will have the short-run effect of increasing income inequality, in lieu of increasing educational achievement of pupils."⁴⁰ If he is correct, those who advocate increased educational public expenditures on the grounds it will decrease income equality could be said to be mistaken, without need to appeal to a principle of equity.

In summary, the principle of "each one contented with his share" cannot serve alone as a principle of equity. Once dissatisfactions with inequalities have been identified, it is necessary to appeal to another principle of equity in order to assess their legitimacy. However, there is a class of cases where assessment of the legitimacy of dissatisfactions does not require reference to a normative principle of equity. Such cases occur when:

- o It can be shown that perceived inequalities diverge from objectively measured inequalities; or
- o It can be shown that the means to decrease specific inequalities do not serve the purpose they are meant to achieve. Clearly, this is subject to the condition that an honest search for alternative means is done and eventually implemented.

MAXIMIN CRITERION

The last conception of equity considered here is the maximin criterion of distributive equity suggested by Rawls.⁴¹ For him, social and economic inequalities are to:

⁴⁰ Moynihan, op. cit., p. 75.

⁴¹ John Rawls, *A Theory of Justice*, Harvard University Press, Cambridge, Massachusetts, 1971.

be arranged so that they are both (a) to the greatest expected benefit of the least advantaged members of society and (b) attached to offices and positions open to all under conditions of fair equality of opportunity.

Condition (b) is similar to the "equal opportunity" principle of the utilitarians. But where utilitarianism states that one should be rewarded according to contribution, Rawls suggests that an increased share for those better situated are just if, and only if they work as part of a scheme which improves the share of the least advantaged members of society.

Rawls sees this maximin--to maximize the minimum--equity criterion as part of a social construct theory. He argues his principle would unanimously be agreed to in an appropriate initial situation that is fair between individuals conceived as free and equal moral persons. This initial situation implies that no one knows their expected place in society, their class position or social position, their share of natural assets and abilities, and their deeper aims and interests. Excluding this information assures that no one is advantaged or disadvantaged in the choice of principles by natural choice or social contingencies. Since all are in this sense similarly situated and no one knows how to frame a principle that favors his particular condition, each will reason in the same way. In this position, individuals would be considerably risk-averse,⁴² and would choose to maximize the minimum he would receive, whatever their situation in society turns out to be.

The maximin criterion of equity offers somewhat an intermediate position between strict equality and the utilitarian principle of average utility. To Rawls, the maximin criterion has a number of attractive features compared to egalitarianism and utilitarianism:⁴³

⁴²The risk aversion consideration at initial position so essential to Rawls' argumentation has been severely criticized by several authors. For instance see Robert Nozick, *Anarchy, State, and Utopia*, Basic Books, Inc., New York, 1975.

⁴³The remaining discussion in this section is derived mostly from John Rawls', "Concepts of Distributional Equity: Some Reasons for the Maximin Criterion," *American Economic Review*, Vol. 64, No. 2,

First, the maximin criterion is less demanding in information requirements than the utilitarian criterion. Once the least favored group is identified, it may be relatively easy to determine which policies are to their advantage. But, how is the least favored group to be identified? By whom?

Second, it has greater suitability as a public principle than the utilitarian principle, although not as the equality principle. If a distributive criterion is to serve as a public principle, people generally should be able to understand it and have some confidence it is realized. On this score strict equality is the sharpest principle (but, see the preceding discussion on egalitarianism). On the other hand, the utility principle is not sharp enough: even if it were satisfied, there would be little public confidence that this is indeed the case. The maximin criterion has sufficient sharpness, and at the same time preserves individual incentives, while strict equality might not.

Thirdly, the maximin criterion would generate weaker strains of commitment than the utilitarian principle. Under utilitarianism, deep and pervasive inequalities are often hard to accept. By contrast, the maximin criterion assures the least favored that inequalities work to their advantage. The problem with maximin will lie with the better situated. Under the principle they will receive less than they would receive under the utility principle, but more than under the equality principle.

A fourth feature of the maximin criterion is that one's position in society would not be totally left to social fortune and the natural lottery, as it has been argued in the case under utilitarianism. While it would not diminish natural variations or destroy unusual talents--as it is feared under an egalitarian principle--the maximin criterion would assure that inequalities are to everyone's advantage and that those able to gain from their innate talents or social good fortune do so in ways agreeable to those less favored.

The above comparison of the maximin principle with the utilitarian and egalitarian principles is not meant to argue the superiority of the former. It merely suggests that a comprehensive and detailed

comparison of the maximin criterion with these and other alternative principles of distributive equity might possibly lead to the identification of a "preferred" principle. The irony of such an undertaking, however, is that it requires arriving at a consensus upon the rules or assessment criterion upon which such a comparison should rest. In other words, it requires the establishment of a welfare criterion. The difference is that instead of concentrating on what might be called a "payoff" problem, it would require concentrating on a "choice of rules" problem. While it is difficult to arrive at a consensus regarding the first, it might be easier to devise consent rules for the adoption of various equity measures.⁴⁴

CONCLUSIONS

These notes cannot do justice to the complexities of the issues raised, nor can they pretend to have provided a comprehensive coverage of the range of alternative conceptions of equity of outcome. For instance, one conception of equity we have not considered suggests that the most general and perhaps the primary principle of moral and legal evaluation would be along the line of "consider the consequences."⁴⁵ As formulated by Singer, the "principle of consequences" focuses the concerns with equity to the consequences of treating a person or class of persons in a certain manner: "If the consequences of A's doing X are undesirable, A ought not to do X."⁴⁶ Although pragmatically attractive, this principle falls short of enabling policymakers to separate what is desirable from what is undesirable.

It is unlikely that a consensus or even a majority opinion could be reached regarding which conception of equity should be chosen for guiding distributive decisionmaking. Thus, it is not surprising to

⁴⁴ For a discussion of this viewpoint, see Harvey Leibenstein, "Long-run Welfare Criteria," in Margolis (ed.), *The Public Economy of Urban Communities*, Research for the Future, 1963, pp. 34-51.

⁴⁵ See Richard E. Flathman, "Equality and Generalization: A Formal Analysis," in Pennock and Chapman, op. cit., p. 52.

⁴⁶ Marcus Singer, *Generalization in Ethics*, Alfred A. Knopf, New York, 1965, pp. 63-67.

encounter that American pragmatism borrows from several conceptions of distributive equity in determining who should get what. While utilitarianism dominates the functioning of the American economic and social distributive system, selective appeal to other conceptions of equity is made to correct the inequalities it generates. On the one hand, many of the federal and local social programs--such as welfare, medicaid, foodstamps--distribute benefits based on some form of need assessment. Similarly, certain types of local public services--fire fighting, police protection, and garbage collection--are distributed on the basis of a need formula. On the other hand, the principle of "contentment with one's share" is the prime mover of the nation's political system. But, application of these conceptions of equity remain deliberately fuzzy, mainly because uncertainty permits holding down the resource costs, and provides flexibility to reverse distributive measures when costs--resource and/or political costs--are perceived to be excessive.