To be morally acceptable, a society’s institutional order must treat its citizens justly. Justice is closely related with equality, and this relation has two aspects. First, it is uncontroversial today that there is an important sphere of social regulation in which justice requires strictly equal treatment. Thinkers and countries differ on what they include within this sphere of equality, what they take equality to require in the various included domains of regulation, and what they want the equal rules to be in these various domains. Still, there is rough agreement that the sphere of strict equality includes voting, parenting, punishment, public traffic, taxation, as well as participation in commodity, labour and capital markets.

The sphere of strict equality has limits. If citizens have equal rights to acquire personal property, then
inequalities will arise — not merely because different things will belong to different people, but also because some will own more than others. Such inequalities could be avoided by extending the sphere of equality, for instance by understanding the social product as communal property from which all may consume what they need. But this would entail substantial moral costs in terms of liberty and economic efficiency. Justice may be better served, then, by permitting such socioeconomic inequalities, especially when they are institutionally moderated.

This is the other aspect of the relation of justice to equality. Outside the sphere of equality, social institutions affect the degree of inequality in many ways. A social safety net and bankruptcy laws can ensure that citizens do not fall into destitution. Public funding can secure decent educational opportunities for children born into poor families. Progressive income, wealth, and inheritance taxes can moderate the concentration of income and wealth. And a generous supply of public goods can limit the special advantages wealth confers. With an inequality-modering institutional design, we can achieve a just social order even if the sphere of strict equality is relatively small.

Those whose natural talents or social position allow them to do well may use their advantages toward compressing the sphere of strict equality and especially toward loosening the institutional breaks on inequality. Their basic message, oft-repeated in The Economist, agrees that “poverty in an age of plenty is shameful and disgusting” but rejects “the preoccupation bordering on obsession with economic equality.” Obsession aside, what’s wrong with a preference for lower inequality? The Economist’s reply: “a concern to level economic outcomes must express itself as policies that advance one group’s interests at the expense of another’s.” Not convincing. By organizing our economy to inhibit large economic inequalities, we are indeed advancing the middling group’s interests at the expense of the high fliers. But the situation is symmetrical: by designing social institutions to facilitate large economic inequalities, we would be advancing the high fliers’ interests at the expense of the rest. There is no neutral way of organizing an economy.

Rawls's difference principle delivers a sounder and more pro-poor version of The Economist’s message: we should organize our economy so that the lowest socioeconomic position is as high as possible, without regard to how much economic inequality may result. Heavy concentrations of income and wealth are acceptable if they are the by-product of economic arrangements that maximize the social floor. But are large socioeconomic inequalities really a matter of moral indifference? Critics have argued that they reduce health and happiness in the society and allow the rich to monopolize positional goods.

More important still is their corrosive effect on the justice of the whole institutional order. The U.S. has seen explosive growth of inequality over the last 30 years. The top 0.1 per cent of citizens now has roughly the same share of national income (12%) as the entire bottom half, up from 1/5 as much in 1980. Such enormous economic power gives the superrich the means and incentives to exert great political influence. Equal voting rights persist, to be sure, but the fortunes of politicians depend essentially on the support they can garner from the rich who consequently greatly affect especially economic legislation and policies. And so the U.S. economy is being gradually restructured toward the very opposite of what the difference principle demands: toward a design that maximizes the highest socioeconomic position.

Anticipating the problem, Rawls built into his first principle of justice — superordinate to the difference principle — the requirement that the fair value of the political liberties must be preserved: “the worth of the political liberties to all citizens, whatever their social or economic position, must be approximately equal, or at least sufficiently equal, in the sense that everyone has a fair opportunity to hold public office and to influence the outcome of political decisions.” If this requirement is to be met, Rawls insists, “there is a maximum gain permitted to the most favoured on the assumption that, even if the difference
principle would allow it, there would be unjust effects on the political system and the like excluded by the priority of liberty.”

Institutional designs that moderate inequalities outside the sphere of strict equality are crucial to the stability of a just society. European states illustrate that it is not hard to keep socioeconomic inequality in the moderate range. But once it breaks decisively above this range, it may be next to impossible to prevent justice from unravelling. This is what we may be witnessing in the U.S. today and, in a different way, in China as well.

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