The Journal of Contemporary Legal Issues

Volume 23 | Issue 2 Article 12

10-28-2022

Luck Egalitarianism and the Spirit of Capitalism

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TABLE OF CONTENTS

I. INTRODUCTION

Luck egalitarianism is a doctrine of distributive justice.[1] Therefore, its point is to prescribe and assess real-world distributions of income, wealth, or welfare.[2] Unlike other egalitarian theories, it integrates two different moral

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1. The label "luck egalitarianism" was introduced by Elizabeth S. Anderson, *What is the Point of Equality?*, 109 ETHICS 287, 289 (1999) [hereinafter Anderson, *Equality*]; she also uses "equality of fortune." Though the expression "luck egalitarianism" is a term of art, it denotes a powerful ideal in the contemporary public debate on equality.

2. I discuss in this essay the view that the distribution of socioeconomic benefits and burdens should be insensitive (as much as possible) to differences in people's luck but sensitive (as much as possible) to differences in people's voluntary choices. Dan Markovits calls this doctrine the "responsibility-tracking view": Daniel Markovits, *Luck Egalitarianism and Political Solidarity*, 9 THEORETICAL INQUIRIES IN LAW 271, 275–76. I think that Markovits misrepresents luck egalitarianism in describing it as oriented to political solidarity.

ideals. I will call these components the *principle of equality* and the *principle of responsibility*. Many writers agree with this interpretation.[3] So, for example, Richard Arneson says that luck egalitarianism combines two views: "egalitarianism" and "luckism."[4] While the former requires distributive equality, the latter enshrines considerations from individual responsibility.

According to the principle of equality, the institutional structures of society must ensure that all its members are guaranteed equality of condition. On the other hand, the principle of responsibility allows inequalities that result from people's voluntary choices. Insofar as inequalities are based on individuals' voluntary choices, they may be justified departures from equality of condition. There are two ways to interpret the relationship between the principle of equality and the principle of responsibility. Under the first reading, both principles express competing values, and a proper settlement implies adopting a trade-off between both. On this view, the two principles are logically independent. Thus, Susan Hurley argues that luck neutralizing does not independently justify an egalitarian pattern of distribution because both inequality *and equality* of condition between two individuals may be due to none's responsibility. That is, the recipe to equalize people in the sense of guaranteeing that each one has a share commensurate with her choices may paradoxically lead to a *nonegalitarian* distributive pattern.[5]

The "trade-off" reading of luck egalitarianism is implausible. In fact, when we endorse inequalities that are warranted by the principle of responsibility, we do not sacrifice equality at all. Instead, this principle qualifies the principle of equality by introducing an exception. Under the second reading, the principle of responsibility is a *defeater* of the principle of equality. Thus, luck egalitarians claim that society should remove any unchosen socioeconomic inequality. One consequence of the second reading is that all forms of labor time should be equally rewarded in the absence of voluntary choices that justify unequal retributions. On this more attractive reading, luck egalitarianism does not pursue two competing values but only one. The idea that animates luck egalitarianism is a robust version of equality of opportunities rather than equality of condition.

3. RONALD DWORKIN, A MATTER OF PRINCIPLE 205–13 (1985); RONALD DWORKIN, SOVEREIGN VIRTUE 65–109 (2000); Richard Arneson, *Equality and Equal Opportunity for Welfare*, 56 PHILOSOPHICAL STUDIES 77, 77–93 (1989); ERIC RAKOWSKI, EQUAL JUSTICE (1991); Richard J. Arneson, *Luck Egalitarianism Interpreted and Defended*, 32 PHILOSOPHICAL TOPICS 1, 2 (2004) [hereinafter Arneson, *Luck Egalitarianism*]; G.A. Cohen, *On the Currency of Egalitarian Justice, and Other Essays*, *in* POLITICAL PHILOSOPHY 29–33, 116–23 (Michael Otsuka, ed. 2011); LARRY TEMKIN, INEQUALITY (1993); Peter Vallentyne, *Brute Luck, Option Luck, and Equality of Initial Opportunities*, 112 ETHICS 529–57 (2002).

4. Arneson, *Luck Egalitarianism*, *supra* note 3.

5. S. L. HURLEY, JUSTICE, LUCK, AND KNOWLEDGE 158–61 (2003).

Luck egalitarians also offer a criterion for determining when an economic inequality derives from luck. Thus, any inequality is unfair if the unequal condition does not result from the voluntary choice of the disadvantaged or advantaged individual. For example, in "Luck and Equality," G. A. Cohen says that the relevant distinction in luck egalitarianism is between possessing unequal shares as a matter of individual choice and possessing them because of luck, innate talents, or differential socioeconomic circumstances.[6] For Cohen, the choice/luck divide is crucial to luck egalitarianism. Governments should rectify those inequalities that go beyond people's voluntary control. Instead, those conditions caused by individuals' decisions are of their exclusive responsibility and do not violate equality.

The second reading suggests that a luck egalitarian society will be basically egalitarian with some exceptions permitted by the principle of responsibility. This picture is flawed. In this essay, I will argue that the principle of responsibility in practice presupposes *inequality* of condition. I contend that a luck egalitarian society will be inegalitarian with some exceptions that do not preempt the practicability of the principle of responsibility. Luck egalitarians hold that individual choices justify departures from equality of condition. I add that these departures are justified as long as they are commensurate with their social value.

It may be argued (as some luck egalitarians actually do) that those inequalities that enhance everyone's advantages via Pareto improvements are not only permitted but also desirable. But my argument is different. I claim that implementing the principle of responsibility is, in practice, inseparable from a massively inegalitarian society because market prices are not sensitive to desert concerns. I contend that inequalities of condition are an inescapable upshot of an economic system that permits those chosen inequalities conducive to improving everyone's lot via market exchanges. I will conclude that implementing the principle of responsibility is at odds with the general practicability of the principle of equality.

Luck egalitarians permit departures from the norm of equality insofar as these departures derive from individual choices. Though the true social cost or benefit of those departures can be assessed according to different methods, in a large and complex society, there is no effective overall method of social valuation that can dispense with market prices. Two of the leading defenders of luck egalitarianism, Dworkin and Cohen, concede that market prices are the best available way to measure the social value of choices. I

6. G.A. Cohen, *On the Currency of Egalitarian Justice*, *supra* note 3.

argue that the claim that market prices are the best method to gauge the true costs and benefits of individual choices must be accepted as supplementary to luck egalitarianism. Thus, luck egalitarianism can only defend the principle of responsibility if it appeals to market prices as a method of social valuation.

Insofar as the principle of responsibility permits inequalities that are proportionate to each individual's social deservingness, it becomes in practice incompatible with equality of condition. It is not that realizing the principle of responsibility requires a trade-off with the principle of equality. This idea assumes the first reading of luck egalitarianism. Instead, the realization of the principle of responsibility presupposes that the community has set up the institutions needed to operate a system of market prices. This system is incompatible with a comprehensive policy of equalization of labor and professional prices. A moderate balance of equality and responsibility is not an option because the principle of responsibility is practicable only if equalization of opportunities is confined to the mitigation of obvious forms of natural or social misfortune. In practical terms, the ideal of equality of opportunities pursued by luck egalitarianism is anything but robust.

My argument will conclude that the implementation of the principle of responsibility via a system of market prices produces inequalities of condition (including unchosen inequalities) in all empirically possible worlds. While it is common for many normative theories to be confronted with the need to trade off two or more competing goals, the situation of luck egalitarianism is different. The price system is in practice incompatible with equality of condition. Rather than a trade-off between equality and responsibility, the principle of responsibility swallows up the principle of equality to most practical effects.

Suppose a community is committed to ensuring individuals' responsibility for the socio-economic consequences of their actions. In that case, the principle of equality must be confined to mitigating those inequalities that derive from natural or social fortune. Thus, an egalitarian government may implement social security programs that spread out the risks associated with evidently unchosen circumstances (e.g., the effects of low-income family backgrounds, natural handicaps, etc.) while endorsing all the economic inequalities that are inseparable from a fully operational system of market prices. In practice, the principle of equality must be confined to government programs that attach political prices to some basic goods needed to make up for the most serious forms of inequality caused by unchosen circumstances.

This paper is organized in six sections. In the following section, I discuss Dworkin's and Cohen's views regarding the function of markets in providing a method of social assessment. I suggest that their treatment of social valuation is of limited use because it is restricted to rudimentary economic systems like the immigrants' island and the camping trip. In section III, I argue that the principle of responsibility is indeterminate in that it lacks a criterion of social value. I also claim that a Paretian interpretation of social value is the most plausible way to give concrete meaning to the idea of responsibility defended by luck egalitarians. Section IV contends that market prices' information and motivational functions are empirically inseparable in any large feasible or sustainable society. In Section V, I take the argument from social valuation to its conclusion that the inequalities of condition caused by market prices are a necessary feature of the Paretian interpretation of the principle of responsibility in any feasible or sustainable economic system. In other words, under the assumption that market prices are the only available method of social valuation in large societies, the principle of responsibility presupposes the adoption of a system of social valuation that runs afoul of the principle of equality. Finally, I conclude in Section VI.

II. INEQUALITIES AND THE PROBLEM OF SOCIAL VALUATION

Luck egalitarianism was initially suggested as an aspect of a more complex theory addressing the question of whether we should assess people's distributive shares in terms of welfare or resources. Dworkin defended equality of resources instead of equality of welfare on the grounds that equalizing welfare leads, in practice, to acknowledging larger shares of wealth or income for the bearers of expensive preferences.[7] He said that an egalitarian State should remove endowment-sensitive inequalities while endorsing ambition-sensitive ones. In other words, whereas equality of welfare seeks to remove both inequalities derived from differential circumstances and those attributable to each person's voluntary choices, equality of resources only opposes inequalities based on differential circumstances.

Dworkin's intuition is that a person's professional ambitions and productive efforts justify deservingness of greater rewards. His distinction between ambition-sensitive inequalities (based on voluntary choices) and endowment-sensitive inequalities (based on unchosen circumstances) tries to capture the rejection of the distributive effects of luck and circumstances and, at the same time, the acceptance of those inequalities that derive from individual ambitions and efforts. Among the unchosen circumstances, Dworkin includes one's innate attributes (talents, abilities, dispositions, etc.) as well as those features of one's station (upbringing, education, and so on) that can shape one's social and occupational opportunities. The acceptance of ambition-

7. RONALD DWORKIN, SOVEREIGN VIRTUE 48–59, 65–99 (2000).

sensitive inequalities makes it evident that Dworkin seeks to merge the American ethos of capitalism with the egalitarian ethos distinctive of socialist thought.

The distinction between *brute luck* and *option luck* is essential to carry out Dworkin's ideological merger. Thus, Dworkin holds that equality demands rectifying the effects of brute luck, that is, luck that flows from one's unchosen circumstances (as opposed to one's calculated gambles). Yet, he defends a different view concerning option luck, that is, luck that results from one's deliberate gambles.[8] Dworkin claims that inequalities deriving from option luck are permissible. People are responsible for their choices, but not for the consequences of unchosen circumstances or brute luck (especially bad brute luck).[9]

Dworkin holds that the possibility of insurance provides "a link between the two kinds of luck."[10] Instead of bringing equality of resources to bear on the real world, he applies it to an imaginary immigrants' island. Dworkin interprets the idea of equality of resources in terms of a hypothetical auction that the immigrants set up to distribute shares of resources. The auction follows an *envy test*: "[n]o division of resources is an equal division if, once the division is complete, any immigrant would prefer someone else's bundle of resources to his own bundle."[11] The divider of resources will find it difficult or impossible to divide the available resources into identical bundles so that no one envies anyone else's bundle. Thus, Dworkin portrays the hypothetical auction as one in which the divider gives every immigrant an equal number of clamshells that they can use to bid for any resource auctioneered.[12]

Dworkin's enterprise is based on the justification of market inequalities on option luck and the availability of comprehensive social insurance. He argues that real-world inequalities may be justified as the outcomes of choices about insurance coverage made in the fictional island. Dworkin assumes that all immigrants have equal odds of being afflicted by physical and mental handicaps and deprived of profitable talents. His central point is that the possibility of taking social insurance on the island turns brute

8. *Id.* at 73; RONALD DWORKIN, A MATTER OF PRINCIPLE 206–08 (1985).

9. The distinction between brute luck and option luck is fuzzy, especially in its application to market decisions. For example, Kasper Lippert-Rasmussen points out that the distinction does not match the difference between inequalities for which the disadvantaged are personally responsible and those for which they are not accountable. Many risky choices in the marketplace (for example, buying stock or making risky business decisions) produce unequal outcomes that do not reflect different degrees of responsibility (though they express various choices). *See* Kasper Lippert-Rasmussen, *Egalitarianism, Option Luck, and Responsibility*, 111 ETHICS 571–75 (2001).

10. RONALD DWORKIN, SOVEREIGN VIRTUE 76 (2000).

11. *Id.* at 67.

12. *Id.* 66–73.

bad luck into option bad luck in the real world. But the bridge between hypothetical insurance taking and consent to real-world inequalities is a mysterious one. To start with, the hypothetical immigrants would purchase insurance only if they were risk-averse. Indeed, Dworkin suggests that the immigrants are not risk-neutral. In fact, he says that "almost no one is risk-neutral over the full range of his utility curve."[13] He must discard risk neutrality, as no risk-neutral person would rationally purchase insurance; it's only risk-averse people who can obtain a surplus from risk pooling. But suppose a risk-neutral immigrant is *not* willing to buy insurance for handicaps. Why should a risk-neutral person be held responsible for uninsured misfortunes? It's also questionable that the dispositions called "risk neutrality" and "risk aversion" belong to a "person" and not to her "circumstances." If risk neutrality is an inborn characteristic, the choice not to pay the premium and take the insurance is incapable of turning the unprotected misfortunes into a matter of choice or responsibility. Therefore, the inequalities resulting from those uninsured misfortunes should not be exempt from the demand for equalization.

Dworkin claims that equality of resources presupposes a marketplace because he relies on markets as the best system of social valuation.[14] In fact, he asserts that the social value of resources must be measured in terms of market prices. Dworkin thinks that if the initial distribution of resources were equalized, prices would express the *true value* of resources. In "Why Liberals Should Care about Equality?" Dworkin also says that if people started with equal amounts of wealth and equal levels of endowment and talent, a market allocation would guarantee that no one could legitimately complain that he had fewer resources than others.[15] The problem is that actual market prices depend on the existing distribution of resources. Thus, he rejects a pure market economy on the grounds that real-world market allocations of resources are vitiated by unequal starting points and unequal levels of productive capacity. In unregulated markets, says Dworkin, prices do not express the true value of resources.

Dworkin's creative move is to use a competitive market as a conceptual tool to formulate luck egalitarianism. In effect, he adopts the notion of opportunity costs to gauge the social value of products and services. As explained above, Dworkin appeals to a hypothetical auction to establish

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13. *Id.* at 95.
14. *Id.* at 66.
15. RONALD DWORKIN, A MATTER OF PRINCIPLE 207 (1985).

the true value of resources to be distributed on the island. Dworkin's auction is a Walrasian auction that meets the definition of a perfectly competitive market (perfect information and no transaction costs).[16] However, he secures the egalitarian character of the auction with two non-Walrasian conditions. First, the auction proceeds from an initial fair distribution of resources. Second, the allocation must meet the *envy test*, which defines a fair distribution of resources. Thus, he says: "The auction proposes what the envy test in fact assumes, that the true measure of the social resources devoted to the life of one person is fixed by asking how important, in fact, that resource is for others."[17]

Dworkin concludes that "market allocations must be corrected in order to bring some people closer to the share of resources they would have had but for these various differences of initial advantage, luck, and inherent capacity."[18] Corrections of market allocations are made through a progressive tax system. Dworkin conceives of these tax corrections as matching the social insurance coverage against handicaps and lack of productive talents that the immigrants would have purchased in further sub-auctions hypothetically made within the context of the initial auction of resources. Thus, he keeps the role of markets in revealing information about social valuations but circumscribes distributional equality to the immigrants' island and narrows down the egalitarian agenda in the real world to tax corrections of market allocations.

While Dworkin places markets at the center of egalitarianism, Cohen regards market allocations as a necessary evil (that is, necessary as long as people's selfish tendencies continue to be exacerbated by capitalistic mechanisms). Cohen criticizes the argument that economic inequalities are justified when unequal rewards can incentivize the more productive to work harder and make the badly off better off. This argument he calls the *incentives argument* or the *Pareto argument*.

Cohen discusses the incentives argument as used both within a deliberative setting and from an external or third-person perspective. The incentives argument is relevant because Cohen defends an *interpersonal test* to assess normative arguments in dialogical contexts. He says that an argument fails to justify a policy or arrangement if its justificatory power changes or dissolves depending on who presents it or to whom it is given. Conversely, a good argument must justify a policy in all interpersonal contexts, regardless of who affirms the argument or to whom it is offered.[19] Now, the incentives

16. Hal R. Varian, *Dworkin on Equality of Resources*, 1 ECONOMICS AND PHILOSOPHY 110, 113 (1985).
17. RONALD DWORKIN, SOVEREIGN VIRTUE 70 (2000).
18. RONALD DWORKIN, A MATTER OF PRINCIPLE 207 (1985).
19. *Id.* at 42.

argument is premised on the factual proposition that unequal rewards are needed to produce an economic output that will be advantageous also to the worst off via trickle-down effects. Thus, Cohen contends that the more talented may not wield the incentives argument *in the first person* when they try to justify their unequal shares to the worst off. This is because the more productive cannot argue from the proposition that differential rewards are causally necessary to improve the position of the worst-off without being detrimental to their sense of justice.[20] In effect, the truth of this factual proposition depends on the choices made by the more talented, and, therefore, the incentives argument cannot justify such decisions.

Cohen assumes that the more talented have a sense of justice and, therefore, will not utter the incentives argument in the first person within a community that encompasses them. For example, the more talented could choose to work as hard at a 60 percent tax rate as at a 40 percent rate unless the work is especially burdensome. This means that the degree of inequality associated with the 40 percent rate cannot be justified as needed to make the poor better off. Therefore, the talented would not present to the poor the argument that raising the tax rate will worsen the position of the poor. Otherwise, they would be taking their own choices as unmodifiable data. That is, they would pretend that the poor's demand for justification of those choices is misplaced. But it's only the lack of membership in a justificatory community that could render the poor's request for explanation improper or misplaced. Thus, Cohen concludes that the incentives argument does not pass the interpersonal test.[21]

In its third-person use, the Pareto argument holds that some economic inequalities are necessary to make everyone (including the badly off) better off. Cohen points out a tension between a commitment to equality (i.e., rejecting such morally arbitrary factors as the unequalizing effects of the natural and social contingencies) and the assertion that a Pareto superior unequal distribution preserves justice. A commitment to equality means that you will not prefer an *unequal* Pareto-superior situation if you can choose an alternative situation that delivers a similar degree of Pareto improvement and equalizes distributive shares. Cohen says that if the set of possible social worlds includes a world in which an unequal distribution is Pareto superior, it will also contain another possible world that offers a similar Pareto improvement and yet preserves equality (through redistribution).[22] Thus,

20. G. A. COHEN, RESCUING JUSTICE AND EQUALITY 35–38 (2008).
21. *Id.* at 54–62.
22. *Id.* at 89–90.

a Pareto-superior inequality is not necessary if redistribution is a feasible alternative.

Cohen critiques Rawls's appeal to the Pareto argument in the reasoning leading to the difference principle. In his opinion, there are two different readings of the difference principle: the *strict reading* and the *lax reading*. Under the former, the principle tolerates economic inequalities necessary to improve the position of the badly off only if the necessity is independent of the choices and intentions of the most advantaged. Under the latter, the principles countenance any inequality necessary to improve on the badly off.[23]

Cohen accepts the strength of the Pareto argument as regards the actual social world, in which capitalistic motivations lead people to maximize profits and exploit their natural and social advantages. But he says that, in a society governed by an ethos that exalted the value of fraternity, people would endorse the difference principle under its strict reading. Being committed to fraternity, the talented and more productive would not choose any unnecessary economic inequality. Instead, they would only accept economic inequalities that are *strictly necessary* to alleviate the position of the badly off, that is, necessary apart from their motivations and choices.[24] For example, the talented and more productive would be prepared to work as hard at a 60 percent tax rate as they do at 40 percent. Thus, the talented would be motivated to work hard and contribute to the common good even if they are subjected to such tax rates as are needed to equalize economic rewards for labor.

Cohen thinks that the problem with implementing socialism in the real world is that we lack a suitable institutional technology to make the economic system work within the limits of human nature.[25] Like Dworkin, Cohen acknowledges that markets provide information about how various goods are valuable to people. But he suggests that organizing cooperative endeavors that can function effectively without a free market might be possible. Cohen's exploration starts with an imaginary camping trip. Campers decide to collectivize tools, goods, and labor based on luck egalitarianism and communal caring principles.[26] Cohen claims that the camping trip realizes the ideal of socialist equality of opportunity. This ideal treats both social and native or inborn disadvantages as sources of injustice and hence wants to remove all unchosen constraints against equality.[27] In the camping trip, inequalities generated by voluntary choices are permissible only if they do not offend communal

23. *Id.* at 68–69.
24. *Id.* at 69–73.
25. G. A. COHEN, WHY NOT SOCIALISM? 57–58 (2009).
26. *Id.* at 3–11.
27. *Id.* at 14–19.

caring. Besides this luck egalitarian principle, the trip is then ruled by a community principle, which seeks to curb those significant inequalities caused by option luck that are, therefore, permitted by equality of opportunity.[28]

The trip (supposedly) works well because every camper knows how to contribute to the common good. However, Cohen recognizes that implementation in large societies confronts the institutional designer with extraordinary difficulties given the limits of human nature. Yet, he hopes that these difficulties are surmountable (though he is doubtful that they are). It is crucial to notice that both Dworkin's immigrants' island and Cohen's camping trip are stylized economies from which the problems of specialized production, innovation, and investment are assumed away. Dworkin and Cohen recognize the role of markets in social valuation, yet they fail to discuss the relationship between equality and social valuation in real-world economies. It is on this task that I now embark.

III. The Indeterminacy of the Principle of Responsibility

Capitalism embodies competitive markets that reward factors of production according to their marginal contribution to producing valuable goods and services. Within legal constraints, labor time sold or invested by workers, professionals, and entrepreneurs is valued in a capitalistic system at different prices, according to their marginal productivity. Through their market interactions, consumers and producers fix the value of various goods and the value of different kinds of labor time, regardless of its social or legal form (e.g., wages, business profits, etc.). Thus, capitalism assigns unequal rewards to different individuals for their labor time, and these differential rewards will almost always produce an inequality of condition. Economic inequality is an essential aspect of capitalism, not because capitalism seeks inequality per se, but because its method of social valuation of products and services is hardly separable from an inegalitarian distribution of income and wealth. Inequality is the price to pay for using a price system.

According to luck egalitarianism, inequalities can be permissible if they derive from people's *choices* rather than their *circumstances*. At first blush, this appears to suggest that, even if market inequalities infringe equality of condition, they are justifiable by the principle of responsibility. However, by definition, a competitive market affects people's conditions via their market choices. Thus, luck egalitarianism permits inequalities caused by

28. *Id*. at 30–34.

competitive markets. In contrast, it bans inequalities of condition produced by unchosen contingencies and circumstances, among them brute luck.

Still, inequalities originating from individuals' circumstances are unjustifiable for luck egalitarians. And the fact is that in capitalistic systems, many inequalities are attributable to social and economic circumstances (brute luck). For example, different educational, training, and social backgrounds are consequential in people's unequal abilities to obtain income and accumulate wealth. Such inequalities could be removed or mitigated by proper arrangements. Thus, an effective educational system, equally accessible to all, might suppress or reduce those inequalities.

In addition, markets operate against the background of legal institutions that grant individuals the power to benefit from their unequal endowments, not only their different ambitions. Capitalistic institutions tolerate those inequalities and often exacerbate their effects. For example, capitalistic legal systems allow individuals to sell the output of their innate and acquired endowments, even if these endowments can be considered circumstances rather than the results of voluntary choices. Thus, capitalism permits voluntary and mutually advantageous transactions that depend on the parties using or transferring resources produced with their natural abilities and talents. In effect, individuals can sell whatever they produce with their natural endowments and legitimately acquired resources. For example, Salvador Dalí became rich by selling his works in the US, but a good deal of the value of his artworks resulted from his natural talent instead of his voluntary choices.

Since prices of products and services transacted in the marketplace express the influence of initial endowments, it is complicated to determine the exact magnitude of permissible and impermissible inequalities in practice. Strictly speaking, perfectly competitive markets do not cause unchosen inequalities. Instead, the background scheme of private property, corporate ownership, and alienation rights generates those inequalities through the operation of markets. The tendency to equate economic markets with the system of private ownership of the means of production explains a good deal of the egalitarians' opposition to markets.

Under the responsibility principle, producers and workers may be entitled to unequal economic rewards due to their different voluntary choices. But how is the function between unequal rewards and specific voluntary choices to be defined? The principle of responsibility determines the conditions under which a result (a benefit or a loss) can be assigned to an individual's choice but does not provide a criterion to measure the social worth of that result. To illustrate the indeterminacy of the principle of responsibility, I will offer a hypothetical not too distant from the real world, namely, a bit of fictional Yugoslavia that endorses luck egalitarianism and, therefore, resembles market socialist Yugoslavia.

Western economists used to study the Yugoslav experiments in market socialism to discuss employing market prices to organize a non-Soviet version of socialism.[29] After the Tito-Stalin split in 1948, Yugoslavia implemented experimental economic reforms (basically, workers' self-management practices in state-owned enterprises), saluted in Western socialist circles as progressing to democratic socialism. Now imagine that one of the socialist experiments was the implementation of luck egalitarian forms of redistributing income and wealth. Indeed, state-owned enterprises with workers' self-management seem favorable institutions to implement luck egalitarianism. There was a dark side to the Yugoslav socialist experiments that became known only in recent years. Between 1949 and 1956, Tito's regime used the Yugoslav secret police (the Udba) to incarcerate political dissidents on Goli Otok. The political dissidents were tens of thousands of socialists who remained faithful to the Stalinist wing of communism. By detaining them at Goli Otok, the more "liberal" Yugoslav socialists sought to re-educate them into the democratic variety of socialism. Lamentably, the inmates were subjected to brutal psychiatric techniques.[30] Now, imagine that the dissidents opposed market socialism and luck egalitarianism. Stalinists were not sensitive to technical subtleties, so this variation is insignificant. Then -the fictional story goes on- the techniques in Goli Otok were oriented to making the Stalinists understand the merits of luck egalitarianism. Historically, one key figure in the experiments at Goli Otok was the military psychiatrist Vladislav Klajn. According to some reports, Vladislav tried to re-educate the inmates into the new form of socialism with authoritarian methods.

Luck egalitarianism says nothing about the treatment of dissidents. Tragically, Vladislav had the right talents and skills for serving the regime effectively. My fictional Tito was committed to luck egalitarianism. So, he ought to compensate his collaborators by luck egalitarian criteria. Tito knew that Vladislav was gifted to lead the re-education experiments but unworthy of a higher income (or welfare) for his natural advantages. Yet, he believed that Vladislav was entitled to a higher reward for securing the self-management and luck egalitarian programs. These efforts were a matter of personal choice. In authoritarian regimes, high unequal rewards

29. For a criticism of this tendency, *see* SVETOZAR PEJOVICH, THE MARKET-PLANNED ECONOMY OF YUGOSLAVIA (1966).

30. Simone Cristicchi, *Goli Otok, Tito's forgotten lager*, L'ESPRESSO INTERNATIONAL (Jan. 18, 2018), https://espresso.repubblica.it/internazionale/2018/01/11/news/goli-otok-viaggio-nell-isola-dei-dannati-lager-di-tito-1.316947.

for bureaucrats' equalizing efforts are typically considered permissible. Does luck egalitarianism permit Vladislav's higher income?

This story illustrates an assumption in luck egalitarianism. Intuitively, Tito misunderstood the content of luck egalitarianism. It seems evident that Vladislav ought not to get a higher income based on the principle of responsibility (he rather deserved punishment for his repressive actions). Though Vladislav *chose* to render his invaluable services to the regime, such services were not worthy of increased economic reward.

Arneson distinguishes between two different conceptions of the principle of responsibility, which he calls *Choice* and *Desert*. According to the former, an inequality is not wrong if it arises via people's voluntary choices (within a fair framework for interaction). According to *Desert* (the most robust version of luckism), an inequality is not wrong if it tracks people's relative praiseworthiness or blameworthiness.[31] Thus, *Desert* discards inequalities that result from people's voluntary choices but do not commensurate with a person's level of deservingness.

Arneson's distinction is relevant here. Vladislav's example shows that *Choice* is too weak to account for various intuitions about what justice demands as a matter of personal choice.

On the other hand, *Desert* is too strong. The immigrant on Dworkin's island who uses his clamshells to purchase resources for consumption rather than production does not *deserve* to be poorer, for he harms no one. However, he cannot reasonably complain about the resulting inequality. Thus, an intermediate possibility seems appropriate. For example, the principle of responsibility could be construed as stating that inequalities resulting from voluntary choices about which no one can reasonably complain do not violate the strictures of distributive justice. Vladislav's inequality-generating choices were voluntary, but there were many (prisoners and their families) who could reasonably complain about those choices.

Therefore, the principle of responsibility should be supplemented by a criterion that defines the unobjectionable inequality-producing choices. Rather than being specific about this criterion, luck egalitarians leave the principle of responsibility indeterminate or incomplete. Let me explain. The principle of responsibility cannot be understood as the claim that a subject S is entitled to an unequal higher retribution R because he has made choice C, which is tied to R in the relevant institutional structure. If we adopted this interpretation, we should say that Vladislav was entitled to an unequal higher income (or welfare) in our fictional Yugoslavia. But Vladislav's higher pay is unjustified. Therefore, luck egalitarianism cannot be interpreted as a form of legitimizing this distributional inequality.

31. Arneson, *Luck Egalitarianism*, *supra* note 3.

The relevant claim to justify *S's* permission to get an unequal retribution *R* is that *S* is entitled to *R* because *S* has made voluntary choices that generate a justice ground for the inequality. Thus, if Vladislav was entitled to a higher income, there should be a valid ground for the inequality (i.e., one that is *not* attributable to brute luck). But then, the luck egalitarian who makes that claim must identify the ground validating the unequal earning to which Vladislav was supposedly entitled.

It's difficult to assess or measure the value of voluntary choices other than by considering the social worth of their outcomes. Thus, the following two-pronged principle of responsibility seems intuitively appealing:

> **Responsibility.** A subject *S* is entitled to unequal reward *R* for an outcome *O* because (1) *S* is responsible for *O* and (2) *O* is socially valuable.

Luck egalitarians emphasize the first prong in *Responsibility* yet say little or nothing about the second prong. Unlike luck egalitarianism, the incentives argument relies on the social value of incentivizing talented individuals. But the incentives argument does not distinguish between misfortunes and choices. Regardless of whether valuable outcomes are caused by natural talents, social contingencies, or deliberate efforts, the incentives argument holds that an egalitarian society can justifiably uphold unequal retributions to ambitious or talented individuals to harness their productive or entrepreneurial abilities to everyone's advantage or the advantage of the badly off. In its standard formulations, the principle of responsibility is not coupled with a definition of social value. *Responsibility* casts this indeterminacy into sharp relief.

Luck egalitarians hold that inequalities in holdings caused by people's voluntary choices do not contradict equality-based demands. And two leading advocates of luck egalitarianism say that voluntary choices that satisfy the Pareto argument are not valid grounds for complaint.

On the contrary, some inequalities arising from voluntary choices may be advantageous to some people and disadvantageous to no one. Thus, for example, Dworkin claims that, in the auction market, people are at liberty to exchange their clamshells for different resources to improve their lot. And Cohen says that inequalities that are Pareto improving under the strict reading are not morally objectionable. Moreover (and now leaving aside polemical goals), the second prong of *Responsibility* requires a criterion of social value. A Paretian conception of social value seems to provide the most plausible interpretation.

Suppose an individual in our luck egalitarian Yugoslavia earns less than the officially decreed equal income because he prefers to devote more time to leisure than work. This inequality would not contradict the luck egalitarian policy as the resulting income or welfare inequality would have been caused by his legitimate voluntary choice rather than by his circumstances. Is the two-pronged principle of responsibility satisfied in this case? Yes, because by choosing to dedicate greater time to leisure, that individual gets better off, and no one becomes worse off. The inequality resulting from a subject's voluntary choices is justified because it generates a Pareto improvement, which means no one has valid grounds for complaint.

The Paretian interpretation of social value in *Responsibility* does not make the principle of responsibility equivalent to the incentives argument. Whereas the incentives argument justifies inequalities based on their consequences, the principle of responsibility rests on the idea of accountability for one's impact on others' lives. The Pareto argument is consequentialist, and the principle of responsibility is deontological. Further, since the Pareto argument is based on consequences, it is not sensitive to the moral difference between native endowments, social backgrounds, and deliberate choices. In contrast, the principle of responsibility is confined to choices, as no one should be rewarded for just his native endowment or social background.

Luck egalitarianism would imply (if applied) that Vladislav deserved a higher income due to his services to the luck egalitarian Yugoslavia. But I have already suggested that this conclusion distorts luck egalitarianism because it disregards the second prong of *Responsibility*. The outcomes of Vladislav's choices were far from a social Pareto improvement. Since these actions involved brutal tortures, many people were harmed, which means that the outcome was not socially valuable in Paretian terms. Hence, Vladislav was not entitled to a higher income based on his choices. While some choices lead to actions that improve the situation of some members of society without worsening anyone's situation, other options produce consequences that are harmful to some people (even if they may be beneficial to others).

The Paretian interpretation of *Responsibility* also gives a concrete meaning to the mathematical function linking worthy choices with unequal rewards. Without a criterion of social value, the luck egalitarian can't know the magnitude of inequality that the principle of responsibility licenses. The responsibility principle says that producers and workers may claim unequal economic rewards *in proportion to* their different voluntary choices. However, the principle on its face lacks the quantitative dimension needed to give concrete meaning to the function that attaches unequal economic rewards to productive efforts. The Paretian interpretation provides content to the function because the price system computes the social cost of different individuals' efforts and the social benefits of their outcomes. I explore this role of the price system in the following section.

IV. THE FUNCTIONS OF THE PRICE SYSTEM

As is well known, Friedrich Hayek first called attention to the information function by stating that "the economic problem of society is [. . .] not merely a problem of how to allocate 'given' resources."[32] Hayek says: "It is rather a problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know."[33] Hayek argues that the relative importance of different resources depends on knowledge of people, local conditions, and changing circumstances of time and place that by their very nature cannot be possessed by a central planner.[34] The price system conveys information dispersed among many people and thus enables economic actors to coordinate their multiple actions into a cooperative pattern. It leads to an optimal allocation of resources avoiding the problem of collectivizing dispersed knowledge. Thus, political authority does not need to plan this pattern (nor would it be able to do so).

As I said in section II, both Dworkin and Cohen acknowledge that market prices are needed to provide information about the relative value of various resources and activities. In Dworkin's island, the hypothetical auction substitutes a real market in communicating information about the social cost of the resources the immigrants want to acquire with their clamshells. And there is no need to have a price system in Cohen's camping trip because Cohen assumes that the campers possess the relevant knowledge. Cohen makes this explicit when he says: "One reason why the camping trip can readily do without market exchange is that the information that the campers need to plan their activities is modest in extent, and comparatively easy to obtain and to aggregate."[35]

Cohen says that prices fulfill their motivational function by incentivizing individuals to maximize their profits. It is also true that prices incentivize individuals to satisfy other people's preferences via market exchanges. However, Cohen takes it for granted that capitalism is moved by repugnant

32. FRIEDRICH A. HAYEK, INDIVIDUALISM AND ECONOMIC ORDER 77 (1948).
33. *Id.* at 78.
34. *Id.* at 80.
35. G. A. COHEN, WHY NOT SOCIALISM? 60–61 (2009).

motives, such as greed and fear.[36] He rhetorically asks: "Who would propose running a society on the basis of such motives, and thereby promoting the psychology to which they belong, if they were not known to be effective, if they did not have the instrumental value which is the only value that they have?"[37]

Cohen accepts Adam Smith's justification of market institutions. Thus, he asserts: "In the famous statement in which Adam Smith justified market relations, he pointed out that we place our faith not in the butcher's generosity but in his self-interest when we rely on him to provision us."[38] But the butcher's self-interest is not the same as the butcher's greed and fear. There are many motivations that producers could have in pursuing market relations. Max Weber claims that capitalists do not ultimately pursue their profit but rather a transcendent mission. His account of the capitalist ethos is different from Smith's. On the Weberian view, capitalists seek professional and commercial success to discharge their religious and communal duties.[39] Weber cites Benjamin Franklin's *Advice to a Young Tradesman* to illustrate the ethos of capitalism. For example, Franklin says about the virtue of industriousness and the vice of idleness:

> Remember that time is money. He that can earn ten shillings a day by his labour, and goes abroad, or sits idle, one half of that day, though he spends but sixpence during his diversion or idleness, ought not to reckon that the only expense; he has really spent, or rather thrown away, five shillings besides.[40]

These are not repugnant motives. They might be agent-centered motives, in that Weberian capitalists are concerned about their virtue and salvation. Still, it's only by serving their community that they can realize their moral or religious aspirations. Weber regards these motivations as moral, as can be attested by the following paragraph: "The earning of money within the modern economic order is, so long as it is done legally, the result and the expression of virtue and proficiency in a calling; and this virtue and proficiency are, as it is now not difficult to see, the real Alpha and Omega of Franklin's ethic. . . ."[41] My point is not that all capitalists fit within Weber's ideal type, but rather that some capitalists might belong to it. Even if Weber

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36. *Id.* at 40, 44, 77.
37. *Id.* at 77.
38. *Id.*
39. MAX WEBER, THE PROTESTANT ETHIC AND THE SPIRIT OF CAPITALISM (Talcott Parsons, trans. 2001). Jason Brennan imagines a libertarian capitalistic community, Mickey Mouse Clubhouse Village, that is governed by altruistic or generous motives. *See* JASON BRENNAN, WHY NOT CAPITALISM? (2014).
40. WEBER, *supra* note 39.
41. *Id.* at 19.

was not right, he showed that repugnant motives do not necessarily drive capitalism.

Cohen distinguishes between two functions of market prices: "Now, market prices serve two logically distinguishable functions: an *information* function and a *motivation* function."[42] The thesis of the *logical separation* of these two functions enables Cohen to entertain the belief that innovative institutional designs could allow socialist governments to overcome the difficulties imposed by the need to appeal to the informational role of prices. The key to these proposals is to draw on human unselfish propensities and ensure social discipline to the degree that could turn market socialism into a practicable system.[43] In a nutshell, the key would be to introduce institutional arrangements that could make society-wide socialism as manageable as his camping trip.

Can the information function and the motivational function of prices be kept apart? Suppose there was a possible world in which economic agents' motivations ceased to be self-interested and the informational content transmitted by prices remained nonetheless invariant. We can see in that case that the two functions are logically distinguishable. Cohen thinks that a socialist State might retain the informational role of prices and give up the motivational function by transforming people's greedy preferences into decent ones. He claims that the main obstacle to this transformation does not lie in the inflexibility of human nature but rather in problems of social technology. In superb prose, he asserts:

> In my view, the principal problem that faces the socialist ideal is that we do not know how to design the machinery that would make it run. Our problem is not, primarily, human selfishness, but our lack of a suitable organizational technology: our problem is a problem of *design*. It may be an *insoluble* design problem, and it is a design problem that is undoubtedly exacerbated by our selfish propensities, but a design problem, so I think, is what we've got.[44]

To clarify his point, Cohen cites the model based on moral incentives proposed by Joseph H. Carens.[45] In this model, moral incentives substitute income incentives to induce a high level of effort from the members of society. By "moral incentives," Carens means "incentives based on the desire to serve society or to perform one's duty to society." He thinks that

42. G. A. COHEN, WHY NOT SOCIALISM? 61 (2009).
43. *Id.*
44. *Id.* at 57–58.
45. JOSEPH H. CARENS, EQUALITY, MORAL INCENTIVES, AND THE MARKET, AN ESSAY IN UTOPIAN POLITICO-ECONOMIC THEORY (1981).

moral incentives are "the key element needed to make it possible for a politico-economic system to combine equal distribution of income with efficient use of the market mechanism."[46] In this model, redistributive taxation implements equal distribution, which ensures that everyone gets an equal after-tax income for consumption.[47] Unlike luck egalitarians, Carens does not accept departures from this radically egalitarian redistributive scheme. He does not define moral incentives as altruistic but rather as motives to do one's part to maximize the total social income. Social-duty satisfactions substitute satisfactions derived from acquiring income for consumption. Carens's social-duty satisfaction might be defined as the motive to achieve a socially optimal equilibrium.

Carens supposes that each individual does his part in serving society by earning as much pre-tax income as possible, even if he anticipates that his after-tax income will be reduced to the equal income-share. Carens imagines that social-duty satisfactions have the same relative value as income-consumption satisfactions.[48] Carens' egalitarian society seeks to reproduce the *informational* role of the price system without the motivations characteristic of capitalism. This is done by adding a tax program equalizing consumption earnings. Unlike self-interested motivations, the rule that equalizes after-tax income for consumption does not preclude social-duty motivations. Though people act as profit maximizers, their decisions are not guided by income-consumption satisfactions but by the purpose of serving society. This purpose can concur with a scheme that equalizes everyone's after-tax income. From a motivational viewpoint, as Carens himself acknowledges, his egalitarian society resembles capitalism as portrayed by Weber.[49] The crucial difference is that Carens introduces equalizing taxation and assumes that people seek to achieve a socially valuable equilibrium via the price system. So Carens' imaginary society is a logically possible world in which community-oriented motivations substitute self-interested ones, yet prices' informational role is retained. This hypothetical economic system shows that Cohen is correct in asserting that the information function of prices is *logically* distinguishable from their motivational function.

But Carens' possible world is either empirically *infeasible* or *unsustainable*. Cohen concedes in the passage quoted above that we lack a suitable organizational technology that can drastically transform people's motivations. Moreover, David Hume, for example, observed that human beings have limited generosity. This kind of observation probably led Adam Smith to think that "[i]t is not from the benevolence of the butcher, the brewer, or

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46. *Id.* at 8.
47. *Id.* at 28.
48. *Id.* at 29.
49. *Id.* at 112.

the baker, that we expect our dinner, but from their regard to their own self-interest."[50] As Cohen acknowledges, the problem of implementing a society based on purely benevolent motivations is insurmountable.

But let's leave aside the feasibility problem. Though logically possible, an egalitarian society animated by duty-satisfaction motivations could not sustain itself in the long run. Both in capitalism and Carens' system agents are not *required* to maximize their total income. Instead, they can devote time to leisure or pleasant occupations that are not income-maximizing. In a market economy, people balance their preferences for income-consumption with their preferences for leisure and occupational enjoyment (i.e., the enjoyment derived from not income-maximizing occupations).

Similarly, in a Carensian society, people will balance their goal to serve society with their leisure and occupational enjoyment choices. Carens stipulates that the marginal rate of substitution of income-consumption satisfaction and leisure (MRS1) in a market economy is identical to the marginal substitution rate of social duty-satisfaction and leisure (MRS2) in his egalitarian society. But while MRS1 can be part of an income-consumption satisfaction/leisure equilibrium, MRS2 will most likely *not* be part of a social duty-satisfaction/leisure equilibrium, for MRS2 is subject to a kind of strategic interaction that is absent from MRS1.

In a market economy, everyone must pay for the cost of each additional unit of leisure he is willing to enjoy. Therefore, an individual who chooses to enjoy some leisureliness makes a tradeoff between income and consumption of free time. The marginal substitution rate tends to be stable for each individual because she pays the total cost of her choice in terms of decreased income. Thus, her choices over income and leisure are self-regulated. Instead, in Carens' egalitarian society, individuals seek to pursue a social optimum, but this optimum is a sort of public good. That is, whatever additional unit of leisure anyone wishes to enjoy, he will cause only a minimal deviation from the social goal. Thus, he can rely on others' contributions to achieve the common social goal.

The same observation applies to occupational enjoyment. In a market economy, everyone pays for the total cost of choosing an enjoyable but less profitable occupation; in the egalitarian society, it's only a minimal deviation from the social goal that anyone will cause by, say, devoting his time to poem writing. Further, shirking would not be visible in an egalitarian

50. ADAM SMITH, 1 AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS (Edwin Cannan, ed. 2006).

society because everyone could conceal her strategy by pretending to change the marginal substitution rate. But then, if the purpose of serving society is regarded as a result-oriented action, a sort of prisoner's dilemma arises. Everyone is motivated to shirk social-duty performance and rationalize that behavior as a change of his marginal substitution rate between serving society by earning as much as he can and pursuing personal enjoyment. It's sufficient that a few members start to follow consciously or unconsciously this strategy. Every other member would soon realize that the dominant strategy is to laze around, play sports or chat with friends. In this way, the actual relative value placed by everyone on fulfilling the social duty would gradually diminish, and the egalitarian society would eventually decline into poverty.

Alternatively, Carens might define the motivation of each member of his egalitarian society in moralized terms. Instead of being concerned with socially valuable results, they might be committed to *doing* their share in the collective enterprise. Whatever the impact of shirking on the collective goal, a leisurely member would suffer a moral loss in lessening his contribution to the social income. Since moral duty is defined as contributing to a collective goal, causing any deviation from that goal would be morally wrongful. Now the social responsibility to contribute to the social income is not absolute. Carens assumes that the members of the egalitarian society are permitted to devote time to leisure. But then the crucial question is where to place the moral threshold between the social duty and the agent-centered permission to enjoy leisure (e.g., the *dolce far niente*). Carens stipulates that the substitution rate in his egalitarian society is identical to the rate of substitution in capitalism. But this is a factual assumption, not a moral one. He does not say that the moral threshold between the social duty and the agent-centered permission *ought to* match the marginal substitution rate in capitalism. The equality between MRS2 (Carens' rate) and MRS1 (the capitalist rate) does not imply that the strength of the moral permission not to produce mirrors the relative value of leisure under MRS2. Instead, it seems reasonable to think that the moral permission not to produce has varying degrees of strength depending on the importance that each person attaches to his projects and concerns. Again, a sort of prisoner's dilemma would arise. Everyone would be motivated to argue that his moral permission not to work is stronger given his dispositions and projects. A societal decline would then occur out of a gradual change in people's moral priorities. The increasing permissibility not to work would be paired with decreasing demandingness to work. Everyone would be inclined to follow the same strategy. He would sooner than later believe that, in choosing to enjoy an additional unit of leisure, he does not violate a social duty but rather exercises his permission to disregard the demands of a bourgeois conception of the good life. In short, an egalitarian system based on duty-satisfaction motivations is not sustainable.

Therefore, even if there is a logically possible world in which the epistemic function of prices is separable from their motivational function (i.e., Carens' egalitarian society), that world is either infeasible or unsustainable. The problem is not only that we lack a "suitable institutional technology," as Cohen asserts. Any *sustainable social world* in which market prices perform their informational role must include a feedback mechanism that prevents the kinds of prisoner's dilemmas mentioned above. That mechanism should make people internalize the costs of their choices for leisure or enjoyable occupations. But the only way to ensure self-regulation is to draw on the motivational function of prices: no information without motivation.

V. LUCK EGALITARIANISM AND SOCIAL VALUATION

The preceding section concludes that, in any feasible or sustainable large society, the information function of market prices goes hand in hand with their motivation function. Thus, we cannot apply *Responsibility* without a method of social valuation. Still, the only form of social valuation available in a feasible or sustainable large society is the price system (as Dworkin and Cohen acknowledge). Therefore, not only the Pareto argument but also *Responsibility* presupposes a price system.

A price system is essential to luck egalitarianism because *Responsibility* is a component of this doctrine. According to the principle of responsibility, the luck egalitarian justification of inequality requires a criterion of social value because efforts that served no social purpose could support no one's ground to unequal earnings (e.g., Vladislav's pursuits). What are the consequences of acknowledging that *Responsibility* requires a system of market prices? If market prices alone can appraise the value of individual contributions, the principle of responsibility presupposes a system of market prices. Absent market prices (and their epistemic function), individuals would not know what natural talents to develop and use or where and how much to employ their initiative and efforts. Training and using one's inborn gifts or socially shaped talents require significant effort. Without a price system, no one would know what natural or socially acquired skills to develop and use, for he would be unable to establish the social value of alternative uses of talent. Ignorant about this value, everyone would gravitate toward applying his efforts to gratifying engagements. Therefore, to apply the principle of responsibility, we need a system to measure the social value of alternative uses of talent and alternative employments of effort. That system is a system of market prices that performs the information and motivation functions simultaneously.

Generally, if a principle *P2* defeats a principle *P1*, *P1* must be complied with in all instances where *P2* does not apply. Now, the principle of responsibility defeats the principle of equality because it justifies inequalities arising from some individuals claiming special credit for their choices and efforts (not for the mere exercise of their natural talents or socially acquired skills). Thus, the principle of equality should be fulfilled outside those cases contemplated by *Responsibility*. That is, as regards *unchosen inequalities*, compliance with the principle of equality should be inescapable. However, we cannot apply *Responsibility* without market prices because prices make it possible to know when unequal earnings are justified. But a system of market prices causes both chosen and unchosen inequalities almost tautologically. Retribution is just the price for labor time measured by its ability to satisfy others' preferences. This price does not reflect the chosen or unchosen nature of the talents, skills, and efforts involved in producing that labor. Thus, equalization of earnings is at odds with market prices fulfilling their information function in any feasible or sustainable large society.

The principle of responsibility does not merely defeat the principle of equality but instead presupposes its rejection in all empirically possible worlds. Therefore, no *reasonable* trade-off between equality and responsibility is possible. Pervasive inequality is what we've got in such a system. The government can undoubtedly adopt narrowly tailored measures that curb some evident forms of natural and social brute luck (for instance, educational vouchers or health insurance). However, these measures should not impair the background system of market prices for products and labor. Alternatively, we could give up *Responsibility* and embrace pure egalitarianism.

In a nutshell, my argument relies on two propositions: (1) the most effective arrangement to hold individuals accountable for their individual contributions to the common good is a system of market prices for assessing various economic, labor, and professional activities, and (2) market prices are insensitive to desert-based considerations. From these premises, we can conclude that in all empirically possible worlds holding individuals accountable for their social contributions leads to pervasive inequality of earnings. In fact, to achieve a significant degree of equality of condition the government should adopt a comprehensive program of political pricing of various forms of labor time. But the effectiveness of the system of market prices to make individuals internalize the true costs and benefits of their voluntary choices requires the exclusion of political prices for their labor time. Under those conditions, the true value of alternative uses of talent, efforts, and labor time remains unknown, and, therefore, it becomes impossible to have people internalize the social benefits and costs of their choices.

As Hayek explains, differences of reward in the marketplace do not reflect differences of moral merit but differences in social valuableness.[51] Proportionality of reward to moral merit is impossible because governments lack sufficient information to determine (1) the value of various initiatives and attempts, (2) the extent of praiseworthy effort involved in those initiatives and attempts, and (3) the degree to which an individual's valuable outcomes are attributable to his free choice rather than to his natural or social fortune. In this respect, Hayek says:

> The inborn as well as the acquired gifts of a person clearly have a value to his fellows which does not depend on any credit due to him for possessing them. There is little a man can do to alter the fact that his special talents are very common or exceedingly rare. A good mind or a fine voice, a beautiful face or a skillful hand, and a ready wit or an attractive personality are in a large measure as independent of a person's efforts as the opportunities or the experiences he has had.[52]

Instead of a system of moral merit requiring a kind of factual and moral knowledge that governments do not have, a free society must hold individuals accountable for the objective results of their contributions as measured by market prices. A regime of objective responsibility for valuable outcomes that avoids judgments of true merit is agreeable to a free society. Hayek's point is worth quoting:

> It is because we want people to use knowledge which we do not possess that we let them decide for themselves. But insofar as we want them to be free to use capacities and knowledge of facts which we do not have, we are not in a position to judge the merit of their achievements.[53]

The inner tension within luck egalitarianism results from the two intuitions that it seeks to combine. On the one hand, the egalitarian intuition derives from the socialist opposition to capitalism and the defense of an institutional system that distributes resources or welfare in keeping with non-market, political criteria. On the other hand, the responsibility-based intuition is kindred to the ethos of capitalism. According to Cohen, Dworkin has "performed for egalitarianism the considerable service of incorporating within it the most powerful idea in the arsenal of the antiegalitarian Right: the idea of choice and responsibility."[54] In the same vein, Elizabeth S. Anderson says:

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51. F. A. HAYEK, THE CONSTITUTION OF LIBERTY 93–95 (1960).
52. *Id.* at 94.
53. *Id.* at 95.
54. G.A. Cohen, *On the Currency of Egalitarian Justice*, *supra* note 3.

> For the outcomes for which individuals are held responsible, luck egalitarians prescribe rugged individualism: let the distribution of goods be governed by capitalist markets and other voluntary agreements [. . .] For the outcomes determined by brute luck, equality of fortune prescribes that all good fortune be equally shared and that all risks be pooled.[55]

She adds that equality of fortune prescribes:

> [f]ree markets, to govern the distribution of goods attributable to factors for which individuals are responsible, and the welfare state, to govern the distribution of goods attributable to factors beyond the individual's control.[56]

Thus, by incorporating the idea of responsibility, luck egalitarianism accommodates the ethical intuitions that Max Weber calls "the spirit of capitalism." In this connection, it is pertinent to note that luck egalitarianism's choice/luck divide echoes Machiavelli's distinction between *fortuna* and *virtù*.[57] Though Machiavelli's conception of fortune does not wholly overlap with the luck egalitarian one, it is evident that the difference between choice and luck is characteristic of the sort of republican commercial society that Machiavelli sought to dissect. A radical approach to socioeconomic equality (one that did not justify ambition-sensitive inequalities) would fail to recognize the ethical value of hard work, as both the hard-working and the idle would get the same economic reward. But if egalitarianism includes, as it does, the idea of responsibility for socioeconomic outcomes, its endorsement of equality weakens via the argument from social valuation.

VI. CONCLUSION

I have argued that luck egalitarianism blends two principles that largely exclude each other in any feasible or sustainable large society. First, luck egalitarians claim that distributive justice requires an egalitarian distribution of resources or welfare. Second, they accept that a just society can assign unequal shares to each individual according to his choices and responsibilities. I contended that whether some individual choices are worthy of unequal shares of resources or welfare cannot be judged absent a criterion of social value. The only available measure of social value in a large society is the market value of individuals' productive contributions. But the market value of productive contributions is inconceivable without an economic structure that fixes differential prices for the outputs of various talents and efforts. Therefore, the social value criterion presupposed by luck egalitarianism requires price inequality for several types of labor time. This inequality is practically incompatible with systematic egalitarian redistribution.

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55. Anderson, *Equality*, *supra* note 1, at 292.
56. *Id.* at 308.
57. NICCOLÒ MACHIAVELLI, THE PRINCE (James B. Atkinson, trans. 2008).

Imaginary islands and camping trips notwithstanding, in real-world economies of specialized production, innovation, and consumption, responsibility leaves little room for equality as a matter of practice. The tension between accountability and equality does not amount to contradiction because the proposition that a large society implements a good deal of each principle is not false in every possible world. However, that proposition is false in most empirically possible worlds. In so far as luck egalitarianism is committed to the spirit of capitalism, it must implement a system of market prices for labor time that brings forth a significant degree of unchosen (as well as chosen) inequality of condition.