Inequality and the Case for Redistribution: Aristotle to Sen.
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The Athenian intellectuals discussing inequality did not find it particularly obnoxious to leave out the slaves from the orbit of discourse, and one reason why they could do it was because they could get away with it. The concepts of equity and justice have changed remarkably over history, and as the intolerance of stratification and differentiation has grown, the very concept of inequality has gone through radical transformation....I should argue that the historical nature of the notion of inequality is worth bearing in mind before going into an analysis of economic inequality as it is viewed by economists today.

---Amartya Sen in On Economic Inequality (1973).

Sen’s assertion that the idea of inequality has changed over history is indeed worth bearing in mind. Sen alludes to the fact that for Aristotle only citizens of the polis were relevant to discussions of inequality. For Pareto, judgements between different income distributions can only be based on "sentiment." The answers to the questions "Inequality among whom?" and "Inequality of what?" have indeed changed over history. Nevertheless, there are common themes that run through the history of economic thought on inequality from Aristotle to the present. Economic inequality has almost invariably been examined primarily from normative perspectives. (Pareto and Sen both made significant positive contributions, but they both also made important normative contributions.) A key theme throughout these normative discussions, more or less explicitly, is egalitarianism: to what extent should society promote economic equality?

This question is purposely vague. Does economic equality include just income, or should we look at equality of opportunity, or something else? Does "society" include everyone or only the citizens of the polis? Should we look at
inequality in a society at an individual level, or (as Henry George claims) only at a functional level? As we shall see, economic thinkers in different periods of history have answered these questions differently.

**Aristotle: equality for the good of the state.**

While Aristotle is the most removed in time and economic development from my later economic thinkers, he sets the stage for all the others. Many of his ideas are themes throughout the history of economic thought. He believes that men are fundamentally unequal. His view of distributive justice, the just distribution of wealth and political authority in society, reflects this belief: wealth should not be distributed equally, but proportional to each individual’s merit. Later J.S. Mill and other classical economists recognize this point, and Pareto emphasizes it. Amartya Sen examines this argument and in the end rejects it. For many later economic thinkers (and for Sen in particular) Aristotle is the jumping off point.

For Aristotle there is nothing unjust per se about an unequal distribution of income. Nevertheless, he believed in a kind of wealth redistribution, and that the best democracy is one with a more equal income distribution. Such contradictory views of income distribution may appear to be inconsistent, but they are not. Aristotle is primarily interested in the good life of the citizen within the city-state. Greater economic equality increases the stability of the state and thus is in the interest of all citizens. To the extent that Aristotle is concerned with income inequality, it is as a means to this end. It is the interests
of the state as a whole, not the interests of the individual, which drive Aristotle's thoughts on income inequality.

As with all of Aristotle's economic thought, his analysis of income distribution is embedded within a larger body of thought, and is only incidental to his main discussion. To better understand Aristotle's economic thoughts, and his thinking on income distribution in particular, it is important to understand his philosophy. Aristotle emphasizes the nature of things and people. To Aristotle, something is natural if it leads to the realization of a thing's final end or purpose (telos) (Spiegel, p. 25). In a sense, what is natural is good, and thus just. He sees men as naturally unequal: It is clear then, that some men are by nature free, and others slaves, and that for these latter slavery is both expedient and right (Politics, book i). Since men (not to mention women, who are inferior to men) are unequal, it is natural, and thus just, that they should have unequal incomes or wealth. The good life, which involves living virtuously and with justice, is Aristotle's aim, and all economic interests are only a means to this end. This focus on the "good life" will disappear for much of the history of economics only to reappear in the work of Amartya Sen--although, as we shall see, Sen's conclusions about inequality are very different from Aristotle's.

Aristotle discusses aspects of income inequality (or economic inequality) primarily in two contexts: first, in the analysis of justice, and second, in the examination of the state. In Book 5 of the Nicomachean Ethics, he discusses the question What is justice? He makes a distinction between several types of justice, including distributive justice.
Distributive justice is shown in the distribution of honor or money or such other possessions of the community as can be divided among its members. Aristotle notes immediately that the division need not be equal for it to be just. He goes on to explain, Here then is a minimum of four terms in which justice finds expression: two persons and two shares. And the equality of the second pair will be reflected in the equality of the first. The ratio will be the same in the one case as in the other, because, if the persons are not equal, their shares will not be equal. What does it mean for people to be equal? By way of analogy, (Ethics, book v, chap. III) he looks at the practice followed in awarding shares according to merit: It is admitted on all hands that in distributing shares justice must take some account of merit. By merit, however, people do not all mean the same thing. Men of democratic sympathies measure degree of merit by degree of freedom, oligarchs by degree of wealth, others judge by good birth, those who believe in the rule of the best go by moral and intellectual qualifications. Justice, then is the expression of a proportion. Thus at least for the purpose of determining distribution of wealth, Aristotle leaves open the question of how equality of people should be measured. This difficulty in measuring inequality will occupy later thinkers such as Pareto and Sen and other modern economists.

According to Aristotle, which measure of merit is appropriate depends on which form of government we have. That is, in order to answer the question posed in the last paragraph, How should we measure merit? he first has to answer the question What is the best form of government? A. A. Trever (1916,
p. 116) notes that the four possible standards of merit mentioned above (freedom, wealth, good birth, and moral and intellectual qualifications) are all political criteria in the way that Aristotle uses them. This illustrates a general principle of Aristotle’s economic thought. He does not conceive of economics as a wholly separate discipline, but as a part of his ethical and political philosophy. His economics do not stand apart from his ethical values. This strongly contrasts supposedly value-free modern economics, but we will see that an emphasis on a "value-free" discipline is a long time in coming. Although they apply different norms, Mill and the classicals, and also Henry George and other critics of his time emphasize an ethical element in economics.

The best end of man in Aristotle’s philosophy is the good life of the citizens of the **polis**. The citizen needs the state in order to live the good life. Therefore, in order to see how best to live the good life, Aristotle examines what is the best form of government or constitution. Aristotle considers both those constitutions that are in force in cities and those constitutions that have been proposed by our predecessors before describing his own conception of a best constitution (*Politics*, book ii). In this context, Aristotle considers the practical implications of economic inequality in the **polis** rather than the justice or injustice of income inequality. To this end, he examines Phaleas of Chalcedons proposal that all citizens should have equal amounts of property. Aristotle argues that any such regulation of the amount of property should be accompanied by regulation of the population. If the number of children gets out of proportion to the amount of the property, the abrogation of the law must necessarily follow. Otherwise as
the population on a given plot of land grows, they will be reduced to poverty. It is difficult for men who have suffered that fate not to be revolutionaries. Here Aristotle is arguing against poverty not on grounds of justice, but on the grounds that poverty leads to instability of the state: The masses become revolutionary when the distribution of property is unequal. This is a theme that runs not only through Aristotle’s economic thought, but Pre-Classical thought in general: the economy, left to itself, can be dangerous to the polity.

Aristotle allows that equality of property may have some merits, but the benefits are not worth the costs: a system which gives equal properties to all the citizens has a certain advantage, in that it helps to prevent mutual discord; but the advantage, on the whole, is inconsiderable. Furthermore, equalizing property won’t eliminate the problems of revolution and crime: The greatest crimes are committed not for the sake of necessities, but for the sake of superfluities. Men do not become tyrants in order to avoid exposure to cold. He argues that education and training are more important than equalization of property. However, he criticizes Phaleas’ call for equality of education. Instead, Aristotle proposes a method of training which ensure that the better sort of people have no desire to make themselves richer while the poorer sort have no opportunity to do so. The latter will be attained if those concerned are put in an inferior position without being subjected to injustice. Here again we see Aristotle’s strong belief in the natural inequality of people and his willingness to take freedom away from the poorer sort in the interests of the state. Note also that putting the poorer sort of people in an inferior position is consistent with justice. Aristotle points out
that equalizing property in land is not enough. Wealth may also consist of 
slaves, cattle, money and movables and the proper course is to equally 
distribute all these forms of wealth or to leave all of them unregulated (Pol., book 
ii, chap. 7).

Thus far we only see Aristotle coming out against or lending only very 
limited support for income equality. His discussion of equality of property implies 
that he opposes regulating income distribution. Instead, he advises people to 
voluntarily share the use of their property with friends and leave some of it for the 
common enjoyment of the citizens (Pol., book vii, 1329b36). He is against 
distributing state funds directly to the poor. However, in a democracy he advises 
making grants (from public funds) to the poor so that they can purchase land. As 
with regulation of population to prevent poverty, he is not advising a redistribution 
of income for the sake of justice, but for the sake of the stability of the state: it is 
the duty of a genuine democrat to see to it that the masses are not excessively 
poor. Poverty is the cause of the defects of democracy. That is the reason why 
measures should be taken to ensure a permanent level of prosperity. This is in 
the interest of all classes, including the prosperous themselves (Pol., book vi, 
chap. 5, 1320a29). This interest in the stability of the state is yet another 
Aristotelian them that will be picked up by our modern Nobel laureate. Sen 
(1992) argues that one important reason for being interested in economic 
inequality is that great disparities of income can lead to violent revolutions.

As the foregoing shows, in the interest of the state at least, Aristotle had 
some concern for the economic well-being of all classes of citizens. Aristotles
thoughts on the merits of a strong middle class cast some light on what motivates his concern:

It is clear from our argument, first, that the best form of political association is one where power is vested in the middle class, and secondly that good government is attainable in those cities where there is a large middle class Where some have great possessions, and others have nothing at all, the result is either an extreme democracy or an unmixed oligarchy; or it may even be, as a result of the excess of both sides, a tyranny Meanwhile it is clear that the middle type of constitution is best. It is the one type free from faction; where the middle class is large there is less likelihood of faction and dissension than in any other constitutionWhere democracies have no middle class and the poor are greatly superior in number, trouble ensues, and they are speedily ruined. (Pol., book iv, 1295b35)

From this we can see two Aristotelian themes. First, there is a seeking after the mean. Seeking after the mean is a fundamental principle of Aristotle’s philosophy, and he follows it here as well: The best way of life is one which consists in a meanFurther, the same criteria should determine the goodness or badness of the city and that of the constitution. He goes on to explain that the middle class is a mean between the rich and the poor, and thus the best city is one that has a large middle class (Pol. Book iv, 1295a34). Second, Aristotle puts the good of the state ahead of economics. Here he is not interested in economic efficiency; he is concerned with the health of the state as a whole. There is no sense that greater economic equality is more fair or just. That is, Aristotle is not arguing for a large middle class because it means greater distributive justice. He merely argues that a large middle class leads to a better, more stable democracy.
We have seen that the importance of the stability of the state dominates Aristotle’s thoughts on income inequality. This illustrates a broader principle: his focus on the interests of the state is fundamentally different from the focus of modern economic thought. While a principal part of Aristotle’s philosophy is concerned with the good life of the citizen, his emphasis is not on the individual. He is concerned, particularly in the *Politics*, with the good life of the citizen *within the community*: We must not regard a citizen as belonging just to himself: we must rather regard every citizen as belonging to the city, since each is a part of the city (*Pol.*, book ix, chap 1, 1337a21-32). This is a stark contrast to the modern economists (even the macroeconomists) focus on the utility-maximizing individual as the proper unity of study. Trever (1916, pp. 12-13) argues that the Greek economy was chiefly interested in the problem of distribution. The life of the Greek citizen was lived far more for the state and was more absolutely at the disposal of the state, than is true in any modern democracy. State interference exploitation of the rich in the interest of the poor were not revolutionary ideas, but common facts in Greek life. This political and economic backdrop may help to explain Aristotle’s emphasis on the citizen as a part of the whole. For him, proper economic analysis can only be conducted as a part of a much broader study than that of modern orthodox economics. This idea of taking a broad approach to economics is a theme which we will see repeated in the history of economics. John Stuart Mill brought a broad training in philosophy and

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1 Note that this appears in Aristotle’s discussion of what is the best constitution under the given circumstances, and what are the best means of preserving actual constitutions, not in his discussion of the ideal state.
political science to his work in economics. In his later work Pareto insisted that
the proper perspective for social science was one much broader than just
economics. He spent the last years of his life working in sociology. Amartya Sen
has been Professor of Philosophy as well as economics, and his work on
inequality has in large part consisted of attempts to "broaden the information
base" of normative economics.

John Stuart Mill: egalitarian utilitarianism?

Like Aristotle, Mill’s body of thought is immense. His collected works span
thirty volumes, covering not only economics, but also philosophy and politics.
The vast breadth of Mills writings means his thought on any one topic is never
simple, but is informed by his work in other areas. Thus Mills thoughts on
income inequality take into consideration not only economic principles, but also
ideas of liberty, justice, and utility all of which are connected in Mills
philosophy.

In the end, Mill was a utilitarian. He followed the Greatest Happiness
Principle: actions are right in the proportion that they tend to promote happiness
and wrong as they tend to produce the reverse of happiness (Spiegel, 1991, p.
370). However, where Bentham says that the pleasure of one person counts as
much as the pleasure of any other, Mill asserts that some pleasures are of a
higher quality than others. In Mills view the idea of different qualities of pleasure,
along with the principle of decreasing marginal utility, support measures to
reduce inequality. Thus we can see that not only was Mill more of an egalitarian
than Aristotle, Mill was also egalitarian for different reasons. Aristotle sought to
reduce inequality only to the extent that it is in the interest of the stability of the state. For Aristotle, inequality is not an evil in itself, and in fact justice and the unequal "nature" of men requires a certain amount of inequality.

Mill, on the other hand, saw the inequity of income distribution of his time as a great evil, and he proposed radical reforms to reduce inequality. A main component of Mills reform program is free education for the poor. Education will increase wages for the laboring class, and thus reduce income inequality. Mill was a reformer, but he was no revolutionary. He believed in competitive private enterprise, and was opposed to direct government redistribution of wealth. In fact, Mill believed that a key to improving income equality was increasing the freeness and fairness of competition.

In an undated letter (possibly from 1847), Mill clearly states his position on economic inequality: I look upon inequality as itself always an evil (Collected Works [CW hereafter], vol. XVII, p. 2002). While Mill believes that reducing inequality is good, economic principles and the essential principle of liberty dictate the admissible methods for reducing inequality. In On Liberty, Mill works out the following two maxims: (1) the individual is not accountable to society as long as his actions do not concern the interests of other people, and (2) for actions that are prejudicial to the interests of others, the individual is accountable, and may be subjected to social or legal punishment (Hollander, 1985, p. 662). Mill states that income redistribution is not justified if it tramples on the individuals liberty: as much inequality as necessarily arises from protecting all persons in the free use of their faculties of body & mind & in the
enjoyment of what these can obtain for them [e.g., private property], must be submitted to for the sake of a greater good (CW, p. 2002). Note that Mill would only give protection (from redistribution) to property which is obtained from the free use of mind and body—that is, only property obtained through effort or abstinence (saving).

While Mill sees liberty as one of the essential elements of well-being, he does not regard property rights as sacred:

Private property, in every defense made of it, is supposed to mean, the guarantee to individuals of the fruits of their own labor and abstinence. The guarantee to them of the fruits of the labor and abstinence of others, transmitted to them without any merit or exertion of their own, is not of the essence of the institution (CW, vol. II, p. 208).

The individual does not earn through merit or exertion wealth that he inherits, and thus Mill has no problem with limiting large inheritances. Mill states his position on inheritances in an 1826 debate on the custom and law of primogeniture. He again states his preference for an equal distribution of income in society, and the government's duty to bring about that equality:

[T]here are but two great ends to be looked to by the legislator in regard to property: the greatest possible production and the best distribution by securing to the possessor of [property] during his life the full enjoyment of the advantages which it yields, the legislator gives encouragement to the production of wealth. This done his next consideration is what distribution conduces most to human happiness—the distribution of wealth which tends most to the general happiness is that which approximates the nearest to equality.

Mill goes on to argue that the same sum of money is of much greater value to a poor man than to a rich man:

To produce inequality, where without infringing any rights you might produce equality, to make one man rich where you might make four men comfortable, is bad economy; it is squandering the means of happiness,
nor do you give the slightest additional stimulus to the production of wealth by thus vitiating its distribution.

Although Mill makes this argument in a debate on primogeniture, he ties inequality to a larger context. As long as equality doesn't trample on the liberty of an individual, an equal distribution is the best distribution. And there is no reason that an unequal distribution of wealth by itself should decrease production of wealth. In the same debate, Mill goes on to argue that having just a few men with very large fortunes as opposed to a larger number of men with moderate fortunes is bad for society. Men with moderate fortunes have the time and money to acquire the knowledge necessary for them to take the lead in public affairs. However, men with very large fortunes have no need to acquire intellect or knowledge: what need has he of intellect? Why should he take trouble? What has he to gain by it? Where is his inducement? While he allows that there are exceptions to this rule, he asserts that the proportion of intellectual, educated men is much higher among men of moderate fortunes than among men of very large fortunes (\textit{CW}, vol. 26, pp. 335-340, speech given 20 Jan. 1826).

In his speech to the Fabian Society (quoted above), Mill is speaking of inequality produced by the custom of primogeniture. Since the custom only applies to families that are wealthy enough to have an inheritance for the eldest son, primogeniture is irrelevant for the vast majority of the population. But Mill is also greatly concerned with income distribution in society as a whole:

\textit{[T]he distinction between rich and poor, so slightly connected as it is with merit and demerit, or even with exertion and want of exertion in the individual, is obviously unjust the present capricious distribution of the means of life and enjoyment, could only be defended as an admitted imperfection. (CW, vol. V, p. 444, quoted in Hollander, p. 779).}
This brings out another of Mill’s principles of just inequality: income inequality is justified if remuneration is proportional to exertion. To understand how remuneration is determined, Mill turns to economic principles.

Book II of his *Principles of Political Economy with Some of Their Applications to Social Philosophy* deals with distribution. Chapters XI through XIV deal with the aspect of distribution that affects the laboring classes: wages. Mill asserts in his initial discussions of distribution (chapter IV) that custom sometimes has a greater affect on distribution than competition. In the chapters on wages, he allows custom some role (wages, like other things, may be regulated either by competition or by custom), but competition must be regarded, in the present state of society, as the principal regulator of wages, and custom or individual character only as a modifying circumstance, and that in a comparatively slight degree (*Principles*, p. 343).

Given the present state of society, i.e., a market economy with private property, Mill examines the wealth distribution among classes. He divides productive society into three classes: the landowners, the capitalists, and the productive laborers (Chapter III). Wealth is distributed among the three classes by competition and custom. Here Mill consciously distinguishes himself from the rest of English classical political economists, who assign all of the distributive power to competition. Mill argues that from the time of the feudal system in Europe to the present time (1848) custom had more influence than competition over rents, commodity prices, and wages. The fees of physicians, surgeons, and barristers were regulated by custom. The law of one price did not hold: the
same shop often sells the same article at different prices to different customers ( *Principles*, Book II, chapter IV). Mill doesn’t state it directly here, but all this implies that the equitable principle of proportion between remuneration and exertion does not hold, and thus the resulting (unequal) distribution is not just.

Mill does not support attempts to redistribute wealth by government control of wages. In his discussion of popular remedies for low wages Mill dismisses attempts to regulate wages, and provide artificially that all who are willing to work shall receive an adequate price for their labour because such measures would increase population growth and make everyone poorer. Clearly he is following Malthus here. He is equally critical, for the same reasons, of the Allowance System which sought to supplement market wages when they were deemed insufficient. He concludes no remedies for low wages have the smallest chance of being efficacious, which do not operate on and through the minds and habits of the people ( *Principles*, Book II, chap. XII).

The way to increase the wages of the laboring class is to limit their population, and the only just way to do that is to change the majority of laborers opinions about having children. Mill proposes to accomplish this in two ways: For the purpose therefore of altering the habits of the labouring people, there is need of twofold action, directed simultaneously upon their intelligence and their poverty (p. 380). For their intelligence, Mill proposes a national system of education for all children of the laboring class to cultivate common sense. This education, combined with poverty measures, would be certain to raise up a
public opinion by which the improvidence which overstocks the labour market would be severely condemned (p. 381). As an anti-poverty measure, Mill originally proposed grants of public money to encourage laborers to emigrate to the colonies, and selling or granting small (5-acre) plots of land common land to laborers. In later editions of the *Principles* (1865 and 1871), Mill says there is no longer a need for the government to encourage emigration, because laborers are emigrating on their own.

After considering remedies for low wages for the laboring class as a whole—trade unions, emigration, and education for the purpose of controlling population—Mill examines reasons for income inequality across groups within the laboring class. Adam Smith explained that inequalities of remuneration compensate for the disagreeable circumstance of particular employments (p. 388). Mill says this only holds true under perfect competition and an excess demand for labor. According to Mill there is usually an excess supply of laborers, and thus

> the undesirable [laborers] must take what they can get the more revolting the occupation, the more certain it is to receive the minimum of remuneration, because it devolves on the most helpless and degraded, on those who from squalid poverty, or from want of skill and education, are rejected from all other employments (*Principles*, p. 388).

While Mill allows that there are cases in which inequality of remuneration is necessary to produce equality of attractiveness, and are examples of the equalizing effect of free competition (p. 390), he argues that in many cases inequality of remuneration results from market imperfections. The wages of professions which require an education or professions confined to people of a
certain social rank operate under a monopoly price. The vast majority of the population cannot afford the education, or are not born into the required social rank, and thus members of these professions are able to charge monopoly wage rates (pp. 390-395). Thus providing free education to the poor will increase income equality by helping to remove market imperfections. Yet, Mill does not argue for universal free education. As Kurer (1991) points out, Mills proposal for free education for those who cannot afford to pay is limited to elementary school.

However, in an 1869 essay in the *Fortnightly Review*, Mill argues for state-provided higher education for the elite of the laboring class. This passage captures not only Mills justification for state-subsidized education, but also his sense of the injustice of inequality and the importance of education in reducing that inequality:

The State owes no more than elementary education to the entire body of those who cannot pay for it. But the superior education which it does not owe to the whole of the poorer population, it owes to the elite of them to those who have earned the preference by labour, and have shown by the results that they have capacities worth securing for the higher departments of intellectual work! I believe there is no single thing which would go so far to heal class differences, and diminish the just dissatisfaction which the best of the poorer classes of the nation feel with their position in it. The real hardship of social inequalities to the poor is that men are unequal, but that they are born so; not that those who are born poor do not obtain the great objects of human desire unearned, but that the circumstances of their birth preclude their earning them; that the higher positions in life, including all which confer power or dignity, can not only be obtained by the rich without taking the trouble to be qualified for them, but that even were this corrected, none, as a rule, except the rich, have it in their power to make themselves qualified (*Collected Works*, vol. V, pp. 627-8).

Mill's maxims of liberty often lead him to oppose government intervention.

However, he justifies government-subsidized education because of market
failure: the market is providing neither the quantity nor the quality of education that is optimal. There are externalities to education which individuals will not necessarily (or will not be able to) internalize: if a citizen is not educated, the entire community suffers from the consequences of ignorance and want of education in their fellow-citizens (CW, vol. III, p. 948). Furthermore, he justifies compulsory education for the sake of children: it is unfair to poor children (who did not choose to be brought into this world), that their parents do not or cannot provide them with an education (Hollander, pp.696-703).

Hollander argues (p. 826) that Mill’s overriding concern is social justice which can be interpreted, as Mill came to interpret it, as the highest category of utility and by which he understood respect for individuality to be satisfied by equality of opportunity. That is, Mill’s guiding rule is the Greatest Happiness Principle of Utilitarianism. Mill believes greater income equality implies greater happiness. This utilitarian justification for greater income equality has a strong intuitive appeal, but as Amartya Sen later points out, maximizing total utility does not necessarily guarantee income equality or economic equality using a broader measure than income. Again, the key question in looking at economic inequality in the history of economic thought is “inequality of what?” For Mill, what matters is equality of opportunity. But of course this is not the last word in economic thought on inequality. We shall see that Mill’s utilitarian approach comes under attack by later economists emphasizing an ordinal approach to utility theory.
Before we move on to the ordinal approach, of which Pareto was a pioneer, let us mention a feature in Mill’s thought that will be the essential element in one of the critiques of orthodoxy. Mill particularly opposes using the income tax system to redistribute wealth: after-tax income should be proportional to exertion (Hollander, pp. 870-876). Following his father James, John Stuart favors taxation of land rents, since he views these as unearned:

When the sacredness of property is talked of, it should always be remembered, that any such sacredness does not belong in the same degree to landed property. No man made the land. It is the original inheritance of the whole species. Its appropriation is wholly a question of general expediency. When private property in land is not expedient, it is unjust. It is no hardship to any one, to be excluded from what others have produced: they were not bound to produce it for his use, and he loses nothing by not sharing in what otherwise would not have existed at all. But it is some hardship to be born into the world and to find all nature’s gifts previously engrossed, and no place left for the new-comer (Principles, p. 233).

Since man did not create land, income from land is unearned. Thus taxing land rents is comparatively more just than taxing earned income. As we will see, Henry George will later extend this idea and make it his crusade.

Henry George and his critics: different views of desert.

The title of the book that made George famous, Progress and Poverty, alludes to his main concern: why does abject poverty exist in the midst of great wealth and economic "progress"? George’s answer to this question is his answer to every economic problem: economic rents from the private ownership of land are the reason for poverty amidst great wealth. In George’s words:

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2 Mill makes a distinction between improved and unimproved land. Improvements count as exertions.
It is the general fact, observable everywhere, that as the value of land increases, so does the contrast between wealth and want appear. It is the universal fact, that where the value of land is highest, civilization exhibits the greatest luxury side by side with the most piteous destitution. To see human beings in the most abject, the most helpless and hopeless condition, you must go, not to the unfenced prairies and the log cabins of new clearings in the backwoods, where man single-handed is commencing the struggle with nature, and land is yet worth nothing, but to the great cities where the ownership of a little patch of ground is a fortune. (Progress and Poverty, p. 224).

Book IV of Progress and Poverty, entitled "The Effect of Material Progress upon the Distribution of Wealth," purports to show how great inequalities of wealth develop. George first attempts to disprove the Malthusian notion that increases in workers wages bring about their own poverty by tending to increase the worker population until wages are again at a subsistence level. He tries to show how increases in labor productivity, keeping population fixed, only serve to increase rents, which then lowers wages and increases poverty:

If it can now be shown that irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent...we shall have accounted for the tendency of material progress to lower wages and depress the condition of the lowest class (Progress and Poverty, p. 244).

While rents are impoverishing the masses of workers, they are enriching the few lucky landowners, thus creating greater inequality.

In the later chapter on the effects of increased labor productivity on the wealth distribution, George argues that increases in labor productivity will only serve to "extend the margin of cultivation." That is, labor and capital will be applied to still less productive land, and rents on the more productive land will increase. Thus wages and interest will not increase, and rents will increase. Since only a few people own land, income and wealth inequality will increase.
George’s work has an ostensibly positive aim. He is attempting to explain how great inequalities of wealth and income develop. However, as Blaug (1992) points out, George’s approach was a blend of positive and normative economics. George is arguing that a great injustice exists in the real world economy--i.e., economic rents to landowners--and this is what is causing great inequalities of wealth. Sen (1973) categorizes this as a "desert" approach to economic inequality.

Although many of the orthodox professional economists of his day harshly criticized George, those that criticized his thoughts on the causes of inequality use this same desert-based approach to evaluating an income distribution. J.B. Clark and Marshall in particular commented on George’s work and the justice of the income distribution. Clark acknowledges George as the stimulus for his marginal productivity theory of distribution, but he used this theory to draw conclusions very different from George’s assessment. According to Spiegel (1991), Clark comes close to "identifying his theory with a description of the real world and vindicating a society that ostensibly lives by the rule 'to each what he creates.'" In identifying his marginal productivity theory with the real economy, Clark ignores, for example, the effect that bequests have on the income distribution. But what is more important for us is Clark’s desert-based approach. No matter how unequal an income distribution is, as long as it follows the marginal productivity rule, it is a good and just income distribution. As we will see, with the rise of Pareto and the ordinalist approach to welfare economics, this non-egalitarian criterion comes to dominate mainstream economics.
With Clark, it is difficult to ascertain exactly how much of his assessment of the justice of the income distribution was a reaction to George, since Clark refers to George only in the preface to his *Distribution of Wealth*. However, with Marshall and Walker there is no question that they are reacting against George. Furthermore, they both directly criticize George’s ideas on inequality and the distribution of income. In 1883, Marshall gave three public lectures on "Henry George’s subject of Progress and Poverty." Since the lectures were not published in an academic journal until George Stigler (1969) retrieved them from the *Daily Bristol Times and Mirror* and the *Western Daily Press*, it is difficult to know how much influence the lectures themselves had on the history of economics. Nevertheless, the lectures summarize Marshall’s thinking on George’s most important work; and within a decade Marshall, and by extension perhaps his thoughts on inequality, would come to exercise considerable influence over the economics profession in Britain.

In *Progress and Poverty*, George argues that as an economy grows, laborers do not share in the economic growth, but instead are reduced to poverty because of increased economic rents to landowners. Marshall responds to George’s claim by citing a plethora of historical and statistical evidence that wages have actually risen vastly in England and other countries. While Marshall claims that workers’ wages were rising, he admits that poverty still exists in Britain. But he discounts George’s claim that rents to landowners are the chief cause of poverty. Marshall argues that the best way to eliminate poverty is to educate the unskilled and inefficient workers. The suggestion that we should
educate the poor is not new to Marshall, and modern economists still support the
notion of investing in human capital as a poverty reduction measure. What’s
fascinating about Marshall’s response to the poverty question is the extent to
which he engages in "Victorian moralizing." Marshall proposes to educate the
poor "mentally and morally." In his second lecture, as Marshall is reviewing the
history of economic progress in the British colonies, he proposes a
counterfactual:

Now let me diverge a while to consider not what does happen next, but
what might. The people might agree to the following rules of action
First,...none who was weak morally, mentally, or physically to be allowed
to enter the district. No person allowed to marry till he was earning
enough to bring up a family properly. A first rate education, general and
technical, to be given to every child. Severe treatment to be given to
laziness and drunkenness, the most abundant tenderness and charity to
misfortune. There would be no pauperism, and even no poverty (Stigler
[1969]).

Marshall goes on to describe what actually happened in the colonies as
well as in England:

Our present evils date from the reaction against the grim sternness of
Puritan rule. Then followed a century and a half of glaring flagrant
vice....war and famine and the bad Poor-law. The middle class during this
time became frugal and self-controlled,...and grew in moral strength. But
many of the English working classes have not been properly fed, and
scarcely any of them have been properly educated. The result is that we
English are not nearly as fine a set of people as we might have been; and
we have still poverty and pauperism among us (Stigler [1969]).

In his third lecture Marshall focuses on remedies for poverty. He urges the
working classes not to marry so early. The working class should also "take an
active part in putting down the imposture of lazy and vicious paupers." we should
all "get a higher sense of duty...avoid excessive drinking...[and] avoid silly
show...in dress." Finally, "[p]rogress in general and the abolition of poverty
depend above all things on the strength and gentleness and purity and earnestness of the women of England [Stigler, 1969]." In summary, it appears that Marshall was somewhat egalitarian in his views on income distribution: poverty is bad. But like George and J.B. Clark, he uses a desert-based approach. For Marshall, poor people are poor in part because of their immorality. If they would but improve their morals, there would be no poverty.

**Pareto: the only criterion is "sentiment."**

Marshall’s contemporary Vilfredo Pareto took a different approach to evaluating the income distribution. While George and Marshall seem to think that poverty is intrinsically bad, Pareto argues that poverty serves the purpose of weeding the "inferior" elements from society. Of our economic thinkers thus far, Pareto is the most like Aristotle. Like Aristotle, Pareto believes that men are fundamentally unequal. In fact, Pareto goes further than Aristotle in justifying inequality. For Aristotle, inequality is bad to the extent that the best democracy is one with a more equal income distribution (although, like Pareto, Aristotle did not believe that democracy was the best form of government). Pareto argues that the only basis for preferring a more equal income distribution over a less equal one is "sentiment" (Spiegel, 1991).

Pareto made perhaps the most extensive contribution to the study of income inequality of any economic thinker up to his time. His work on the income distribution includes empirical studies and a statistical model (the Pareto distribution). Like Aristotle and Mill before him, and Amartya Sen after him,
Pareto’s thoughts on income inequality extend beyond economics to include a sociological theory of the income distribution.

In 1895 Pareto published an empirical study of the distribution of income in different European countries and cities at different times in the 19th century. He made the remarkable observation that the distribution of income is roughly constant across these times and places. This observation connected with the Pareto’s statistical model of the income distribution is known as Pareto’s Law.

Having dealt with the specifics of Pareto’s empirical work and the economics profession’s reaction to it in my earlier essay on Pareto, I will focus here on Pareto’s interpretation of his law and how it relates to the justice or injustice of income inequality.

In Pareto’s mature interpretation of the Pareto Law, the income distribution may change over time, but it is remarkably stable. Pareto goes on to argue that while the distribution is relatively stable, individual households’ positions within the distribution change over time:

The area $ahbc$, [figure 56], gives a picture of society. The outward form varies little, the interior portion is, on the other hand, in constant movement; while certain individuals are rising to higher levels, others are sinking. Those who fall to $ah$ disappear; thus some elements are eliminated. It is strange, but true, that the same phenomenon occurs in the upper regions. Experience tells us that aristocracies do not last (Manuele, Chap. VII.18).

It is interesting to note that Pareto’s discussion of the income distribution is quite similar to modern macroeconomic models of the income (and wealth) distribution. Typically these models examine an equilibrium in which the income and wealth distributions are stationary over time while individual households’ positions within
the distribution change over time (see, for example, Quadrini and Ros Rull [1997]). That is, the distribution of income is constant over time while at the same time some households are rising to higher levels and others are sinking.

Having empirically established (in Pareto’s opinion) the stability of the distribution of income, Pareto proposes a theory of income distribution. He begins his *Manuele* chapter on population by noting that "those who do not deliberately close their eyes have to recognize that men differ greatly from one another from the physical, moral, and intellectual viewpoints." He goes on to argue that through a process of "selection" the "better" members of society rise to the top, and the "inferior elements" are weeded out (through starvation, alcoholism, tuberculosis, or other means). Since the income distribution is determined by a natural selection process, and the distribution is relatively stable over time, Pareto reasons that attempts to decrease inequality by redistribution of income are futile in the long term. Even attempts to reorganize society, for example, by a socialist revolution, will not permanently reduce income inequality.

While the income distribution may change temporarily as a result of, e.g., armed force or political action, the income distribution can be changed permanently only to the extent that the "natures" of individuals can be changed (Spengler, 1944b).

Referring to figure 56 (which I have reproduced), Pareto writes:

> The inferior elements of region $a'b'la''$ descend into region $ahb'a'$, where they are eliminated. If this region were to disappear, and if nothing else could fill its role, the inferior elements would contaminate region $a'b'la''$, which would thus become less suitable for producing the superior elements which move into region $a''lc$, and the whole society would fall into decadence. This decadence would be still more rapid if serious obstacles were placed in the way of selection operating in region $a'b'la''$. The future will show our descendants whether such are not the effects of
the humanitarian measures of our era....In a way, the social body may be compared to the human body, which soon perishes if the elimination of toxic matter is prevented (Manuele, Ch. VII.20-21).

Thus "inferior elements"--the poor, or the soon to be poor--are "toxic matter" who should be eliminated, and efforts to redistribute income will cause a rapid increase in "decadence" in society.

Just as Pareto’s empirical findings on the income distribution were controversial, so were the conclusions he drew from his findings. Pareto argues that the only way to reduce income inequality is to increase per capita income or wealth (Cours d'Economie Politique, ii., p. 324, translated in Pigou, 1938). Pigou (1938) points out that even if the criticisms of Pareto’s empirical findings are ignored, there are problems with the implications Pareto draws from his findings. Pigou uses empirical evidence and theoretical arguments to point out that Pareto neglects the importance of bequests in determining the income distribution. Pigou notes that "the possession of a large property enables the property-owner to improve his capacity by training." In modern terminology, inheritance allows the beneficiary to invest in human capital, further skewing the distribution of income. If we change the distribution of investment in human capital, then the distribution of income will change. Pigou concludes that "when these points are conceded, the general defence of 'Pareto’s Law' as a law of even limited necessity rapidly crumbles [1938, p. 654]." It is curious that Pareto, son of a marquis and the recipient of a large inheritance, failed to note the importance of bequests in determining the income distribution. Furthermore, Pareto’s
inheritance allowed him to do precisely what Pigou points out: invest in his own human capital.

Given that Pareto’s empirical findings on income distribution and the conclusions he draws from his findings were controversial, how do we explain Pareto’s thoughts on the income distribution? Pareto’s work on the economics of the income distribution is wrapped up in his sociology. He theorizes that the characteristics of a society are determined primarily by forces of stability and mutability. He sees both forces as positive and moderating each other:

The advantages of mutability, which is one reason for selection, and the drawbacks of stability, follow in large part from the fact that aristocracies [in the sense of rule by the "best" people] do not endure. In addition, because of man’s characteristic misoneism and his reluctance to exert himself too much, it is desirable that the best ones be stimulated by the competition of those who are less capable; hence even the mere possibility of change is useful. On the other hand, change pushed to extremes is very painful to man, it disheartens him and reduces his efforts to a minimum. Someone whose situation is less desirable than another’s naturally desires change, but after having succeeded he desires even more to conserve what he has acquired and stabilize his condition (Manuele, p. 315)

As the forces of change and stability interact, "superior" people accumulate in the lower portions of the income distribution and "inferior" people accumulate in the upper portions. Eventually a new aristocracy will replace the old aristocracy as a result of the processes of selection. Pareto argues that he is analyzing the process of selection "objectively," while most people interpret the selection process subjectively and are influenced by "sentiment."

Pareto argues that sentiment plays the key role in human behavior. In his sociology, Pareto portrays humankind as "irrational, driven by sentiment, follies,
fears, and superstitions [Spiegel, 1991].” Furthermore, economic and social theories are also driven by sentiment:

The assertion that value is crystallized labor was nothing other than the expression of a sentiment of unrest felt by the superior elements of the new aristocracy, compelled as they were to remain in the lower strata....It must never by forgotten that ordinarily men are not conscious of the origin of their sentiments, and therefore it often happens that they believe they are yielding to the clarity of theoretical reasoning when they are acting under the influence of quite different reasons (Manuele, p. 319).

Theories about income inequality are no exception to Pareto’s rule that sentiment influences economic theories. According to Pareto, sentiment is the only criterion for choosing between a very rich community with large inequalities of income and a poor community with approximately equal incomes (Spiegel, 1991).

To sum up, Pareto attacks arguments for an egalitarian income distribution on at least three fronts. First he argues from evidence and theory that the distribution of income is stable across time and place. Therefore efforts to redistribute income are futile. Pigou effectively criticizes this argument because of inheritances (which Pareto curiously overlooks) and human capital investment. However, Pareto has a second defense of income inequality based on a natural selection argument. Society needs income inequality in order to weed out inferior elements. In this case Pareto is making a claim almost exactly the opposite of Aristotle’s. Aristotle says that while there is nothing unjust about income inequality per se, in a democracy it is better for the society as a whole if the citizens have some degree of income equality. Pareto argues that increasing income equality is bad for the society as a whole. If Pareto’s first two arguments
don’t hold up, he has a fallback: any normative statement about different income distributions is based purely on sentiment.

Pareto’s first two arguments for income inequality have not stood the test of time. Many modern empirical studies have found that income distributions are different across time and place. Also, despite income redistribution for decades, the United States and other modern industrial nations have experienced positive economic growth. As we shall see, later welfare economists will attempt to avoid Pareto’s "sentiment" argument using utilitarian theory.

Amartya Sen: revival of the classics?

Sen’s first major work on inequality is his *On Economic Inequality* (1973) (hereafter, *OEI*). In this series of lectures Sen looks at economic inequality from the perspective of a modern social choice theorist. Sen’s main monograph in social choice theory, *Collective Choice and Social Welfare* (1971), is on the "Arrow Problem": is it possible to base some kind of rational social choice entirely on the preference ordering of individuals? Sen notes (*OEI*, p. vii) that *OEI* is in many ways a development of some ideas he studied in his *Collective Choice and Social Welfare*. In *OEI*, Sen attempts to apply the framework he developed in *Collective Choice* to the specific field of economic inequality. If we are to take seriously the quotation from Sen at the beginning of this paper, it will be useful to sketch a brief history of social choice theory and its predecessors in normative economics.

In Sen’s (1999) Nobel lecture, he gives a brief history of the social choice and welfare economics literature. It is useful to see how Sen sees the history of
economics, because this tells us something about what influenced his own work. As he notes in his Nobel lecture, problems of social decisions have a long history:

Aristotle in ancient Greece and Kautilya in ancient India, both of whom lived in the fourth century B.C., explored various constructive possibilities in social choice in their books respectively entitled *Politics* and *Economics* (Sen, 1999).

In his lecture, Sen goes on to note the contributions of Borda (1781) and Condorcet (1785), "who addressed these problems in rather mathematical terms and who initiated the formal discipline of social choice in terms of voting and related procedures." At about the same time the Frenchmen Borda and Condorcet were formulating social choice problems in terms of voting, Bentham (1789) used utilitarian calculations to make social welfare judgements. Here Sen notes that Bentham's method of make social judgements by summing the total utility of the community leads to "an informational limitation of considerable ethical and political importance." That is, maximizing the sum total of utilities leaves no room for distributional considerations--questions of inequality. In addition, the utilitarian approach introduced an important class of information which Borda and Condorcet had not: interpersonal comparisons of utility gains and losses. As is well known, the utilitarian approach dominated welfare economics (Sen cites Edgeworth [1881], Marshall [1890] and Pigou [1920]) until the 1930s. Then Lionel Robbins and others began to argue that interpersonal comparisons of utility were invalid and without scientific basis (Robbins [1938]).

After Robbins' critiques, there were attempts to do welfare economics without interpersonal comparisons of utility gains and losses, based instead on
different individuals’ respective orderings of social states, following a line similar to Borda and Condorcet. After the 1940s this led to the "new welfare economics." This welfare economics necessarily restricted itself to social welfare comparisons which are "Pareto improving," that is, improvements in the social state by which no one is worse off and at least one person is better off. Thus the new welfare economics ruled out distributional considerations which involve conflict of interests or preferences.

Since many important policy questions (particularly questions related to economic inequality) involve a conflict of different individuals’ preferences, it would be useful to go beyond the Pareto criterion for making social welfare judgements. Sen notes that Bergson (1938) and Samuelson (1947) recognized this need. Arrow’s (1951) landmark paper responded to this need by relating social preferences directly to individuals’ preferences via a "social welfare function." However, Arrow’s "Impossibility Theorem" (1951, 1963)\textsuperscript{3} and the literature it spawned cast a shadow of pessimism over social choice theory and welfare economics in general (Sen [1999]). As already mentioned, Sen’s Collective Choice and Social Welfare is on this "Arrow Problem," and OEI is an attempt to apply this framework to questions of income inequality.

The focus of OEI is the problem of the measurement inequality of income distribution. Sen divides the economic literature on measures of inequality into two groups: "objective" measure and normative measures. Objective measures

\textsuperscript{3} Arrow’s "Impossibility Theorem" says, informally, that it is impossible for a social welfare function to simultaneously satisfy the following four conditions: (1) Pareto efficiency, (2) nondictatorship, (3) independence of irrelevant alternatives, (4) unrestricted domain (social preference must be a
use a statistical measure of the distribution of income. Normative indices measure inequality in terms of some normative measure of social welfare "so that a higher degree of inequality corresponds to a lower level of social welfare for a give total of income." Sen argues that even with an objective measure of inequality, "in judging the relative merits of different objective measure of inequality, it would...be relevant to introduce normative considerations." Any "usable" measure of inequality must combine objective features with normative ones (OEI, pp. 2-3). Thus Sen asserts that in order to make useful measurements of inequality, we must make normative distributional judgements.

Sen argues that the voting-based procedure inherent in Arrow’s social choice theory does not permit enough information to be able to make a social judgement about different income distributions. Because of the general consensus in the 1940s against interpersonal comparisons of utility, Arrow had ruled these out in his social choice formulation: "interpersonal comparison of utilities has no meaning (Arrow, 1951, p. 9)." Sen (1999) argues that this focus on interpersonal comparisons of "mental states" was too narrow. He argues that the impossibility of making consistent social judgements about distributional issues in the social welfare function framework comes from making social preference dependent exclusively on individual preference orderings. Sen asserts that in order to make social judgements about inequality, it is necessary to make interpersonal comparisons. He goes on to argue people make these comparisons every day. e.g., when one says "I would rather be person \( i \) than
person $i$." Sen claims that such comparisons can be made precisely, and he cites evidence from both economics and philosophy that his claim is justified.

Before proposing his own framework for making interpersonal comparisons, Sen demonstrates that the utilitarian approach of Bentham (1789), Marshall (1890), and Pigou (1920) will not suffice for making social judgment about income distribution. Sen states the problem succinctly:

The trouble with this approach is that maximizing the sum of individual utilities is supremely unconcerned with the interpersonal distribution of that sum (*OEI*, p. 16)

In chapter 2 of *OEI*, Sen reviews all of the common measures of income inequality—the range of income, the variance, the standard deviation of logarithms, the Gini coefficient and the Lorenz curve, and others. The problem that Sen sees with all these measures is that they are "complete" measures. That is, every pair of distributions can be compared under these measures. Sen argues that inequality is more usefully thought of as a "quasi-ordering." We can make interpersonal comparisons to some extent, but not in every comparison, and not with much exactness. Sen recaps the argument in his Nobel lecture:

We may... have no difficulty in accepting that Emperor Nero’s utility gain from burning Rome was smaller than the sum-total of the utility loss of all the other Romans who suffered from the fire. But this does not require us to feel confident that we can put everyone’s utilities in an exact one-to-one correspondence with each other (Sen, 1999).

Sen (1998, p. 121) notes that "arguments in favor of tolerating inequality are often based on incentive grounds." In *OEI*, he points out that inequality is sometimes characterized as a departure from some notion of appropriate preferences).
distribution. He puts notions of the "right" distribution in two categories: based on needs or based on desert. Sen argues that a concept of inequality based on needs is more appropriate than one based on desert. One problem with distributional judgements based on desert is that there are several possible conflicting interpretations of desert: incentive oriented (e.g., Mill), merit oriented (e.g., Aristotle), or productivity oriented (including neo-classical marginal productivity theory). Each of these systems has problems. A merit system amounts to giving more income to those with more talent. Sen argues that what counts as "talent" is culturally determined, and somewhat arbitrary. The incentive and productivity systems run into problems with the presence of economic rents paid to the highly talented, productive people. (Note that monopolistic rents to uniquely talented people were also explicitly mentioned by J.S. Mill as a justification for measures to reduce income inequality.) Also, Sen argues that fulfillment of needs is a good in itself, whereas incentives are a means to an ends--the end of having higher aggregate income. Thus an incentive-oriented system justifies inequality on "non-distributional" grounds.

Sen notes that the marginal productivity interpretation of desert is explicit in the writings of J.B. Clark (1902) and that it is "implicit in many other discussions of income distribution (OEI, p. 101)." Sen goes beyond this neoclassical notion by going back to the classical economists, in particular Smith. Siegel (1994) and Walsh (1999) have noted that Sen's interpretation of Smith (1776) extends the orthodox neoclassical interpretation by including more than just rational self-interest as the basic individual behavioral assumption. In
chapter 4 of OEI on "work, needs, and inequality", Sen weakens the link between work and incentives by allowing for non-selfish behavior. For example, in the case of an income tax, the tax will have no distortionary effect if either the individual does not view work as hard or if he attaches the same weight to the utility of the rest of society as he does to his own.

In Inequality Reexamined Sen argues that everyone is an egalitarian of one sort or another. Again, the debate over equality is over "equality of what?" That is, in terminology Sen introduces in OEI, the key to making social judgements about different income distributions is the "informational base." The utilitarian tradition (e.g., Bentham, J.S. Mill, Marshall, Pigou) made cardinal measurements of utility the information base. The "new" welfare economics (Bergson, Samuelson) and social choice theory (Arrow and initially, Sen) made individual revealed preference orderings the base. In Inequality Reexamined, Sen argues that a more appropriate informational base for normative economics is what he calls "functionings" and "capabilities." "Being adequately nourished," "avoiding premature mortality," and "being happy" are all examples of functionings. A person’s state of being is understood as a vector of functionings. The set of feasible vectors for any person is that person’s capability set. Sen sees certain functionings as intrinsically valuable (Sugden, 1993). In this sense, Sen is very consciously taking the position of Aristotle in asking "What is the good life?":

The philosophical basis of this approach can be traced to Aristotle’s writings, which include a penetrating investigation of "the good of man" in terms of "life in the sense of activity" (see particularly The Nicomachean Ethics, I.7). Aristotle had gone on to examine--both in Ethics and in
For Sen, the good life consists of intrinsically valuable functionings and capabilities, and these form a base for making comparisons of well-being across individuals, i.e., for assessing economic inequality. As Sugden (1993) points out, Sen defines functionings broadly so that they can apply across cultures. Here he makes much of Smith’s (1776, p. 870) discussion of necessities:

Custom has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them. In Scotland women may, without any discredit, walk about barefooted. Under necessaries therefore, I comprehend, not only those things which nature, but those things which the established rules of decency have rendered necessary to the lowest rank of people.

Thus Sen makes "appearing in public without shame" a functioning (Inequality Reexamined, p. 115).

Sen assumes that an egalitarian distribution is best. For Sen, the problem is what distribution to measure and how. To get around the problem, Sen went back to classics of economic thought.

Conclusions and a topic for further research:

This is perhaps old news to historians of economic thought, but it is remarkable to me the extent to which these economic thinkers’ personal lives affected their economic thinking. Aristotle, the aristocratic thinker, believed

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4 It is interesting to note that Veblen makes a similar observation. He notes that when measuring social status, it is mainly social status relative to one’s community that matters. Veblen observes that in urban communities conspicuous consumption is more prevalent than conspicuous leisure. In cities people are less likely to know their neighbors or how their neighbors spend their time. Thus conspicuous consumption is more effective than conspicuous leisure for signalling wealth and status. In rural settings, neighbors are more likely to know each others’ leisure habits, so conspicuous consumption is not as necessary as it is in the city. Therefore a rural family can
strongly that men are created unequal and that wealth should be distributed according to each individual’s merit. J.S. Mill, the product of an extraordinarily intense education, believed that education was the key to making the income distribution more equal. Pareto, the born aristocrat who spent his last years living from an inherited fortune, saw nothing wrong with inequality, and indeed felt it was necessary to weed out the "inferior" elements in society. Perhaps Pareto would have felt that Henry George should have been "weeded." George spent several years in the section of the income distribution that Pareto regards as the place where "selection" occurs.

I have examined in some detail the thoughts of economic thinkers on economic inequality. With the exception of one --Henry George--all were arguably part of the mainstream of economic thought (although perhaps Sen was less so), at least as we construct that mainstream today. Again with the exception of George, all these thinkers were also more or less members of the elite of their times. Aristotle was aristocratic and an elitist to the core. John Stuart Mill was certainly not working class, and he and his father were among the intelligentsia of Europe. Pareto was a born aristocrat and the beneficiary of a large inheritance. Amartya Sen grew up in a middle class family in India (Klamer, 1989). So with the exception of George, all of the figures I have examined in the history of economic thought on income inequality have come from the upper half of the income distribution. This may be unavoidable. In order to make a mark in any intellectual history one needs a certain amount of human capital, which

have a high status in its community without displaying as much conspicuous consumption as a
usually requires financial capital. It is interesting to note that the thinkers in my selection who had extensive personal experience with poverty—George and Sen (although in Sen’s case, only as an observer)—were arguably the most critical of mainstream economics’ stance on inequality. George spent years in dire poverty before he wrote *Progress and Poverty* (Blaug [1992] and Spiegel [1991]). Sen was born in 1933 in India, where poverty is ubiquitous and the differences between rich and poor extreme. He also lived through the Bengali famine in which (Sen later estimated) three million people died (Klamer, 1999). It seems difficult to deny that the personal life experiences of economists have affected the history of economic thought on inequality.

From the point of view of historiography, it is difficult to argue that any of the major philosophies of science—Popperian falsification, Khunian scientific revolutions, or Lakatosian methodology of scientific research programs—jibe with the history of economic thought on inequality. It is difficult to explain economists’ stance for or against egalitarianism purely in terms of a research “paradigm” or scientific research program. When considering philosophy of science, this may mark the most important difference between social sciences and physical sciences: the political leanings and personal lives of social scientists are as apt to influence social scientists’ thoughts as are data and theory.

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family with the same status (and income) in the city (*TolLC*, 1973, p. 72).
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