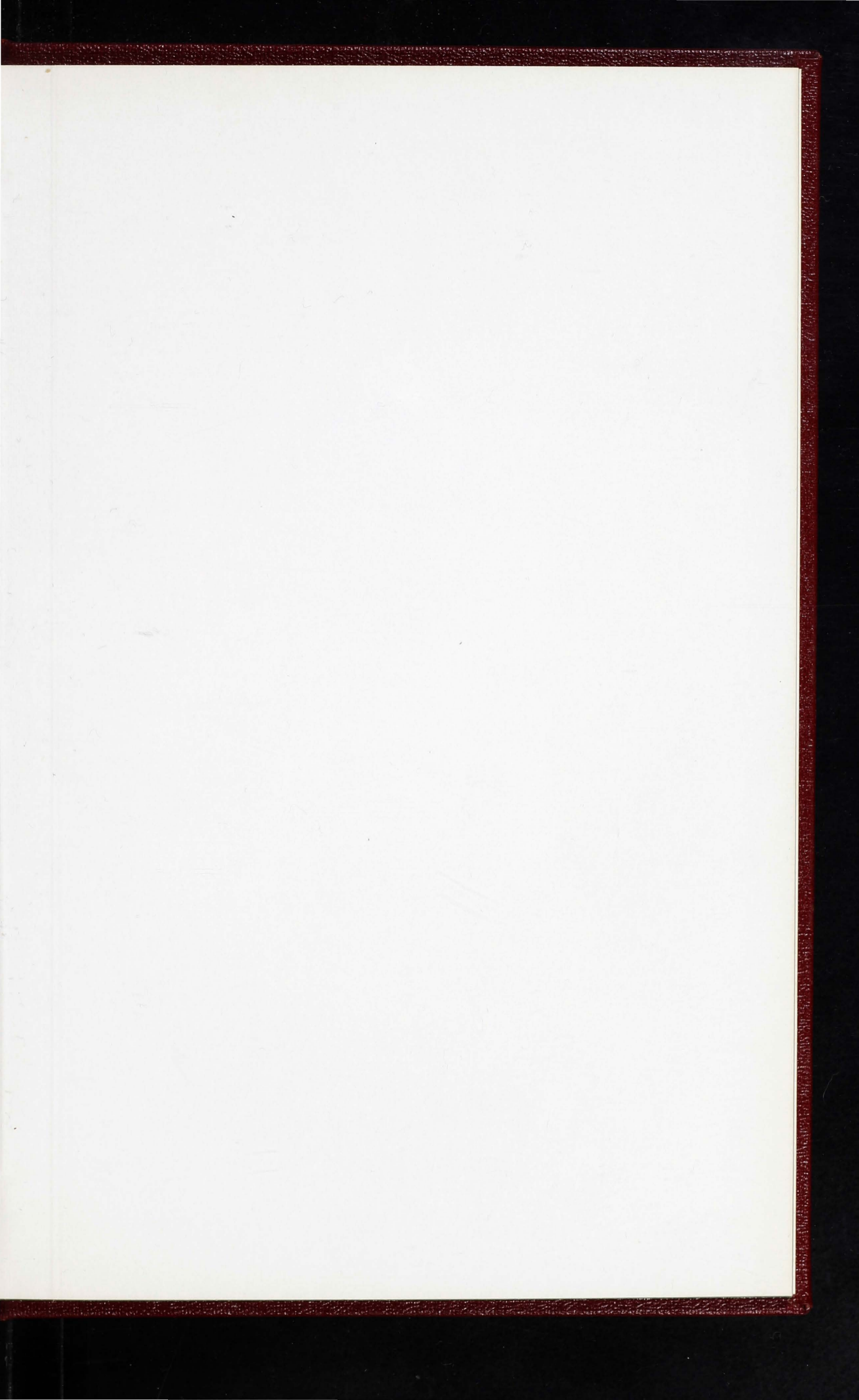
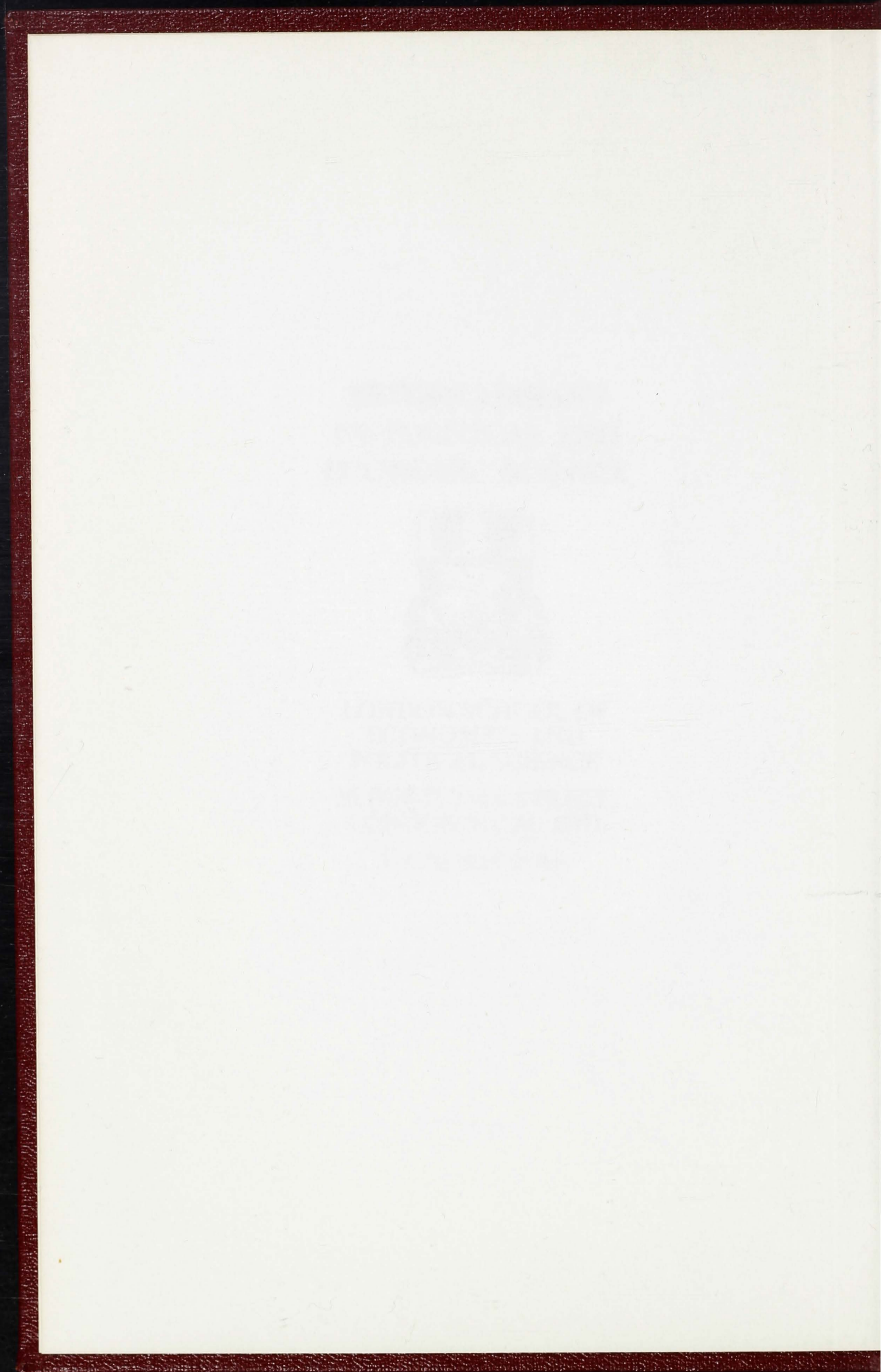


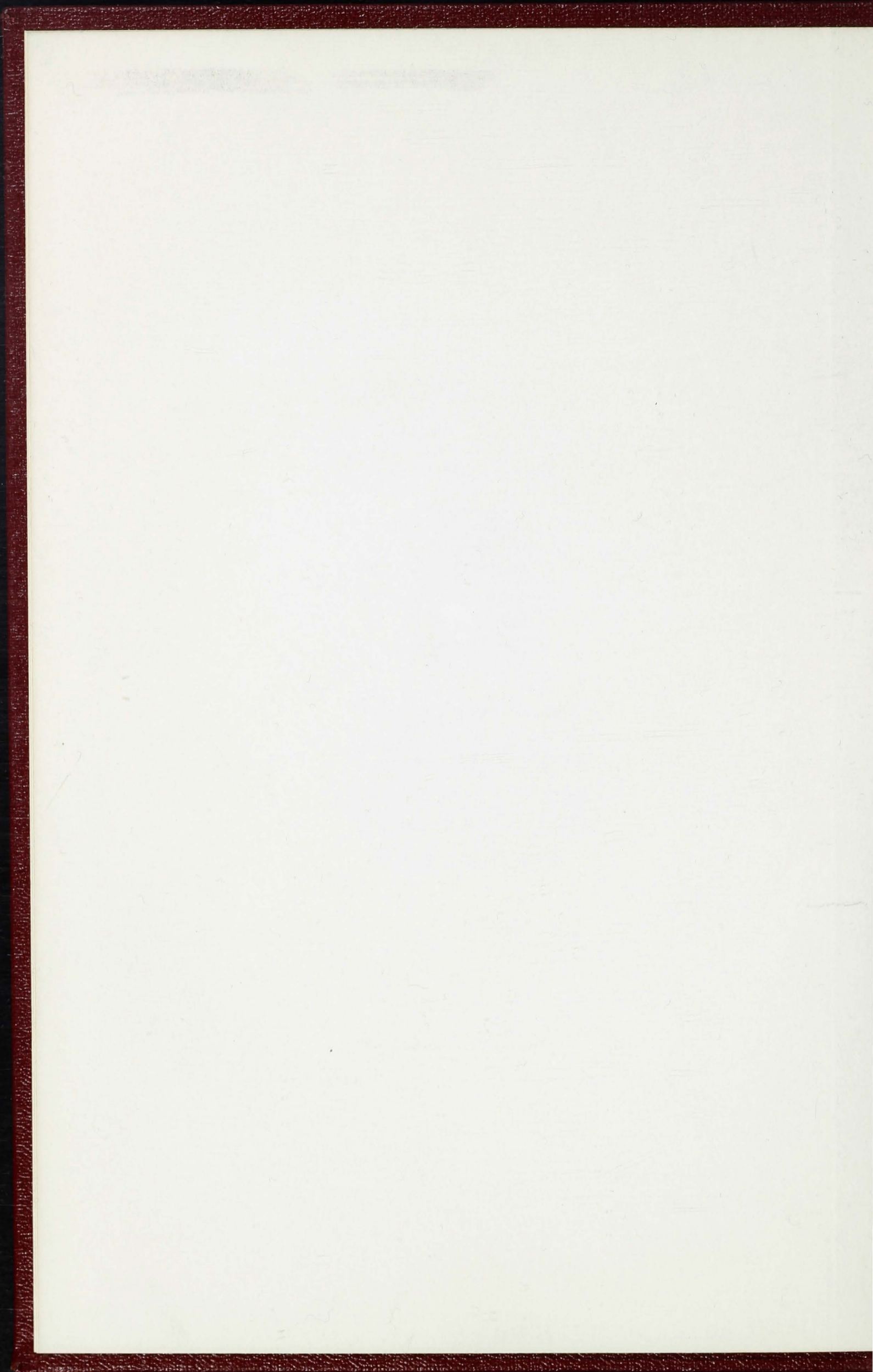
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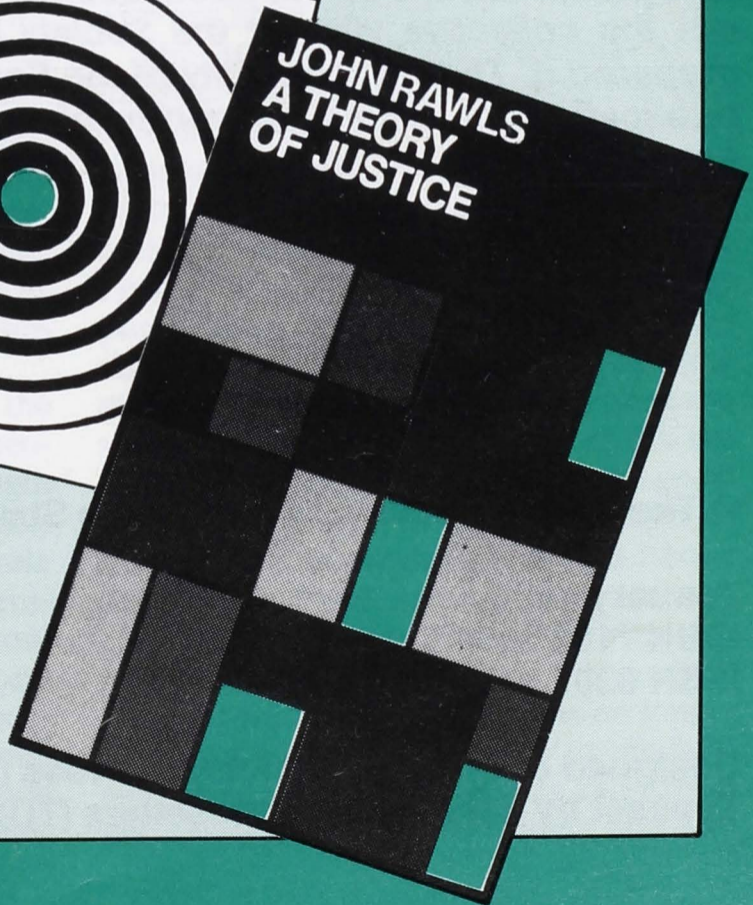
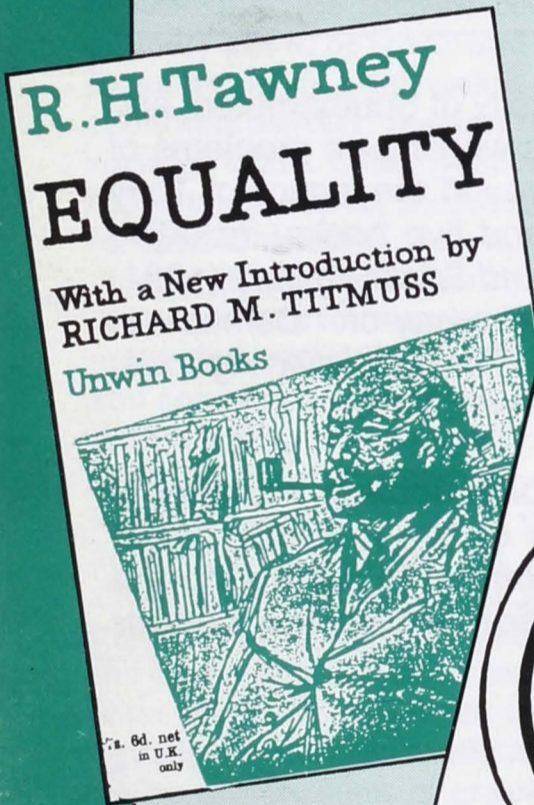




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Raymond Plant

Equality, Markets and the State



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Equality, Markets and the State

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1. INTRODUCTION

After the recent election defeat there is no point in rushing into detailed policy pronouncements. We need rather to reflect upon the vision of society which, as socialists, we seek to represent; to achieve greater clarity about this vision to enable us to argue more persuasively for it; and to defend it more successfully than in recent years against the powerful counter attack which has been mounted by the new right. If the experience of the last four years has taught us anything, it is that some kind of ideological clarity and conviction can galvanise political parties.

The current political and intellectual climate is deeply hostile to egalitarian ideas, and it is against this bleak background that the socialist commitment to equality has to be reassessed and restated. Equality, in its legal, political, social and economic aspects, remains the distinctive socialist value. Other political parties and movements can lay some legitimate claim to uphold the other values of the radical creed – liberty and fraternity; it is however *equality* which for the socialist is the instrument for extending individual freedom and securing a greater sense of fraternity. Accordingly, this pamphlet is about the *value* of equality and does not present a detailed set of strategic proposals for achieving it; although, as I shall try to show, the mixed record of Labour governments in the sphere of equality is, in part, the result of a failure to confront directly what might be called the ideology of inequality, and to have sufficient confidence in the moral claims of greater equality to act more directly on marked inequalities of wealth and income.

The conversion of a large section of the Tory Party to monetarism and neo-liberalism is an indication of the strength of these ideas, and however malign their influence may be, no one can deny the role that they have played in giving the government a strong sense of identity and conviction. It is also these ideas which form part of the intellectual and political background against which the egalitarian socialist must struggle. The ideology and practice of neo-liberal monetarism within

the Conservative Party is profoundly anti-egalitarian and its influence seems to be growing; witness for example Dr. Owen's speech at the SDP Conference in Salford and his subsequent article in the journal of the Institute of Economic Affairs, the intellectual centre in Britain for the dissemination of neo-liberal values.¹ It has to be said at the outset that many of these ideas are very persuasive and can only be rebutted by extensive argument. This pamphlet can only make a small contribution to a task in which many will have to engage if the moral claims of equality are to come to be seen as persuasive as they once were to the respective generations of Tawney and Crosland.

The strategy of the pamphlet is as follows: firstly I shall discuss the response of egalitarianism to a range of currently popular neo-liberal arguments; I shall then look at the relationship between equality and liberty and decentralisation. Problems with economic growth obviously pose problems for egalitarian strategies and I shall next look at these. During these discussions I shall operate with a none too specific conception of equality, and in the final sections of the pamphlet I shall go on to consider what sort of conception of equality is morally defensible; but I hope that the general structure of this will emerge fairly clearly from earlier elements of the argument. It is central to the whole point of the pamphlet that it is no longer sufficient for socialists merely to cite facts and figures about inequalities and expect the moral demands which these make on

governments to be obvious. The present government's attitude to the Black Report on inequalities in the NHS demonstrates this. We have to become clear and more persuasive about the moral demands which inequalities make upon our consciences, and to rediscover the ethical

basis of socialism which has become overlaid by a pragmatic, technical and managerial approach to basic political issues. This is no longer adequate. "Conviction politics" from the Tories force us to reconsider and redefine the basis of our own beliefs.

2. EQUALITY AND THE NEW RIGHT

Equality and the Market

The neo-liberal critique of egalitarianism has a number of strands which need to be disentangled if they are to be subjected to clear criticism. This is in some respects a new task for socialists. When previous statements about the nature of socialist equality were produced, for example by Tony Crosland in the 1950's, the market-based neo-liberalism of figures like Hayek and Friedman was on the very margins of politics. The post-war Conservative governments had accepted the constraints on the market imposed by the welfare state, the power of the unions and the management of the economy with Keynesian techniques by the government. In our day however these constraints are being challenged by monetarists, and the intellectual roots of their market-based approach are to be found in the writings of Hayek and Friedman. In this pamphlet I shall dwell mainly on Hayek because his views are more systematic and sophisticated, and in particular I shall be concentrating on his recent book, *The Mirage of Social Justice*.²

Hayek argues that egalitarian social justice, or for that matter any attempt to secure social justice on whatever conception, mistakes in a fundamental way the nature of economic relations between individuals. We have no adequate or generally accepted standard by which we can judge the justice or injustice of particular distributive shares; the pursuit of one particular conception of justice is bound to lead to a highly collectivised and authoritarian state and hence is incompatible with personal freedom. It follows from these points that the action of government in seeking to create a more just and equal society will have no moral legitimacy, and in so far as the state seeks

to pursue a goal which is illusory and cannot be achieved it will become prey to the resentment of individuals and groups whose distributive share does not match their own subjective view of what they deserve. The pursuit of equality and social justice will create expectations which cannot possibly be met and this is bound to create a crisis of legitimacy and authority. The only solution is for the government to opt out of the distributive arena altogether and leave the outcomes of the economic market intact. The state can only solve the problem of legitimacy by narrowing the range over which government exercises authority. This means playing no part in the distributive arena and confining itself

to the institution and maintenance of the framework of law within which individuals can live with the absolute minimum of coercion, and allowing them to pursue their own good in their own way. On Hayek's view therefore the results of economic activities are not to be constrained by moral principles.

Coercion and Injustice

What then is the basis of this fundamental and influential critique? The major, but perhaps the most abstract argument goes something like this: the attempt to impose distributive criteria on the market implies that market activities restrict freedom and cause injustice. The fact that it does is at the heart of the socialist's critique of the market as an allocative institution. Because of the large disparities in income and wealth which markets will produce the socialist will want to argue that the freedom of the worst off members of the society will be restricted vis-a-vis that of the better off. In addition those who come bottom of the hierarchy of income and wealth will be seen as suffering from an injustice. Hayek decisively rejects both of these socialist assumptions. It is central to his argument that coercion and injustice can only occur as the result of deliberate action – for example when person A threatens B or interferes with his rights. However in Hayek's view the outcomes of economic transactions do not have this degree of intentionality. In the market innumerable individuals make small decisions to buy and sell in the light of their own necessarily restricted knowledge and in the light of their own view of their best interests. In a complex economy some will no doubt suffer as the result of the aggregate of the individual decisions which are made, but these outcomes were not intended by the individuals who took the decisions. Indeed the very complexity of the economic relations involved makes it impossible for them to act deliberately to cause harm in this way. The suffering which may well be an outcome of a par-

ticular set of market transactions is an unintended, remote and unforeseen consequence of an aggregate of individual decisions which were taken for all sorts of different and limited reasons.

Granted this view, the market cannot be criticised because it is coercive towards those who do not wield large economic resources. While these people may in fact suffer, they are not coerced because coercion has to be an intentional act. The *freedom* of the worst off is not diminished by their lack of resources. Similarly they do not suffer from injustice. Injustices equally are only caused by intentional actions. Therefore there is no moral basis for a critique of the market in terms of its coerciveness and injustice. The suffering which may be caused by the operation of the market is not to be rectified by claims to rights, justice and equality, but by charity and voluntary action. The provision of a welfare safety net whether by voluntary or political action is a gift to be bestowed not a right to be claimed.

Perhaps two analogies will make the argument more clear. The weather is a natural phenomenon outside human control. The weather does not do anything deliberately and although it may cause suffering, it would be absurd to rail against it because it is coercive or because the suffering it causes is an injustice. These are purely naturalistic outcomes of a non-deliberate process and the consequences a matter of luck as much as anything else. Similarly, if someone is born with a genetic handicap we would see this as a matter of luck and ill fortune rather than an injustice. In both cases the *rights* of those who suffer as a result of these non-deliberate actions have not been infringed. They suffer from misfortune and they may indeed make demands on the virtues of charity and generosity, but none of this is a matter for rights or for justice. So it is with the market. While it is of course true that the market consists of human actions and is thus not like the weather or a genetic lottery, nevertheless they are similar in that in all the cases the outcomes were unintentional. Hayek

makes this point as follows:

“It has of course to be admitted that the manner in which the benefits and burdens are apportioned by the market mechanism would in many instances have to be regarded as very unjust if it were the result of a deliberate allocation to particular people. But this is not the case. Those shares are the outcome of a process the effect of which on particular people was neither intended nor foreseen. To demand justice from such a process is clearly absurd, and to single out some people in such a society as entitled to a particular share evidently unjust.”³

It is perhaps worth noting in passing that this argument would apply to any theory of distributive justice and not just those favouring socialist criteria of distribution. If we operated with a meritocratic notion of distribution, favouring merit and desert, the same arguments would apply. The market does not and cannot, in Hayek's view, distribute according to any particular set of moral principles, and it is a deep illusion to think that it can. So conservatives and liberals who extol the market because it rewards those with most ability or who are more deserving in some way are, in Hayek's view, as mistaken as socialists. A free market rewards market value and nothing else, on what X can sell to Y not on the basis of X's moral qualities – whether they are deserts or needs. No doubt there is some relationship between rewards and talent in a market, but this is highly imperfectly correlated and certainly cannot be organised. Luck and windfalls are ineliminable aspects of free markets, and luck is as likely to play a role in entrepreneurial success as ability. There can therefore be no moral justification of markets on a meritocratic basis and no socialist critique of them as coercive and causing injustice. The outcomes of free markets are *in principle* unprincipled.

However, even if we accept the bulk of what Hayek says about the fundamental nature of market transactions between individuals, it does not follow that his

conclusions are valid. The egalitarian response to the so called naturalistic outcomes of the market is not to concentrate on how they were *caused* but on how we *respond* to them. The weather may be a naturalistic phenomenon but we make collective efforts to avoid its ravages. Handicap may not be the result of deliberate action but injustice and justice come into the picture when we consider the *response of society* to these misfortunes.⁴ Justice and injustice are matters of our attitudes and not just causation. It follows from Hayek's argument that the misfortunes which individuals experience in the market are unmerited and undeserved; surely in these circumstances the question of justice arises in our response to misfortunes for which the individual bears little or no responsibility.

The second point is that while the market transactions are unintentional they may, like the weather, be predictable in that misfortunes are likely to fall heaviest on those least able to bear such burdens. Those groups in society which are best equipped with resources, economic knowledge and entrepreneurial skills are still liable to be the groups most likely to benefit from the operation of the impersonal forces of the market. The impersonal market does not distribute its benefits and burdens in a wholly random way. If this is so, then there is a place for the egalitarian's question of whether there is a justifiable moral basis for the burdens of market activity falling where they tend to do, on individuals and groups who are least able to bear them. Questions of justice and injustice can therefore be raised about markets and their outcomes, particularly in circumstances in which current right-wing ideology is to encourage market forces while being callously indifferent to the question of whether individuals have the resources necessary to make their wants and desires effective in the market place.

Equality and Personal Freedom

These points do not of themselves defuse

the power of market ideology and we must turn our attention to other aspects of the Hayek/Friedman critique of socialism which may prove to be more intractable. One of the other major themes of this critique is that equality is incompatible with personal freedom and that markets, because of the ranges of choice which they allow to individuals, are the only means of allocation compatible with the freedom of citizens. We need to take both aspects of this critique seriously for several reasons. In the first place many socialist egalitarians have themselves argued that there is a trade-off to be made between liberty and equality; gains in equality have to be set against limitations on personal freedom, and there would come a point at which we would no longer want to trade off a large amount of individual freedom for a small gain in equality. Politically this is perhaps the criticism which puts the egalitarian most on the defensive. Many Social Democrats, for example, have expressed a belief in greater equality but have been unwilling to contemplate action against private education and medicine on the grounds that this would be too extensive an interference with the individual's freedom to save and spend his money in his own way. This kind of criticism requires that we become very clear about our view of the relationship between equality and liberty.

The second form of the libertarian critique of egalitarian socialism is that it would require an extensive, interfering and bureaucratic state to maintain it. Such

a state would have insidious overtones in that individuals would depend upon state officials rather than free markets for their distributive share and would be turned into clients of bureaucracies rather than robust citizens expressing their preferences in the market. Again this criticism has to be taken seriously because it also strikes a very significant chord within the socialist tradition. We are now seeing within the socialist movement a critique of the extensive state depending upon the collectivist Webb/Fabian tradition, and a growing interest in the values of decentralisation and fraternity as developed by socialists such as William Morris, Douglas Cole and other guild socialists.⁵

This emphasis upon decentralisation does seem to touch a public mood, and one on which Mrs Thatcher has capitalised effectively in her rhetorical onslaughts on bureaucracy and the civil service, even though this enthusiasm is belied by the extraordinary centralising tendencies of her Environment ministers in the field of local government. It has also been important in the development of the stance of the SDP which has highly elaborate decentralist proposals. Finally we have to take the view seriously that markets are the best way for the freedom of the individual to be secured, through his expression of his preferences in the market place, and that the great constraints which would be put on the market in the interests of equality would remove this arena of free individualism.

3. THE VALUE OF LIBERTY

Liberty and Equality

For the democratic socialist there is an intimate link between liberty and equality, but at the same time it has often been difficult for us to say with any precision what that link is. Perhaps the most productive line of

reasoning on this issue goes something like this. Other than as a kind of aesthetic ideal it is very difficult to see what the appeal of equality, taken as an end in itself, is supposed to be. Why should people be made more equal just for the sake of it? It is much more likely that greater equality is to be seen as a means to greater liberty, or greater fraternity, or greater welfare, which are ends which it seems to make more sense to pursue for their own sake. Equality is a method of securing other values rather than an end in itself. If this is so, then we have to explain how and why we expect liberty to be extended by equality when most of our critics seem to be convinced that the opposite is the case and how, if at all, the state organisation which greater equality might seem to require can be made compatible with the view that we value equality for the sake of liberty.

It is argued by liberal critics of socialism that individual freedom, in the sense of being able to perform or not to perform an action without being prevented from doing so by others, is secured by a structure of negative rights: rights not to be interfered with, assaulted, coerced, or killed. Within this protected private bastion the individual is able to choose to live his own life in the way he pleases, and whether this life is one of passive lethargy or active commitment to various activities is a matter of total indifference to the state. The state should seek to secure that structure of rights which will prevent mutual coercion and then allow individuals to live their own lives in their own way, accepting with indifference the inequalities of outcome which will inevitably result from this. A negative view of freedom is central to the liberal tradition of political thought and underpins the liberal conception of political and economic freedom as well as their critique of socialist views of liberty. Any attempt to secure positive rights to resources, to income, to work, to welfare are bound to be coercive and to violate basic negative rights, which include my right not to have my property taken away if I acquired it legally and non-coercively.⁶

However, the obvious difficulty with this kind of view is that if we ask proponents of negative liberty why freedom is valued, the answer is that to be free of the arbitrary constraints of others will allow me to live a meaningful life, to live it in my

own way, shaped by my own values and purposes. This is a noble ideal, and one which goes to the heart of what it is for a purposive creature to live a meaningful life. But while it may be that a structure of negative rights does secure equal liberty in that it defines the same limits of non-coercion in the same way for all, it does not secure an equal or even fair *value* of liberty. In order to live a purposive life shaped by my own values and not those of others I need opportunities and resources to choose my own way of life and values. The limitations on individual freedom are not just those imposed deliberately by the intentional actions of others and which the liberal tradition rightly wishes to resist and restrict, but also those limitations which are imposed by natural differences of birth and genetic inheritance, together with those which are the result of human action whether deliberate or not, in the field of family background, economic resources, welfare and education. The positive resources which individuals need to be able to live their own lives in their own way cannot be secured by a set of negative or procedural rights, important though these are. They require rather the marshalling of economic and social resources to enable individuals to live the kinds of lives which they want to live. The liberal is interested in equal liberty; socialists are concerned with trying to secure the distribution of resources which will mean that liberty is of roughly equal value to all persons. The worth of liberty to individuals is related to

their capacities, opportunities and resources to advance the purposes which they happen to have. Those with greater income and wealth, fortunate family background etc. will, on the whole, be able to pursue those things for which we value liberty more effectively than the person who does not enjoy these benefits. It is because we value liberty for all that we are concerned to secure a greater equality in the *worth* of liberty.

In this sense, therefore, redistribution will be concerned with the general class of goods which are likely to be necessary for the pursuit of any plan of life or purposes liable to be pursued in our pluralist society. These goods are almost certainly going to include income and wealth, education, health care and welfare services. These goods correspond to basic needs, the means necessary for us to pursue our own plan of life and to advance our purposes. Understood in this way, equality is concerned with a more equal distribution of these primary goods to secure a fair value for liberty. In so far as this reduces the very high worth of liberty of those who are already better off, it is a legitimate restriction and one which we, as socialists, have to face squarely. If the better off person values liberty and his education, income, wealth etc. as a basic means whereby his freedom can be realised, then it is difficult to see how he can respect his fellow citizens and not agree that those in worse circumstances, for which they have modest responsibility, should have the worth of their liberty improved, even at the cost of some diminution of his own. Except in conditions of high economic growth the greater equality in the worth of liberty cannot be attained without a certain amount of levelling down. We have to be clear about this, and obviously this situation means that we have to be even more confident about the moral ground of equality.

Political Liberty and Equality

In our society equal political liberty is

taken for granted. While political philosophers may argue about the exact way in which equal political rights are to be grounded, for the citizen at large the issue is uncontroversial. It is only when we come to the sphere of social equality that controversy arises, and this is because social equality articulates a claim to a share of goods which are the objects of competition and are in short supply. However, it is a naive and mistaken view, although one characteristic of liberalism, that formal political equality can exist independently of a high degree of material inequality. This point has been made very forcefully by the American philosopher John Rawls in his book, *A Theory of Justice*:

“Historically one of the main defects of constitutional government has been the failure to insure the fair value of political liberty. The necessary corrective steps have not been taken, indeed, they never seem to have been seriously entertained. Disparities in the distribution of property and wealth that far exceed what is compatible with political equality have generally been tolerated by the legal system . . . Moreover, the effects of injustices in the political system are much more grave and longer lasting than market imperfections . . . Thus inequities in the economic and social system may soon undermine whatever political equality might have existed under fortunate historical conditions.”⁷

This can prove to be a powerful defence of social equality if it is linked in a defensible way with uncontroversial equality of political rights.

Equal liberty understood in negative terms will have unequal political results. While equal political liberty may be defined in terms of procedural rules the fact is that without a greater equality of material resources political liberty is likely to be of unequal worth. Studies in political science have demonstrated the differential levels of political participation and political influence generally between groups

with different command of resources. Universal suffrage grants all citizens the same voting rights but it is very clear indeed that the wealthy will have more ability than the poor to influence the selection of candidates, the media, public opinion and political authorities. Politically equal liberty can turn very easily into an unequal worth of liberty, and the same arguments hold true within the legal system: the rich and the poor have the same rights, but differences of wealth at least allow better counsel to be employed, not to mention the questions of whether the better off members of society can in fact secure laws which favour their interests, or whether they can exercise influence upon what kinds of crimes are prosecuted (for example in the field of tax evasion). The same is also true in terms of the equal right to free expression. Those in better circumstances are able to utilise this liberty more effectively and it is greater value to them. If we see greater equality as equalising the worth of liberty, and thus link our defence of equality with the defence of the equal worth of liberty, we shall be on stronger ground and have clear resources for resisting the libertarian assault on equality. The libertarian's defence of liberty is disingenuous because it neglects the resources and opportunities which make this defence of equal liberty of equal value for all citizens. The egalitarian is concerned with the maximisation of the worth of liberty between individuals, although as we shall see later this may in certain circumstances mean that some inequalities are to be seen as legitimate by egalitarians.

Equality and the Liberal State

This kind of argument also enables us to respond to other aspects of the neo-liberal critique of egalitarian politics: namely that if the state is to treat citizens with equal respect, as surely egalitarians would wish, then it is morally wrong for the state to impose any specific conception of the good life on individuals. Since individuals are

liable to differ over their view of the good life the state cannot respect its citizens as equals if it seeks to impose one view of the good as opposed to another. Again the liberal view here is that the state should seek only to secure the framework of mutual freedom within which each individual may pursue his or her good in their own way. However if the earlier argument holds, we can say that greater equality in the provision of resources is not designed to secure a particular conception of life, so much as to secure the equal value of liberty to individual citizens to enable them to pursue their own good in their own way. Indeed this argument could be strengthened by saying that if the liberal is consistent in his adherence to the principle of equality of respect, he cannot in fact justify arrangements under which some individuals will have far greater resources to pursue their own conception of the good. A strongly unequal distribution of the means to liberty could only be justified if the state took a distinctive moral view by holding that some individuals were intrinsically more deserving or that their purposes were intrinsically more valuable than others – a strategy which would be incompatible with the idea of equality of respect with which the argument started.

However, there is still a genuine dilemma involved in the attempt to generate greater equality as a means to liberty. The whole point of this strategy is to secure a wider distribution of the resources needed to exercise liberty and thus to secure a more equal value of liberty between citizens, and yet the form of state action which may be required to secure this may well restrict the range of choices open to individuals, for example by prohibiting private schooling or private hospital treatment. This seems to involve a paradox. Liberty involves the freedom to choose between alternatives, to enable the individual to choose the sort of life which suits him. It is thus incompatible with the state imposing a particular pattern of life on individuals. Without the ability to choose between genuine and non-trivial alternatives there is no freedom. At the

same time an egalitarian political regime is likely to involve some restriction of the range of choice open to individuals. Thus, the argument goes, the defence of equality as a means to liberty is a sham.

There are perhaps two ways of responding to this type of criticism. The first is to argue that the kind of freedom which is envisaged in this criticism is a freedom to choose an outcome which is likely to be of disadvantage to others, and to weaken the value of liberty to others over a not inconsiderable period of their lives. The freedom to choose a private education, with all the non-educational advantages and influences which that can bring, is not at the same level as spending money on beer and cigarettes (which is often the preferred analogy – and this shows something about the attitudes of those deploying the argument). Rather this is a choice which secures a positional advantage over others in the distribution of one of the most basic resources and opportunities for the exercise of freedom. The egalitarian is only interested in restricting that range of choice which, if exercised, would enable an individual to impose on others a lower value on their freedom, by devaluing the basic means which they have to pursue *their* ends. The egalitarian is therefore only interested in those restrictions which will have an adverse effect on the possibilities which others have to make their freedom effective, to restrict those choices which will lead to an unequal value for freedom. It is no part of the egalitarian strategy to seek to impose some uniform outcome, some uniform pattern of life. In fact the opposite is true. He is looking for a society in which all individuals will have the best possible chance of expressing their own individuality, their own conception of the good, and is aware that this requires greater fairness in the value of liberty between free citizens. Why is it that the better off assume that when those who are less well circumstanced have a fairer share of the resources to enable them effectively to pursue their own freedom, that it will issue in some dull conformity? It might well be the opposite that will be the

case.

However, the egalitarian ought to learn something from this criticism: namely that egalitarian policies should always be designed to secure and promote the greatest amount of freedom possible within the institutions which it endorses. For example, if we are to have a state education system on egalitarian grounds, there can be no possible basis for restricting the opportunities for schools to have diverse patterns of subjects of specialisms and to be innovative so long as these are not secured at the expense of others. Similarly freedom in the field of social policy suggests services in cash rather than in kind to give those in receipt of the services the widest discretion to spend their money in their own way and to avoid as far as possible the dependency and paternalism which might come from the provision of services in kind. It might also suggest the greatest amount of involvement and negotiation between the givers and recipients of services to ensure that where the provision is in terms of service rather than in cash the greatest degree of freedom should be allowed to individuals in their consumption of the service.

There are obvious counter arguments to this view. It might be argued for example that the provision of resources in cash will be no gain in equality if the family concerned has no real decision-making competence. In this sort of situation the critic might say we ought to forget about abstract arguments about freedom and the right to fail and provide the resources in kind which most fit the family's needs. The critic may well recognise that there will be a high degree of paternalism in this view but he will claim that this is the most realistic position to take. The difficulty is however that it leaves the egalitarian wide open to the kind of argument developed by David Marquand recently:

“... if the state takes my money away from me to give it to someone else, my freedom is thereby diminished. If those to whom it is given receive it in the form of cash, which they spend as they like,

and if there are a lot of them and only a few of me, there may well be a net gain in freedom. If they receive it in the form of services, in the direction of which they have no say and over the allocation of which they have no control, there will be no gain in freedom, though there may still be a gain in equality."⁸

This criticism has to be taken very seriously if the defence of equality is linked to liberty as it is in this pamphlet.

My own view would be that granted the existence of families with poor decision-making capacities, which may in turn be a reflection of their circumstances, the role of aid in kind should always be with the greatest amount of discussion with the family and where possible, social workers should act as aids to making decisions. There is nothing inherently demeaning in this; after all the very rich employ investment consultants!

4. EQUALITY, LIBERTY AND DECENTRALISATION

Markets and Choice

It is often argued by defenders of more or less unconstrained markets that the market is the allocative mechanism most compatible with freedom of choice and egalitarian mechanisms of allocation are bound to have adverse effects upon this. Milton and Rose Friedman have called their recent T.V.-based book *Free to Choose*, and in his recent defence of markets in his article for the journal of the *Institute of Economic Affairs*, David Owen argues that markets are like continuous referenda.⁹ Individuals make use of their limited knowledge, their acquaintance with prices etc., to register their preferences and to make effective their own demands and no-one else's. Samuel Brittan has described market institutions as being a form of participation without politics. Because markets register individual choices and are therefore the nearest economic mechanism to democratic political order, markets should be extended to more and more areas of life, to make the consumer and not the bureaucrat the sovereign. In addition, markets are the most efficient ways of matching supply with demand. These two points about markets, freedom and efficiency constitute the major theoretical basis for privatisation.

However there are major difficulties and untested assumptions about this position despite its current, widespread attraction. In the first place there are clear cases in which the market limits choice, and we could perhaps concentrate on two of

these. The first is that despite what David Owen argues there is one way in which markets are very unlike referenda. In a referendum there is an absolute equality of political right: each person's vote counts for one and not more than one, whatever

his resources or lack of them, whereas the 'votes' registered as preferences in the market vary in their value. A wealthy person can register in the market a much broader range of preferences than a person who is less well off. We could only make the market analogous to a referendum if we were to go in for a major redistribution of the resources which affect how individuals are able to conceive of and register preferences, but this strategy would be indistinguishable from the egalitarian one, except in one respect. The current Social Democratic policy is to encourage markets in the economic sphere in the interests of freedom and efficiency and go in for redistribution in the field of social policy. However it is not at all clear that this is a coherent doctrine. If you accept the arguments about market efficiency, then presumably you also have to accept the inequalities which will result from the competitiveness and the incentives which will be necessary, on this view, to make the market efficient; these must put a very definite limit on the extent of the redistribution which is possible. It will certainly have to stop a long way short of the kind of equality Labour egalitarians from Tawney to Crosland, and more recently Hattersley, have proposed.

In addition the whole conception of highly competitive and incentive-oriented markets combined with altruistic redistribution looks very unlikely. The kinds of values and attitudes which would be needed to sustain markets of the sort envisaged by Social Democrats fit very uneasily with the demands on altruism and the sense of justice which their redistributive measures call for. We should not be taken in by glib assertions that markets preserve freedom. They may do so in the most abstract sense, but not in terms of securing a fair value of liberty for each individual. It is rather like compelling a group of people to play football and being indifferent as to whether they have football boots. Unconstrained markets will not come anywhere near to securing a fair value of liberty to individuals.

There is another sense too in which the

market limits choice, and this is the sense in which the market cannot provide a framework within which strategic decisions can be made. For Hayek, Friedman and others part of the justification of the market is that it allows individuals with limited knowledge and imperfect information to record their preferences. That is to say the individual is able to make small decisions each of which is within his competence to make. What could be more free or more liberal than that? The trouble with small decisions however, as Hayek implicitly acknowledges, is that when taken together they may well have unintended consequences which the individuals making the decision did not foresee and would not have chosen had they known.

This may seem a very abstract and rarified point but it is part and parcel of everyday experience. For example, I may live in an area in which there is a corner shop within walking distance which I use for convenience and a supermarket two or three miles away which I use together with the car for the week's shopping. Prices are lower at the supermarkets as their bulk purchases mean discounts from the suppliers. Obviously for any particular individual this arrangement is best for all concerned but the overall effect of rational individual choice, using the supermarket for most purchases and the shop only on occasion, is to drive out the corner shop which we all found convenient and did not wish to see disappear. The driving of the shopkeeper out of business was an unforeseen, unintended and unchosen consequence of rational behaviour in the market. It is an outcome which none of us wanted and none of us would have chosen, but it emerges as a consequence of our choices.

It is very difficult on a very decentralised market basis to take rational strategic decisions which may be of great importance to the overall quality of our lives, and to make choices more important than the small decisions which are characteristic of the much vaunted freedom of choice of the market. The example which I have used may seem rather trivial but it is

in essence the one which bedevils the provision of public transport on a rational basis, and would also apply to the consequences of developing private medicine alongside NHS institutions. For example I may approve of the existence of the NHS in a general way but prefer private medical insurance for myself. If sufficient people do this, and given the inelastic supply of doctors and nurses, the demand from the private sector may well put up the price of the services of doctors and nurses in the public sector: this will either increase the cost of such services (to me as well as a taxpayer), or lower the standards of such services, or restrict the services available. This may in turn affect the level of medical innovation in the NHS on which the private sector may also depend at least in the short term. None of these consequences would I have chosen had I been able to foresee them, but they are an unintended consequence of an aggregate level of choices. These are not arguments against markets as such but they do go some way to weaken the hold of the idea that markets are the bastion of choice. Sometimes strategic decisions overriding market considerations taken by democratic governments may well reflect the strategic choices of individuals rather than the tyranny of small decisions in the market.

These strategic decisions are going to be far more crucial to the maintenance of an equal value to liberty than are the small decisions made in a market. So long as these more egalitarian decisions are taken by democratic governments there is no reason to fear for freedom, particularly when as I have argued the planning or strategic decisions of governments may well reflect people's more general choices taken in the polling booth rather than the unintended outcomes of small scale decisions in the market.

Markets and Morality

As we have seen it is central to the view of influential market-based theorists such as Hayek and Friedman that egalitarian social

justice is a mirage which threatens individual liberty. Instead of seeking social justice we should cast off substantive constraints on markets, and so long as the market procedures are fair we should accept the outcomes of market transactions as morally legitimate, whatever they may turn out to be. On this view the market is neutral between political and moral principles; these are for each individual to determine for himself. Most market theorists regard this as one of the greatest strengths of markets, but there are weaknesses and attention has been drawn to these as much by non-Thatcherite Tories as by socialists.

The basic difficulty is this. If, as the neo-liberals hope, the market is to come to dominate more and more of our lives, and welfare for example is to be turned over, as much as possible, to private insurance markets as the social market mentality now abroad in the Tory Party and the SDP would seem to require, then the market must have some legitimacy in the eyes of ordinary citizens, who will perhaps be unable to appreciate the complex economic arguments which favour markets (so we are told). Some kind of citizen commitment has to be mobilised behind the market, and this has to at least equal the weight of the loyalty spread throughout society to non-market institutions such as the NHS. Broadly speaking this legitimacy might be of two sorts. The first would be a material legitimacy, that markets can increase prosperity for all more effectively than a planned economy. It would do this by the 'trickle down' or 'echelon advance' theory, that what the rich consume today will be available by the processes of economic growth to all tomorrow. This is legitimacy understood in terms of self-interest – we shall all be better off via markets than via socialism. However, as we shall see, as a theory of legitimacy this view is very vulnerable to the arguments developed by Fred Hirsch in *The Social Limits to Growth*, which show that for a fair class of important goods this promise is an illusion. However, for the moment I want to concen-

trate on what might be called the moral legitimacy of markets. On this view citizens will have to be convinced that markets represent something important and morally valuable.

I do not want to deny that markets are important and should be kept within a socialist society; rather the arguments I am seeking to deploy are aimed to weaken the idea that markets should be the dominant mode of allocation and that therefore egalitarian socialism is a threat to the values which markets represent. What then are these values and are they sufficient to secure citizen loyalty? The usual answer, as we have seen, is that markets secure freedom, and we have already seen grounds for doubting this in the sense in which it is usually put forward. Does it therefore have a more substantive moral basis? The answer to this is clearly *no*, as Hayek has the courage to admit. It does not secure social justice, whether understood in terms of need, desert, performance or anything else; it does not secure a fair worth of liberty; it does not secure equality. The market is neutral and amoral. Success depends upon luck as much as anything else, the luck of birth, of upbringing, of education, of being in the right place at the right time, and certainly not upon merit or desert. In the light of this meritocratic conservatives and liberals ought to be rather wary of linking their ideas with those of the market.

In fact Hayek sees this. In *The Mirage of Social Justice* he argues that while the market does not reward merit or desert, or any other principle for that matter, most political defenders of the market believe that it does, and this is the basis on which the claims of the market are legitimated with the electorate.¹⁰ Citizen allegiance to the market may thus depend upon the existence of false beliefs, which may at the same time be functionally necessary because citizens would not feel loyalty to an institution which was totally indifferent to their moral claims and capacities. This does not seem to be a very secure moral basis for the market, and if it cannot meet its promise of increasing prosperity, which

hitherto may have disguised its indifference to moral claims, its legitimacy may be very insecure.

The dominance of markets can also be combatted by reflecting upon the basic elements of a more traditional socialist critique which could be developed. There may well be a place for markets in a humane society but they must be kept in their place because they encourage some forms of human behaviour rather than others, viz egoism over altruism, and rational calculation of advantage over trust. The wider market values extend the more they will displace these other attitudes, which may well be central for the operation of the market itself as much as for other social institutions. The second aspect of the argument is that the operation of markets is likely illegitimately to extend the range of goods which we want to turn into commodities because, in some admittedly vague sense, there is a feeling that to treat certain things as commodities is to undermine human respect and integrity.

The point of these arguments, when taken together, is that there are substantive moral limits beyond which we would not want a market mentality to go and that the very legitimacy of markets depends upon them remaining within these limits. The first form of the argument is that the attitude of rational self-interest which market operations have to presuppose if they are to operate effectively has very definite limits, otherwise the defence of the free market itself becomes incoherent. For example, it is very difficult to give the rational egoist an answer to the question of why he should not seek subsidy, monopoly and other special privileges which, if generalised, would make the market work inefficiently.¹¹ Of course one could argue with him that these actions will not benefit society or the maintenance of the market in the long run, but without some restriction on egoism and orientation towards some notion of the public good it is difficult to see how these arguments could be persuasive. Rational egoism, devoid of a sense of the public good, makes for free

riders, which in turn may make the market as a whole less efficient, although it will benefit the individual. Thus markets themselves run up against moral limits. Some shared moral values and some conception of the public good are needed to provide an environment within which the market can flourish. Not everything can be made a matter of competition and the recognition of these limits is a necessary condition for the market to operate legitimately.

However, the second part of the argument, which has been deployed most recently in Richard Titmuss' book *The Gift Relationship*, looks at ways in which the sphere of markets can be seen to overstep the boundaries of moral legitimacy and despoil the objects which it seeks to turn into commodities. Titmuss' own example is blood for donation and how this altruistically given gift would be despoiled (and make less efficient) if it became a commodity to be bought and sold in the market. Titmuss points out that if human tissue does not present a definite limit to what can be turned into an economic commodity then nothing can. Most people would argue that in the case of buying and selling human tissue – whether it be blood or body parts – the commercial mentality had overstepped its limits. But is there really a central moral difference between selling blood and kidneys which may be the means to life for others and other medical goods to satisfy the needs which they may have? Again, however vague and intuitive they may be there do seem to be very definite moral limits to markets in terms of the commercialisation of goods and services which are central to the life opportunities of individuals. Any sensitive defence of markets will make some reference to the general environment within which markets operate because, for the reasons which I have discussed in this section, it is very doubtful that markets can secure their own legitimacy. They do not necessarily protect liberty, they are indifferent to any distributional outcome, they may not be able to secure the echelon advance towards

rising prosperity, and they may at some point begin to deplete the moral underpinnings upon which their own operations rest. Not all human values are comprehended in the freedom to buy and sell. Some sense of community and integration is an important ideal and it is indeed one on which the operation of the market in its sphere rests.

Equality, Decentralisation and Community

A major part of the attack of the new right and the SDP on egalitarian socialism is that the maintenance of equality would require a strong bureaucratic state, and this is a threat to personal liberty. This critique has also found echoes on the left. In this context the criticism has been two-fold. On the one hand socialist libertarians have shared the right's worry that the statism of egalitarian policies would be a threat to liberty; on the other they have been concerned that the strong centralised state of an egalitarian society would be a threat to community. Community or grass roots socialism has been put forward as a response to this emphasis upon statism, and its advocates have drawn upon the decentralist tendencies in the cooperative, guild socialist, syndicalist traditions of socialist thought. This response to centralisation also seems to capture some of the public mood, which is held to be critical of the growth of state power, the role of bureaucracy, form filling etc. It is also natural enough that a decentralised approach to socialism seems appealing in the aftermath of an election defeat when the only paths open to genuine socialist advance seem to be in the local field.

However, we should also bear in mind that this critique of the state can take a right-wing as much as a left-wing form: witness the growth of anti-tax parties in Scandinavia and the success of such movements in California. At home the criticism of the statism inherent in redistributive egalitarianism has been a marked feature of recent conservative and neo-liberal

thinking. Indeed, in *Face the Future* David Owen argues correctly that the decentralist critique of statism is in danger of being monopolised by the Hayek right; he criticises the Fabian egalitarian tradition and particularly Anthony Crosland for being far too centralist in attitude.

There is certainly a dilemma here for democratic socialists, but it is one in which hard thinking can easily be turned into sloganising. It is certainly true that the appeal of community and fraternity underlying the appeal to decentralisation is beguiling, but at the same time it is an almost indefinite one. I do believe that egalitarian strategies can be made compatible with decentralisation, but only up to a point and we may as well recognise this. Roy Hattersley was clearly right when he argued in his recent British Association Lecture that the egalitarian may well be committed to a greater use of state power than it is currently fashionable to confess.¹²

The basic problem with decentralised forms of socialism is that while it may be true that *within* relatively autonomous decentralised economic units – whether worker-owned cooperatives or whatever – there may well be a high degree of equality of income, power and status, this does not address the question of relations *between* such cooperatives and the extent of possible inequalities between them. There are perhaps two forms which this problem can take.

In the first place, in any system of autonomous enterprises, whether industrial or political, differences are almost bound to arise between such enterprises because of differences between internal efficiencies, the skills of workers and managers, accessibility to and relations with suppliers and consumers, the age and quality of equipment, consumers' choices and demands, decisions as to how the earnings of the enterprise are to be allocated between wages, bonuses, services, increasing employment opportunities, depreciation and investment. In short, without some redistribution *between* enterprises, the outcomes will be very

similar to those within individualist markets with labour cooperatives or whatever replacing individuals. If as socialists we criticise the market for being indifferent to the distributive outcomes between *individuals* we cannot consistently neglect similar differences between autonomous *groups* in a decentralised socialist economy. If this is so, then it would seem that broadly speaking only two strategies are feasible. The first seems utopian, namely that the experience of decentralisation, equality within the workplace and a greater sense of fraternity will generate such altruistic impulses that cooperatives will voluntarily transfer some of their resources to less fortunate enterprises. Alternatively and more realistically, such redistribution would have to be effected by a centralised state in order to make the burden of redistribution equitable between groups. These arguments which have concentrated upon industrial enterprises would also apply with appropriate modification to decentralised political institutions and to social and public services. Granted the differences in prosperity and revenue bases between regions and localities, it is inevitable that inequalities in the provision of services will arise, and the attempt to equalise these can only be realistically achieved by the mediating power of the state. To repeat the point because it is important: we cannot criticise the private market for its inequalities and be indifferent to the inequalities produced in a decentralised cooperative economy.

Of course, none of this should be taken to imply that community is not an important value and that the claims of equality or the public good should always override communitarian considerations¹³; but as we have seen there are difficulties with a grass roots or communitarian socialism, and it is an illusion to think that criticisms of state power in a redistributive welfare society can be deflected by invoking the values of decentralisation and community. However, a decentralist policy is perhaps most compatible with equality when we are considering power rather than income or

wealth or other material resources. It seems axiomatic that if we are to secure greater equality in the exercise of power, decision-making has to be centralised and shared on a broader basis. This is clearly true, and this form of equality is very important in securing the fair worth of liberty for the individual to decide to live his own life in his own way as far as possible. However, we should not be lured into thinking that power is independent of

other forms of material inequality, so that it can be distributed more equally by decentralisation while leaving other inequalities in place. Wealth and income are very important political and industrial resources; it is naive to think that power can be decentralised and equalised without touching the broader framework of material inequality, which as I have argued may be very difficult to attack in a decentralised framework.

5. EQUALITY IN HARD TIMES

Growth and Equality

It has been a central plank of Labour thinking about equality since the end of the war that economic growth is central to the achievement of greater equality. This argument has been put most elegantly by Tony Crosland in his Fabian pamphlet *Social Democracy in Europe*:

“The achievement of greater equality without intolerable social stress and a probable curtailment of liberty depends heavily upon economic growth. The better off have been able to accept with reasonable equanimity a decline in their relative standard of living because growth has enabled them (almost) to maintain their absolute standard of living despite redistribution.”¹⁴

The fiscal dividend of growth has enabled the position of the worst off to be improved without making the better off very much worse off. Granted the existence of electoral politics, how can the egalitarian argue for greater equality in a situation of very low or zero economic growth? In such a situation the egalitarian strategy seems to be a zero sum game in which in order for the worst off members of society to benefit by a significant amount, a large number of electors will have to be made worse off. Surely, the critic will argue, to advocate an egalitarian strategy in such circumstances will be electoral suicide.

There are of course things which can be done in a period of low growth as Crosland recognised in his later writing. These would include paying attention to non-material inequalities such as inequalities of power, and concentrating limited resources upon

those most in need. However, in the case of inequalities of power we have already seen that a good case can be made that reform here will have to take account of a diminution of inequality in other spheres of life. Concentrating resources where they

are most needed is obviously a rational policy in hard times but we ought to be able to say more than this. One of the problems with the egalitarian vision is that it poses as a rather profligate one, concentrating upon distribution and leaving the problem of production to be solved by other means. However it is central to the egalitarian view that it is a production philosophy as much as a policy for distribution and in this sense a more egalitarian society ought to be a more productive one. I shall leave consideration of this important point to the next section and concentrate here upon one or two specific ways in which growth and equality are linked.

It is often argued that the unemployment of the past few years is not likely to be solved by greater economic growth. It is this, it is said, which makes the current unemployment more soul-destroying than in the 1930's. In earlier periods of depression the unemployed could look to an economic upturn, which would not be of a sort which would displace the particular skills they had but would rather create an increased demand for them and thus increase employment opportunities. However, it is argued that any future economic upturn now will not lead to dramatically increased employment prospects. New industries which might benefit from economic recovery are not likely to be particularly labour intensive, based as they will be on information technology, computers, robotics and the rest. If this is a correct prognosis, and I see no way at all in which we can decide this question at the moment, what are the consequences likely to be for socialist values and equality? Neo-liberals will of course argue that it is not the role of the government to organise the distribution of work opportunities if these are as restricted as some pessimistic forecasts predict. Those who fail to find a job in the shrunken job market suffer from bad luck and that is all. There is no right to work and no duty on the state to secure work opportunities to satisfy this right. Tory paternalists such as Francis Pym are likely to argue that we need to change our attitude to work and concentrate on

leisure-oriented activities in which the out of work will be able to find a meaningful life without stigma. This course of action is all very well but suffers from two crucial drawbacks. The stigma of unemployment is not likely to disappear for a generation or more, and the long-term unemployed are likely to experience a good deal of frustration and stigma at not being able to meet society's expectations of them. Indeed government in so far as it lies within its power has done nothing at all to lessen the stigma of being unemployed, and its attacks on social security frauds has not encouraged an attitude in which such a change could come about. Secondly a leisure society is going to require generous levels of unemployment benefit and investment in social capital to provide facilities for large numbers of leisured citizens. The last few years give us no ground for believing that a Conservative government would take this problem seriously.

It would appear that socialist values, particularly distributive/collective ones are the most relevant here. *If* there are a very large number of unemployed in the future, and if jobs are a scarce resource, then this is going to raise in a very acute way the question of why some people have markedly different life chances to others. Unless those in work are to be regarded as beneficiaries of a neo-liberal 'luck of the draw' mechanism, which is perhaps not all that likely, there is going to be a demand for a fair sharing out of work opportunities and the differences in income which these opportunities represent. Work sharing and income/salary sharing may become an important item on the political agenda, which can only be tackled by having some coherent and consensual egalitarian values for sharing work so that those who are in work can be seen as consuming a scarce resource in a fair and legitimate manner. Of course any work sharing scheme is going to involve many hard choices, because if it includes income sharing (and a situation of low growth would seem to require this) then some people's incomes are going to have to be lowered in order to improve those of others. It is only plaus-

ible to imagine that a strategy like that could work in a situation in which there was overall a far more equitable sharing out of the resources of the society and particularly income and wealth.

The practical difficulties involved in facing up to these issues is immense in a parliamentary system. On the one hand if we, as a society, link someone's integrity, standing and personal qualities generally with being in work and yet decline to secure a right to at least a share in a job for all who want one, our society is deeply unjust: it defines a norm of human fulfilment and is then indifferent as to whether three or four million people and their families have the means to fulfil it. On the other hand the unemployed are in a minority, and if jobs are short and the Labour Party does believe in securing a right to some share in a job, as the SDP has offered, then this means convincing the majority to vote for policies which may make them worse off. On this kind of future scenario, we cannot appeal to growth to act as the solvent of distributional dilemmas; rather growth in high tech industries may well be the cause of the dilemma. The only possibility in these circumstances would seem to be to concentrate on the propagation of socialist values such as equality, solidarity and community. There is no magic wand which could solve the distributional dilemma without making many people worse off. Soaking the very rich will be neither here nor there for this particular problem, although it would be an important part of the background to greater equality which would make policies for work and income sharing acceptable; rather we are talking about the jobs and the incomes of those who would naturally support Labour. This is the dilemma we cannot avoid if we are at all serious about socialism and equality, because the problem of the distribution of work opportunities in a shrinking job market can only be tackled by some redistribution of resources from professional groups and skilled and unskilled manual workers.

As I have already suggested scarcity

exacerbates distributional politics. While the G.N.P. is growing and individuals and groups are getting more, they will be less worried about their fair share relative to others. However, if the G.N.P. is static, shrinking or growing at a very low rate, it is more than likely that the question of relative shares will become more accentuated. This problem has been raised in a very broad perspective by Fred Hirsch in his *The Social Limits to Growth*. I argued earlier that one of the practical claims to legitimacy of the market order lay in the fact that it claims to be able to increase wealth more efficiently than socialism, and through the echelon advance or trickle down mechanism to benefit the worst off more effectively than socialism. In the absence of a more overtly distributive morality this promise seems crucial to the acceptability of markets. However, Hirsch argues that this argument is as seriously flawed as was the approach to egalitarian redistribution favoured by Crosland, because both of these strategies presuppose that all goods can be distributed more widely (for the neo-liberal) or more equally (for Crosland), at the same level of quality and the same level of value. In Hirsch's view this is false. Certainly some goods, for example electric fires and washing machines, can be distributed more widely or more equally without changing their quality or their value. But there are certain sorts of goods – what Hirsch calls positional goods – which cannot be more widely distributed without altering their economic value. The value of some sorts of goods to any individual depends upon the fact that only a limited number of people are consuming them.

An example will help to explain this. The paradigm case of a positional good might be taken to be standing on tiptoe in order to see a procession better. This is however a positional good in the sense that the value of doing it declines the more people take part in it. Similarly tourism, and having the benefit of secluded beaches or cottages, are positional goods in this sense. It might be thought that if these are the only examples of positional goods, the

socialist could contemplate their discovery with equanimity just because they seem so marginal and unimportant. However education is also a positional good for Hirsch in the sense that as an instrumental good, one that has a marketable value, as opposed to being a means of self-fulfilment in a non-material way, the value of education depends to a great extent on its scarcity value. It cannot be distributed more equally without changing its value to those who consume it. So in fact instead of individuals, as in the trickle down theory, being able to consume today the same educational goods which were reserved for the rich two generations ago, they do not consume the *same* good; the good has declined in value the more people have come to consume it.

Similarly education was a major weapon in the Croslandite armoury for increasing equality and lessening social resentment, but again on the Hirsch analysis this has not turned out to be the case. Education is a positional good which cannot be distributed more equally at the same level of value. Far from increasing equality and lessening tensions the more equal distribution of education has led to the growth of credentialism, with more and higher qualifications being demanded for jobs which in previous generations may not have required qualifications at all. It would of course be comforting to think that the demand for qualifications was the result of the growing complexity of the jobs, but clearly in many cases this is not the case. Credentialism is a function of the paper chase and not the cause of it. In so far as this is true it follows that a good deal of working class demand for education is defensive in nature. Jobs which could be done in the past without qualifications now require them. The demand for educational expenditure could be seen as an attempt to secure access to the same jobs which in previous generations might not have needed publicly certified levels of educational attainment at all. As the American economist Lester Thurow has written:

“As the supply of educated labour in-

creases individuals find that they must improve their education to defend their current income position. If they don't they will find their current jobs no longer open to them. Education becomes a good investment not because it would raise people's incomes above what they would have been if no one had increased his education, but rather because it raises their income above what it will be if others acquire an education and they do not.”¹⁵

In this sense education acts as a screening device for recruitment to unequal positions rather than as a Croslandite engine for equality.

The idea of positional goods and the social limits to growth which they imply pose two sorts of questions to political theory. For the Hayekian neo-liberal it poses the problem of the legitimacy of the market order. The neo-liberal claims that we can dispense with raising distributional questions about the market because if left unconstrained the trickle down effect will work and we (including the poor) will get better off. This may still be true of material goods which can be consumed without positional advantage appearing, but is not true of positional goods such as education and leisure goods. If we all become richer in material terms so that our basic needs become satisfied, then it is likely that attention will focus on the consumption of positional goods – an area where the trickle down promise of neo-liberalism is an illusion. It is likely that the failure to deliver the illusory promise will cause frustration and resentment, and because he turns his back on distributional questions the neo-liberal has no theory about who should legitimately consume positional goods. That they are legitimately consumed by those whose market position enables them to consume them is about all the neo-liberal can say. But this is not going to be sufficient.¹⁶ The failure of the promise is more likely to give rise to demands that opportunities for the consumption of these goods must be seen as fair and legitimate, and this makes soc-

ialist values which focus upon distribution more relevant than market based principles.

Secondly, the positional goods argument undermines what might be called the oblique approach to greater equality favoured during the 1950's and 1960's, which involved looking for greater equality through expenditure on health, education and welfare rather than acting more directly on inequalities of income. In so far as these goods are positional in character, there is a flaw at the heart of this strategy. The scarcity engendered by positionality makes the whole business of scarcity much more acute than egalitarians of this period realised, and this is particularly so if the positionality of goods like education is combined with the projected shortage of work opportunities which I discussed earlier.

In these circumstances it is clear that socialist distributive values are more not less relevant. While it is true that positional goods place limits on the extent of equality, it does mean that socialists have to be concerned with the legitimate consumption of goods which are socially scarce; we cannot just leave the allocation of these goods to the random effects of markets.

Hirsch concentrates his argument on the social rather than the physical limits to growth. But leaving aside his strictures, even if we assume that the more doom laden predictions related to the depletion of natural resources are overdrawn and that in the sphere of material goods we can look forward to some incremental advance, it is doubtful that growth can play the role assigned to it by Tony Crosland in the quotation earlier in this section. His strategy could be called a 'hidden hand' approach, in that it did not stress a direct attack on inequalities in the spheres of income and, to a lesser extent, wealth, but concentrated on removing the consequences of inequality by public spending in the sphere of education and welfare. However, recent evidence collected by Julian Le Grand in his *The Strategy of Equality* suggests that with inequalities of

income and wealth the better off will still be able to make better use of these services than the less well endowed, and that their impact upon equality has not been that great. This problem will become even more stark if goods like education are positional, because the better endowed will be able to make differentially better use of a service which already has a strong positional element within it. But if we are to approach the problem of inequality in a more direct way by looking closely at policies for diminishing inequalities of income and wealth, we shall have to face the fact that we shall be accused of fostering inefficiency by disregarding incentives and concentrating our attention on distribution when the real need is for competition and efficiency. We shall therefore have to confront directly that aspect of what Le Grand calls the 'ideology of inequality' which insists that there is a big trade off to be made between equality and efficiency, particularly when we are talking about income and wealth, and that in the harsh world of the 1980's we have to choose efficiency rather than equality. It is to this influential aspect of the ideology of inequality to which we now turn.

Production, Efficiency and Equality

The arguments so far might seem misplaced when we contemplate the circumstances in which a future Labour Government might take office. The scale of the defeat at the last election was so large that a major failure in the government's economic policy is likely to be a contributory factor to the future success of the Labour Party at the polls. In such circumstances, it might be argued, to be concerned about equality and distribution generally is wholly unrealistic. The basic problem is going to be one of production, and distribution will have to take a second place. The electoral problem here is clear enough: if the Labour Party makes an egalitarian strategy central to its appeal, then the

charge will certainly be made that such a policy threatens efficiency and incentives, that Labour will kill the goose that lays the golden egg and that it treats goods and services like manna from heaven – as if the only problem is how to distribute social goods and benefits, not how they came to be created and produced. If the products of labour are taxed for redistributive purposes, this will lead to gross inefficiencies, irrespective of any moral rights to property which may be overridden by such taxation. On this view workers and professionals need incentives to work hard, and to pay lower taxes. Both of these features have strongly anti-egalitarian overtones: incentives *ex hypothesi* create differences between people which cannot be reconciled with equality, lower taxes will limit the possibilities of public spending for egalitarian redistribution.

It would be ridiculous for an egalitarian to dismiss arguments about production, precisely because high productivity is necessary to achieve his distributional aims. What, therefore can be said about the view that there is a big trade off between equality and efficiency? How far is it true and how far are incentives necessarily incompatible with equality?

The first thing we should say is that if there are trade offs between equality and efficiency they are going to be extremely complex. Certain sorts of egalitarian strategies can be seen as enhancing efficiency. We could perhaps take two examples here. Greater equality of opportunity in the sense of fair and open competition for jobs must be more efficient in matching talents to jobs than restrictive job recruitment. Fair equality of opportunity must be more economically efficient if it involves more than just the removal of legal and conventional restrictions on recruitment and extends to some positive attempts to encourage groups of people who have not typically entered a particular area of the job market to do so. A wider pool of talent together with fair equality of opportunity ought to be the best way of matching abilities and jobs.

Similarly positive training programmes which would improve the skills and earning capacities of manual workers could be defended both as a gain in efficiency and a gain in equality. Forms of education provision which involve spending more money on the children of unskilled manual workers could again be defended as much on grounds of encouraging the efficient use of scarce resources as on grounds of equality. We should beware of slogans in this field and over-simplified views of the nature of the trade off. However, this is not to deny that there are trade offs to be made. The important point is to be aware of where they occur and to see what consequences there are for egalitarian policies.

The fundamental argument here is about incentives and the extent to which incentives are needed to make people work more productively and efficiently. It should perhaps be said in passing that the empirical nature of this claim is shrouded in mystery.¹⁷ Many confident assertions are made about the need for incentives without it being at all clear what evidence there is for this view beyond anecdote. Indeed as even some conservative commentators have realised, arguments about incentives can be stood on their head, so that if incomes above a certain level are taxed at a differentially high level individuals will work harder to maintain their standard of living. However it is no doubt also true that they will resent doing so and we should take seriously this resentment, just as we ask the better endowed to take seriously the justice of the resentment of those less well circumstanced.

Let us therefore accept as a fact, although it may not be, that incentives are necessary for higher productivity and efficiency. Perhaps the first point then to notice is that if this is the ground on which the inequality of income is being claimed it has nothing whatsoever to do with moral qualities like merit and desert. What society is being asked to pay is a rent of ability, to mobilise skills which otherwise will no longer be mobilised and without which we should be worse off. The moral-

ising of incentives is a nauseating and smug business. They are not ends in themselves; they are means to ends, and they are linked to justice only in the sense of the degree of economic rent which is required to be paid to generate prosperity for the welfare of citizens. The argument about incentives is not a moral argument at all. Indeed moral considerations might well take us in the opposite direction if we were to follow them through.

What the incentive argument asks is that we pay a differential rent to mobilise abilities for which the individual may claim only some modest responsibility. Abilities and talents are not engendered by individuals in a vacuum; they are rather in some large part due to genetic inheritance, fortunate family background and education, for which the individual concerned bears little or no responsibility. If I deserve something it must be in terms of a feature of my life for which I am responsible. Individuals are not the sole bearers of the responsibility for their abilities, and in some respect they already represent a considerable investment of social capital which in turn is being rewarded by more expenditure on the individual. So we should not be confused by the moralistic fog which sometimes envelops discussions of incentives. We are talking about a pure economic criterion: that sum of money which will get a job done and without which society would be the poorer.

I do think we have to recognise and accept this notion of incentives. It is true that some socialist societies and some socialist theories try to do away with the notion of incentives altogether, but they presuppose some fundamental change in consciousness and human attitudes which seems utopian and unrealistic. Certainly societies – such as China during the period of the Great Leap Forward – which tried to do away with the rent of ability were not particularly successful. So on empirical grounds there do seem to be good reasons for accepting that there is an ineliminable role for incentives in economic relations, and this fact must place a constraint on the operation of the principle of equality. The

point could be put in a more theoretical way which would link together incentives, efficiency and personal liberty: if we believed in absolute material equality (which of course we do not, although many of our critics like to pretend we do since such theories are easier to refute) so that we fixed 100% taxes on incomes above the fixed level and 100% subsidies below it, then there would be no reason at all to move economic resources such as labour, capital, equipment, land or whatever to areas and occupations in which the marginal value of the occupation was higher. This must limit efficiency and innovation, and if there was no incentive to respond to these technological and other changes, without which society would be worse off, there would have to be direction of labour and therefore a considerable loss in personal freedom. Given this powerful argument, what place can a recognition of the need for incentives have in egalitarian political theory?

Apart from those incentives which could be seen as compensation for doing dirty, risky or health threatening jobs, where the incentive is compensation for the diswelfare experienced, it is in the nature of the case that incentives are going to create inequalities. Thus it follows that socialists are going to be concerned with the range of legitimate inequalities, that is with those considerations which will give the structure of differentials some legitimate role in society. No one is suggesting that there is a way in which a pay relativities board could produce a hard and fast scientific answer to the question of the proper rent of ability to be paid; rather that there is an onus to justify incentives and the level at which they are set. If as I have argued, incentives are legitimated by economic rather than moral criteria to do with desert, then of course incentives can be limited by the rent of ability criterion.

Some jobs however incorporate a wide band of incentive factors which may well go beyond what is necessary to secure the rent of ability. Just in case I am accused of trying to sort out other peoples' lives let us take the case of university professors. In

this case we might well consider that the rent of ability criterion has been exceeded. The job is highly paid, enjoys a high social status, involves civilised hours of work together with a good deal of self direction in terms of mode of work and what to work on. Are *all* these incentives necessary to mobilise the rent of ability in these cases? In these and many other cases in the professions and in business, incentives have arisen on an ad hoc basis and may have moved a good deal further than what is necessary to recruit people to such posts. Of course we could only secure an empirical answer to this question if we were to squeeze these incentives for egalitarian reasons until such time as the rent of ability clearly came into play weakening recruitment to such positions. If the argument about incentives is genuinely related to rent of ability rather than desert, it might well be that the structure of incentives to meet the genuine social requirements mentioned earlier might well look very different to what it does today.

An egalitarian government might therefore attempt a strategy of taxing incentives on jobs over a certain upper limit. It would seem that if government is to be serious about greater equality of income and the social distance between occupations, it will have to tackle the financial aspects of the reward structure directly, partly because this is more clearly within the competence of government, for example through a payroll tax, and partly for a more complex reason connected with positional goods which I discussed earlier. Some of the non-material benefits of high status occupations, such as self directed work (to some degree), the ability to exercise some choice about work routines, company cars, foreign travel, the exercise of authority etc. may all be much more closely integrated into the nature of the occupation in the sense that to do the job involves some of these features which are in themselves positional advantages. Granted that these cannot be squeezed directly without altering the nature of the job, which it is beyond the competence of the government to do, the obvious egalitarian

solution would be to tax the income up to the point that rent of ability considerations come into play.

In this sense a theory of legitimate inequality may be necessary for the legitimacy of markets as much as for any other reason. If Hirsch is right that the market cannot meet the promises held out in the trickle down effect once we go beyond consumer, material goods, then I would argue that it is only a market constrained by a theory of legitimate inequality which is likely to ease the inherently frustrating competition for goods which are in socially short supply. If these goods are in short supply (while we may all carry a Field Marshal's baton in our knapsack, and anyone can become a Field Marshal, of course not everyone can become one), it will be important to limit as far as possible the social distance and resentment that frustrated competition for positional goods may take. This can be done as I have argued by trying to reduce some of the extraneous material incentives which currently accrue to such positions.

Thus equality is not incompatible with efficiency. Indeed a theory of legitimate inequality based upon considerations of rent of ability may take a genuine concern for efficiency much further than do those who shout loudest about the need for incentives. However the egalitarian will require a justification of the range of incentives in society, to make sure that they really do reflect the claims of efficiency rather than privilege unrelated to economic function.

In this way the system of rewards would come to have some principle and structure and not be involved in the terrible anarchic free for all which is characteristic of British society. Only a structure of rewards based broadly on principle can provide the foundations of an incomes policy. Baroness Wootton once said that incomes policies operate in an ethical vacuum and this is one reason why they are difficult to operate. An egalitarian vision may go some way towards filling that vacuum. What I have tried to do so far is to show that despite the prevalence of right-wing

theories, distributional dilemmas will not go away as the Hayekians hope; despite their temporary popularity the unprincipled individualist solutions which they espouse have very serious shortcomings, which they are not likely to be able to solve without a resort to a degree of coercion which they profess to abhor. A

more equal, fairer society can be a more efficient and more productive society because the basis of cooperation will be present. In the next section I shall try to spell out more clearly the conception of equality with which I have been operating and the justification for it.

6. THE NATURE OF SOCIALIST EQUALITY

So far I have operated with an undefined conception of equality although I think that the final form of the concept is clearly implicit in aspects of the argument so far. In this section I shall try to say something more directly about what I take to be a defensible socialist view of equality. A theory of equality has to do several things: it obviously has to recommend a particular distributive outcome; it has to say what kinds of goods and services, benefits and burdens are to be distributed according to this rule; and some justification of the rule has to be given. In addition a socialist theory of equality will have to relate to other socialist values such as liberty and community. At the same time it has to take into account the circumstances of human life as we know it. There is no virtue at all in a normative political theory which recommends arrangements which are unworkable. In this context we should bear in mind the arguments about incentives and positional goods which are bound to pose fundamental constraints upon egalitarian theories. Having said this I shall look at three types of egalitarian theory: equality of opportunity; equality of result or outcome; and democratic equality, that is a theory of legitimate inequality.

Equality of Opportunity

Equality of opportunity seems on the face of it to be a very persuasive conception of equality, and perhaps the most consensual form which it could take in British society. It is concerned with fair recruitment procedures to jobs, and can be portrayed as an important factor in increasing efficiency because it matches recruitment to ability,

not to birth, race or sex. However, the principle has to be subjected to a good deal of interpretation, and when this is done it becomes clearer that it is at bottom very vague and ambiguous and its widespread acceptance in society may well depend upon its remaining ambiguous. On a minimalist interpretation of the principle we might say that it is concerned with the progressive removal of legal im-

pediments to recruitment and giving all children a fair start in schools. It is a procedural notion concerned with making sure that the race for positions is a fair one. It is this procedural aspect of equality of opportunity which makes it attractive to liberals. Liberals argue that more substantive forms of equality such as equality of outcome will involve intolerable interferences with personal freedom, whereas a procedural form of opportunity will involve few if any interferences with freedom.

However, this easy compromise is illusory. A fair equality of opportunity cannot be attained on a purely procedural basis. Otherwise we shall be in the position of maintaining that there is equal opportunity for all to dine at the Ritz. There are doubtless no legal impediments against dining at the Ritz so long as one has the resources to do so. If we are concerned with an equal or fair opportunity for the development of talent and ability, then more substantial policies than the removal of legal and procedural limitations on recruitment will have to be involved. Granted that background inequalities between individuals and families are going to affect the development of talent, if we are to equalise opportunities we shall have to act on these background inequalities.

However if we do this two problems arise for the liberal commitment to the principle. In the first place, if we try to compensate for background inequalities which bear upon upon the developments of talents in children then it might seem that this is going to threaten the personal freedom of families to live their own lives in their own way; and thus the claim that equality of opportunity and personal freedom may not be so compatible as is usually supposed. Secondly, if a policy of seeking to compensate for background inequalities which make a difference to the development of talent is adopted seriously, the redistributive consequences of such compensation would make the principle of equality of opportunity merge into that of greater equality of outcome which liberals reject. Equality of opportunity is the

equal opportunity to become unequal but, as I have argued, unless we are to stick to a disingenuous procedural conception of equality of opportunity, the idea of equalising starting places in the competition will take on very substantive aspects in the sphere of compensating for unmerited inherited disadvantage and in restricting rights of bequest for the better off. Only strategies of this sort are likely to be able to equalise opportunities, but such strategies pose exactly the same problems for liberty as do socialist conceptions of equality.

The basic socialist objection to equality of opportunity is concerned with the fact that there is no critical approach to the differential positions to which equal access is being proposed. It takes the existing structure of inequality for granted and is concerned about recruitment to it. However, this is not satisfactory for socialists: they will want to probe the legitimacy of the differential reward structure, otherwise greater equality of access may give a greater legitimacy to a structure of rewards which the socialist may regard as unjust. Of course if there is a socialist defence of differential reward structures, as I have suggested earlier, then of course fair equality of opportunity for recruitment to such positions would only be consistent with general socialist values. However, this equality of access to legitimate inequalities must include substantive compensatory techniques for background inequalities which bear upon a fair development of talent.

Equality of Outcome

The obvious alternative to equality of opportunity, given the difficulties which it involves, would be to endorse greater equalities of outcome in terms of income, wealth and welfare. The reasons for this can be developed out of an internal critique of equality of opportunity. I have already suggested that the redistribution which would be necessary to secure a fair development of talent would itself make

inroads upon the reward structure and thus narrow differential outcomes. However there is an important subsidiary aspect to this argument. If we seek to compensate those who do not have a fair chance to develop their talents because of circumstances beyond their control – their genetic endowment, their family background, their sex, their colour – there will in fact be very definite limits to which this can be done consistently with the maintenance of the family and individual freedom. There is a point at which the attempt to secure a fair background for the development of talent cannot go without being intolerably intrusive.

So what do we do at this point? There are two alternatives. One is to endorse the existing differential reward structure, admit that there are limits to which equality of opportunity can go, and argue that it is an unfortunate fact that some individuals will be penalised in realising their life chances because of factors which are outside of their control but cannot be altered in a way compatible with individual freedom. The other alternative is to argue for a greater compression of the reward structure and in favour of greater equality of outcome. If the family is to be maintained and personal liberty secured so that equality of opportunity must be limited, then it is wrong to reward as prodigiously as we do a narrow range of talent for which the individual does not bear entire responsibility and to make the costs of failure so heavy for those whose opportunities have been more modest and who similarly do not bear full responsibility for their condition.

This is the general ground for equality of outcome, and it follows fairly naturally from a recognition of the defects of equality of opportunity. The obvious difficulty with it is that in endorsing a wholesale critique of an income and status hierarchy it may well embody very weak demands in terms of efficiency, while at the same time failing to recognise the positionality of certain goods which cannot be distributed in a substantively equal manner. The obvious solution to this

difficulty is to seek to develop a theory of legitimate inequality. This I believe is the central socialist task in this field, and one which will have to involve a social consensus if it is ever to be supported electorally. In what follows I can only give the broad parameters within which such a theory could be developed.

Democratic Equality

Earlier I argued that the defence of equality should be linked to that of liberty in order to secure a fair or equal worth of liberty. This argument was developed in the light of the idea that political and social freedoms and rights could be credited on an equal basis to citizens, but differences in social and economic circumstances would mean that these liberties had differential value for individuals. As purposive creatures, liberty to pursue our own good in our own way is central to us; but this means that we cannot be indifferent to the worth of liberty to individuals, and to the resources they have to pursue their conception of the good. Consequently a socialist theory of equality will be concerned with the distribution of those resources which are necessary basic goods for experiencing a life of purpose and agency and making full use of the rights of citizenship.¹⁸ In our society these will include health services (unless people have the greatest degree of physical integrity of which they are capable they will not be able to act effectively), education and welfare goods generally. These resources are also going to include income because, as Le Grand has shown, differences in income lead to marked differences in the use of other sorts of basic welfare goods. A fair distribution of the worth of liberty is therefore going to involve far greater equality of income and wealth as well as the provision of services. It also follows from what I argued earlier that these basic resources which are necessary to live a life of active citizenship should so far as possible be distributed in cash rather than in kind, in order to

enhance the ability to live life in one's own way and avoid bureaucracy and paternalism. This linking of equality and a more equal worth of liberty should demonstrate to critics that we are serious about freedom and value equality as a means to liberty.

However, we have to take into account the points about incentives and positional goods which I emphasised earlier. It follows from these points that while I have talked interchangeably so far about a fair worth and an equal worth of liberty, these may diverge and this marks the difference between the view which I am advocating and a stricter equality of result. Moves away from equality in the worth of liberty would be justified on this view if such moves would lead to a greater value of liberty, i.e. resources, both financial and welfare, for all. If incentives need paying for reasons of economic efficiency, to produce more goods without which the worst off members of society would actually be worse off than they would be under a differential system of rewards, then a theory of legitimate inequality would justify incentives on the grounds that they still secure a fair, but not an equal worth of liberty to all members of the society including the worst off. Similarly, positional goods such as limited educational opportunities which *ex hypothesi* cannot be distributed more equally would also be consumed legitimately if their consumption by particular individuals benefited society as a whole.

It might of course be argued that this argument goes too far away from a genuine socialist outlook because it does not *constrain* the extent to which inequalities could exist if they were for the general good. There are I believe two answers to this point. In the first place, if we are concerned with individual liberty then it would be irrational to prefer a more equal distribution of goods in which the worth of liberty to many citizens would be less than it would be under some degree of inequality. The second point is to emphasise the values of community and fraternity operating here as an independent value.

There is a point, which cannot easily be specified in advance, at which the inequalities linked to efficiency to pursue a greater value to freedom will threaten a sense of community and fraternity because of the social distance which would be created between those occupying differential positions and the rest of the society. However, this social distance would be lessened to some degree, because the argument, as I have deployed it already in the pamphlet, presupposes common and not private services in the spheres of health, education and welfare, and despite the earning of differential rewards it is likely that this sort of provision will limit any social distance which might occur. However, it is still true that there may come a point at which we would want to say that we would prefer community to efficiency if the structure of incentives require for the former threatened to override the latter.

There is no point in pretending that thinking about values can provide us with a detailed blueprint for the future. Political values and principles are always going to be ambiguous and susceptible to many interpretations. Nor are all our values capable of being reconciled in one coherent schedule. There are trade-offs and choices to be made. Nevertheless, while this is true, a moral theory is still central to socialism. Unless it is explicitly grounded in a clear moral standpoint, the claim for greater equality can be misrepresented by our opponents as just the product of class resentment or the politics of envy. In the view developed in this pamphlet, however, by securing a fairer value for liberty, and thus a share in the common rights of citizenship, the greater equality can be seen as an essential means both to liberty and fraternity: it is thus central to any restatement of the socialist position.

A good many of the bureaucratic and regulatory features of the welfare state are a consequence of attempting to tackle the symptoms rather than the causes of inequality. Intervention, subsidy, compensation and the network of rules which go

along with these could to some extent be offset by a straightforward and more egalitarian approach to the taxation of wealth, income and inheritance. This would require less bureaucracy and less paternal-

istic interference in the lives of individuals. To achieve the link between equality and liberty, the next Labour Government ought to be prepared to act more directly upon inequalities of wealth and income.

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