

# Chapter 2

## General Presentation

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**Abstract** This chapter is a general summarised presentation of the problem of defining the best possible choice of the overall income distribution in macrojustice (as opposed to microjustice and mesojustice concerned with allocations directly of specific goods or in particular instances). The three classical polar principles advocate respectively self-ownership and transfers motivated by comparisons of individuals' incomes and welfares. They are synthesised by people's general ethical views in the society that has to implement the policy. Actual policies show the material possibilities (for instance the exemption of overtime labour earnings from the income tax that amounts to basing transfers on capacities). The result is a simple and richly meaningful distributive structure that means, jointly, equal real liberty; adding an egalitarian and a classical liberal parts of income; reciprocity by providing each other with the product of the same labour; and an equal basic income financed by an equal partial labour of each. This core principle is then applied taking all the actual economic and social phenomena into account. The questions this may raise are analysed and answered in the various chapters of this volume.

### 2.1 Foreword: Preliminary Remarks on this Book and Its Introduction

#### 2.1.1 *Problem, Achievements and Acknowledgments*

If “justice is the first virtue of societies” (Aristotle) or of their institutions (Rawls), macrojustice is the first virtue of justice. It concerns the overall

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architecture of human interaction and organisation. Since a just patch on an unjust body is hardly a satisfactory solution – insofar as this can be avoided – macrojustice should be the first concern of the quest of men of good will for the Grail of defining what is just and what justice could mean. This volume, however, is restricted to economic macrojustice, that is, to the nature of economic interaction and to the distribution of the main resources – with an emphasis on the most important and delicate one, human capacities. Therefore, the main issue of “social justice”, to wit the class or caste structure of society, does not appear directly, although its economic basis is an essential aspect of it.

The questions answered are not surprising, although the answers, often simple, are not (not yet?) commonplace. They include the following ones. What do we owe to each other (as Thomas Scanlon puts it)? How do we implement the fight on crippling poverty, wanted by everybody (a universal moral public good)? Which necessary concept and form of liberty and rights make “freedom from” and “freedom to”, freedom to act and possibility to act, or formal and real liberty, consistent with one another? What is the just and optimum tax on income or subsidy to it – if any –, as implied by unanimously desired properties of fairness and goodness? How can fairness, solidarity and public finance be respectful of the unanimistic Pareto efficiency required by social liberty, efficiency and stability (hence possibility and existence of the social state and policy)? Which structure of transfers permits disentangling, from these various properties, a single parameter describing each specific society’s choice of the distribution that implements its conception of itself as a solidaristic community, from no redistribution to substantial one according to the case? For instance, distributive transnational transfers hardly exist whereas national political communities often redistribute 30% of GNP with a large acceptance (these actual redistributions amount to an equal sharing of the income of 1–2 days per week, from the USA to Scandinavian homogeneous, social-democrat and welfare-state national communities).

Moreover, social judgments and emotions aroused by yielding and receiving such transfers are essential for their possibility and desirability (Pierre Livet). Free education (and learning grants) financed by a tax on earnings has both essential effects of making this redistribution favourable to growth and of optimising educational choices and the production of acquired productive capacities (David de la Croix and Michel Lubrano). The obtained redistributive scheme relates to the classical semi-welfarist “optimum taxation” in various ways (“semi” because these studies consider almost always that individuals have the same utility function, thus discarding differences in tastes – as Mirrlees says – and in hedonic capacities). Bourguignon and Spadaro (2008) argue they show that this model does not describe, even implicitly, actual fiscal choices (as Rawls argued in 1971), and the present

French tax law shows that basing the tax on the wage rate without evasion is very easy. Nevertheless, the normative importance of this model and the fact that most income taxes are based on full earned income make the relations between both theories be of foremost importance (Laurent Simula and Alain Trannoy). Moreover, although the simple application of the obtained transfer scheme in a productive distributive society implies a notable minimum income, notably along with the various social insurances which have their own logic, focussing the receipts towards helping the poor is an important possibility, and this can be done in a humane and directly solidaristic social organisation of the distribution (Alain and Justin Leroux). Fiscal rules often also aim at particular incentives or have to remain in a transitional period, wage rates may still be uncertain and taxation has to be considered in an inter-temporal growth context: incorporating all such aspects is a requisite for application (Michel Lubrano). Beyond issues of inter-temporal disincentive and legitimacy, various reasons may require specific capital taxation which may logically extend the structure of the distribution of human resources, and the obtained distributive scheme should be compared with proposals of basic income (Claude Gamel). Although the basic obtained redistributive scheme does not apply to low labours (particular theories are proposed for these cases and for unemployment), and although very few people declare working less than 20 hours per week, a universal application of this scheme reveals an interesting way of financing a universal basic income with lower waste than that of standard taxation (Erwin Ooghe and Erik Schokkaert). Finally, since a main interest of the obtained distributive scheme is the variety of its justificatory properties (equal real freedom, balanced labour reciprocity, basic or minimum income financed by equal labour, etc.), more justifications can be added, they can be related to broader scopes of normative distributive properties, and this can be done most rigorously in an axiomatic framework (François Maniquet).

Anyone interested in distributive or social justice should be extremely grateful to all these authors for their essential sophisticated additions to the initial, simple basic kernel, and I would like to claim to be the first of these interested admirers. I have no doubt that the reader will highly appreciate the symbiosis of scientific imagination, superb scholarship and sense of the human importance of the topic present in each of these contributions. Its having induced such great work is undoubtedly the main value of the initial logical framework.

In addition to their noted crucial contributions to essential issues of the general theory of macrojustice, Claude Gamel and Michel Lubrano actually created the present volume which, from conception to completion, owes its very existence to their vision, initiative, skill, hard work, time and dedication. They thought of and organised the initial conference, demanded the chapters

and organised their reading, and, last but not least, prepared with great care the manuscript for publication. This deserves the intense gratitude of anyone interested in social justice or involved in its study.

Almost all these tasks required scientific innovation. To take just an example, the association of economics and philosophy, which the editors chose as a principle of the enterprise, is not only a laudable (and probably too rare) aspect of scholarship: it is, in such branches of normative economics, simply unavoidable for making sense and progress (actually, I think the proper view to be just not to make a difference between these two fields).

This book, as it stands, happens to have a simple logical structure. All the chapters from this one on are strictly complementary. After this presentation and a summary of the basic theory in Chap. 3, all following chapters have the same natural rationale. Each recognises that some important aspect has not been studied yet, and it analyses it. Often perfectly. This complements the rest of the volume. As far as I am concerned, I can only admire and applaud. I fully agree and add the author's contribution to my understanding of the question.

### ***2.1.2 Sometimes Distinct Possible Conceptions: Macrojustice and the Introduction***

The theory of macrojustice presented in the Introduction (Chap. 1) is on some points an original construction and is, therefore, much more interesting than a simple duplication of the content of the volume *Macrojustice* would be. It is sometimes a particularly perceptive analysis of the volume's points, such as about the possible separation of rights in oneself in rights to act and rights to the rent (*a priori* economic value) of one's productive capacities, or when providing an enlightening summary of the theory as a three-level structure: the basic redistributive scheme, the degree of social equalisation, and individuals' free choice of labour (which, however, initiates as a basic right belonging to the first-level complex). On some other points, it chooses a larger or a smaller scope, a different reason or model of man, or, perhaps, it requires specification (including in a couple of ironical allusions). These differences may add richness, the sole inconvenience being – in an introduction – the risk that the reader credits the volume *Macrojustice* with ideas it fails to include.

A basic simple structure for reducing inequalities in given earning capacities consists in redistributing the individual proceeds of the same labour  $k$  (which is also a degree of redistribution, equalisation, solidarity or community). This applies naturally only to individuals  $i$  who provide a total labour

$\ell_i$  not lower than  $k$  (*Macrojustice*, pages 115, 116, 117, 127, 133, 134, 155, among others). However, it is sometimes interesting to have a look at what an extension of this scope would give. The Introduction rightfully acknowledges this situation but the places and ways in which this is done risk to leave the reader with the impression that *Macrojustice* sometimes applies this policy to cases for which it does not. To be explicit about the consequences, and as the Introduction points out, the *Macrojustice* policy induces people to reveal their productive capacities (basically because, if  $w_i$  is individual  $i$ 's wage rate, the part of disposable income  $(\ell_i - k)w_i$  is an increasing function of  $w_i$  when  $\ell_i > k$ ), and it has no aspect of Dworkin's "slavery of the talented" whatsoever.

A most important property of the human mind is its capacity to take either a self-centered or an impartial point of view (Thomas Nagel's "view from nowhere"). The Introduction and *Macrojustice* happen to make, about the relations between these two standpoints, two different hypotheses which both have grounds in reality. In *Macrojustice*, the impartial standpoint intervenes essentially in the collective political and moral choice of the degree of redistribution, along with the related senses of justice, community and solidarity, within a series of methods intending to reveal, induce, infer or use it, often relying on hypothetical information or agreement. This analysis is the topic of a separate part, Part 4, probably the most important of the volume (and certainly the deepest), noted in the Introduction. People can also have some sense of injustice in everyday life. However, a laudable didactic intention of the Introduction makes it present two people who just spontaneously agree on the distribution between them, each one solely "not fully adhering" to a situation in which she is less free than the other. Since this naive and irenic behavioural hypothesis is attributed to me ("according to Kolm"), I am sorry to have to say that I fully reject it. Is it a necessity of didactic simplification? Actually, both self-interested selves want to have more (no suffering is involved here), and both impartial selves can criticise any of the inequalities. The final result would require further considerations, and, indeed, that of a larger (macro) population.

The next remark concerns just an omission, but a crucial one (if it were not an omission the whole presentation would be contradictory). The Introduction states that, in the theory, the individuals have no right in the value of their productive capacities, whereas the most distinctive feature of the *Macrojustice* theory is that this holds for the product of labour  $k$  only, the individuals being the full owners of their capacities for the rest. This restriction is also implied by the logic of the rest of the Introduction. The Introduction attributes this position to Rawls who, indeed, denies self-ownership in all productive capacities. This is also the view of "welfarism" and actually the concluding sentence of Mirrlees's article of 1971 (hence it is also implied

by the Simula-Trannoy chapter in this volume). Rawls, however, justifies this position more in detail. It is also Dworkin's theory of 1981, which he rejected. Actually, this theory is not even defined because the total time which, multiplied by the wage rate, gives this non-self-owned value is not *a priori* defined: is it 24 hours a day, or 16 only? In the theory of *Macrojustice*, this time is not total time but duration  $k$  only. We have noted that present-day national redistributions amount to a  $k$  from 1 to 2 working days a week. 2.5 days would make an extremely redistributive actual national society.

Since  $k \geq 0$ , the solution  $k = 0$  is *a priori* a particular limiting case (*Macrojustice*, pages 147, 159, 160, 162, 285, 316, 317, 318, 321, 322, 565, among others). This is full self-ownership, an absence of redistribution, and what may be called "classical liberalism". By contrast, the Introduction theory often bans this case from the scope it considers, which is, of course, a possible and *a priori* legitimate ethical choice. This case, however, may happen for a number of societies (insofar as such groups deserve this name). For instance, this happens for the "society of nations" since international distributive transfers are practically absent. For judging macrojustice theory, a classical liberal need only say: "I choose  $k = 0$ ". The basic point is that *Macrojustice* is analytical, not dogmatical. And the analysis refers to different spheres of reason. One of them gives the general distributive structure, without specifying the equalisation coefficient  $k$ , and hence with  $k = 0$  as a particular borderline case. Then another, different type of reason gives the level  $k$  appropriate for a given society, "desired" by it in a certain sense. This latter stage also occurs for different theories, for instance for determining a social welfare function more directly applied. Then, if markets give very different earning capacities to people who constitute a sufficiently tight community, this society's shared ethics will want the relevant distribution.

The last difference between both presentations I will note here concerns the reason for the limited welfarism of macrojustice. The Introduction puts forward a question of information: the policy maker does not know the individuals' utility functions whereas they can be better known in a choice of microjustice. This remark is obviously exact (consider for instance an allocative choice within a family), and it is noted in *Macrojustice*. However, the policy maker can make a choice in uncertainty (for instance, for determining a tax schedule, as in my books on public economics of 1970). Moreover, the basic reason seems, rather, that the public does not consider differences in tastes and capacities to enjoy to be relevant for choosing the macrojustice allocation – as tested about the income tax schedule, for instance – (*Macrojustice*, pages 96 and following). This holds even with known utilities. There exist, in addition, comparisons of variations of individuals' "welfare" implicitly considered as the same concave function of individual income (a classical justification of transfers from rich to poor, for instance), but only

when at least one of the compared incomes is sufficiently low, which leads one to the realm of specific reasons of microjustice or mesojustice.

## 2.2 Overall Distribution: Structures and Possibilities

### 2.2.1 A Demanded Distributive Structure

The next chapter, summarising the volume *Macrojustice* (Kolm 2005), shows that a few basic properties, desired by everybody, of the overall distribution of goods, imply a particular, simple and richly meaningful structure of the distribution of incomes and of the transfers it may need. This structure can apply with various degrees of redistribution (from none), depending on the particular ethos and sentiments of community of the society under consideration. This results, however, focusses on the few main variables. It has to be completed by the introduction of the other phenomena. This is the role of the other chapters of this volume. This method is universal. Science is cumulative cooperation. Initial simple structures are completed and applied, for the relevant important facts, by researchers who build the rooms of the common house of knowledge. The social ethics of the overall economic distribution exemplifies this collective endeavour. This chapter's presentation outlines the necessary simple theory (which synthesises the classical alternatives), and it emphasises the necessary roles of the various essential parts of this building – not a palace yet, but no longer a hut, and rather, hopefully, a useful workshop for a product in demand.

One first tries to present the resulting structure of the overall income distribution in one of the most natural ways. This consists in the association, in each individual income, of an egalitarian part and of a classical liberal part. The latter secures social liberty and efficiency (and some self-ownership) whereas the former provides solidaristic justice when it is required. The relative importance of these two elements depends unavoidably on the extent to which the particular society in which this is applied deeply (consciously or implicitly) feels that it is or should be a distributive community.<sup>1</sup> The “egalitarian income” equally shares the products of the same labour (with different earning capacities): this is Equal-Labour Income Equalisation or ELIE. Moreover, individuals freely choose to work and keep the extra income earned: this is their classical liberal income or the classical liberal

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<sup>1</sup> Ways of making this sentence operational constitute the topic of Part 4 of the volume *Macrojustice*.

part of their income. As a particular *a priori* possible case, the egalitarian part may vanish and income is classical liberal only (as an example, distributive transfers are *de facto* presently negligible at the international level, across nations).

The obtained distribution structure has a number of significant properties. The equal-labour equalisation achieves “from each according to her capacities, to each equally”. It provides a basic income (which is also a minimum income) financed by an equal labour of all. It also amounts to each yielding to each other her earnings from the same labour, in a general equal labour reciprocity. Moreover, the whole distribution turns out to amount to equal basic and real liberties. It also amounts to each receiving according to deserts (labour) for the equalisation labour and to merit (labour and given earning capacities) for the rest of labour. Practically, this distribution can be achieved by an income tax (or subsidy) with two bonuses: a uniform tax rebate and an exemption of overtime labour earnings above a rather low labour benchmark. These policy structures are actually applied and they induce no cheating for simple practical reasons shortly noted. This distribution provides the right incentives to use optimally one’s capacities and it secures social efficiency. This structure can apply all degrees of solidaristic distribution. As a particular case, a society may require no redistribution (classical liberalism). Other societies basically feel they ought to have substantial redistributions (e.g. present-day national political communities).<sup>2</sup>

Note that labour is by far the largest source of income, especially in an inter-temporal view when the value of capital, which is produced by definition, is attributed to its given or natural factors, human and non-human (the allocation of non-human natural resources is studied in [Kolm 1985](#), Chap. 10, [Kolm 1986](#), 2005 and in Sect. 12.3).

This distribution results from or leads to four groups of studies none of which is less important than the other. (1) The philosophical underpinnings of distributive justice, such as the scope of people’s welfarist judgments, the types of liberty, the distinction between the free use and the value of capacities and the nature of communities. (2) The analysis of the properties of this simple redistribution scheme. (3) The analysis of the various methods for estimating the degree of redistribution or equalisation that corresponds to a given community – the same question is raised by all other distributive structures, and these methods apply to them also (for instance to finding the right social welfare function). (4) The introduction in the basic simple model of the various other aspects of reality to constitute the

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<sup>2</sup> This theory has been presented in a number of publications starting a long time ago (for a very short sample see [Kolm 1993](#), 1996a,b, 2005).



general theory, such as: multidimensional labour including education; non-proportional earnings; imperfect markets; low labours and unemployment for all reasons; exceptionally high incomes; inter-temporal distribution; savings; bequest; the allocation of non-human resources; households; relations with other taxes, expenditures, aids and insurances; in particular specific aids; voluntary transfers; information and uncertainty; the implementation of tax and subsidy policies (modalities, information, checking, penalties); and so on.

### 2.2.2 *Implementation*

The presentation of this theory may be helped by the comparison with the two best-known families of theories of distributive macrojustice, that of the “welfarist optimum income taxation” and that of John Rawls who presents his proposal in opposition to the former (which “is never applied”). Actually, as we will see, both can be said to have the same egalitarian *ideal*, equal income and equal labour (for the standard optimum tax model with identical utility functions as a result of discarding irrelevant differences in tastes – [Mirrlees 1971](#) – and for Rawls after 1974). Yet, both hold that their ideal is strongly checked by disincentive effects due to the taxation of labour.

As shortly noted, however, a present national experience proves that it is possible to base the tax on the wage rate rather than on total earned income, and thus not on labour, for wage labour (which is 9/10 of all labour). This is made by exempting overtime labour earnings over a rather low official labour benchmark from the income tax. There happens to be no cheating because this could practically not be done without the tax authorities being aware of it and informed about it.<sup>3</sup> Other labour inputs than duration are taken off the tax base in various ways – for instance, taxes on extra earnings due to education finance free public education.<sup>4</sup> This, and a number of other facts and reasons, shows that both welfarist tax studies and Rawls are undoubtedly much too pessimistic about the possibilities to base taxes much more on

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<sup>3</sup> The standard explanations of this fact by tax officials are now confirmed by economic analyses. Firms (with more than very few employees) cannot hide their actual pay accounting which is much used and known (some employee may report fraud). See for instance [Kleven et al. \(2009\)](#) and the literature they quote. This third-party reporting information explains why governments can extract high amounts of taxes. It should now be used not for this fiscal efficiency only but also for economic efficiency by choosing less elastic tax bases (and for moral “efficiency” by choosing the most “just” basis). Actually, not to declare overtime labour and pay is much easier than to declare false ones *while falsifying the wage rate also*.

<sup>4</sup> The model of D. de la Croix and M. Lubrano in Chap. 11 studies subsidies to education.

given capacities.<sup>5</sup> One may also add that the tax authorities' information about total incomes is often very poor (classically, about 30% of the base evades the income tax on average, with much heterogeneity).

This exemption of overtime labour earnings over a rather low benchmark is presented here only because it seems to be the best large-scale empirical proof of the possibilities for the tax-subsidy base to hit much closer to abilities than is usually assumed in scholarly circles. This tax structure exempting marginal labour has the classical economic virtue of being favourable to efficiency and freedom of exchange.<sup>6</sup> As we have seen, the ELIE distribution can be realised in this way with two bonuses in the tax on earned income: the exemption of overtime labour earnings over a rather low benchmark and a uniform tax rebate or credit. The present French income tax has both features, in particular the exemption. This was presented in the volume *Macrojustice, the Political Economy of Fairness*. Discussions of these ideas – in which I put the tax exemption forward in order to be practical – happened to inspire the project and the realisation of this policy.<sup>7</sup> It seems rather uncommon that a simple piece of theory has such an almost immediate effect on policy. And it is probably still less usual that this policy experience happens to answer a basic question in the field, and does it in a sense opposite to the “conventional wisdom” of the discipline.

Just an effect of theory on policy is not usual in this specific field. The two best-known theories noted, the welfarist optimum income tax and Rawls's are very generally found to be highly interesting, but have they been applied in their nearly four decades of existence? (Bourguignon and Spadaro 2008 find that the actual tax structure cannot be derived as the theory assumes it is).<sup>8</sup> These theories' egalitarian ideal could be achieved rather well, but – as noted below and in Chap. 3 – people would demand a classical liberal

<sup>5</sup> See, for instance, Sects. 2.6.5, 2.6.7 and 3.4 below, and Chap. 10 of *Macrojustice*.

<sup>6</sup> In situations of normal employment, but the tax structure and law cannot be changed too often (and overtime labour is often demanded for tasks for which full hiring would not have been made). The exemption includes “social contributions” (financing all social security branches). The marginal wedge abolished is often 65%.

<sup>7</sup> There were first discussions in economic and wide-audience journals, and conferences. A presidential candidate then made this exemption of overtime labour earnings the centerpiece of his program. Hence, this proposal from *Macrojustice* has been about the most discussed issue nationwide during the presidential campaign and after. This policy had been proposed in an optimum income tax study in Kolm (1974), but without publicity and actual effect. The present law has been effective since October 1st, 2007.

<sup>8</sup> In contrast, a theory formally analogous to the optimum income tax, but applied to another field, the optimum non-linear tariff of public utilities (with, moreover, explicitly uncertain different individual utilities) was rapidly applied by the national electricity board (Kolm 1970a,b). An application to the schedule of the progressive income tax was proposed but was discarded for not taking account of all the ethical criteria used for this choice.

addition for unanimous improvement and freedom of exchange, and the distributive structure has to comply.

## 2.3 Relations with Basic Ideas

Before pursuing the presentation of the distributive structure in question, it may be useful to continue to situate it with respect to the main ideas about its topic. Besides evaluating the macro distribution from the direct consideration of that of incomes, goods or leisure, two other values are commonly used in this evaluation. One is the concept of “welfare”. The other is the issue concerning free exchange, self-ownership and the classical liberal theory.<sup>9</sup>

### 2.3.1 Welfare

“Welfare” is a most ambiguous term. People probably first take it to mean the set of consumption goods. Or, perhaps, income extensively understood and the amenities of life. Economists represent it by utility functions and therefore include in it a large psychological element. However, this “utility” is due to various psychological (and physiological) phenomena of different natures. If these phenomena need not be distinguished for many descriptive and even normative applications, they have to be for others, and in particular for important judgments concerning distribution. An elaborate example is provided by Bar-Hillel and Yaari’s (1984) study which shows that people’s moral evaluation of a distribution depends very much on whether the “utilities” it influences refer to individuals’ tastes or needs. Concerning the overall income distribution, for instance the justice of the income tax, questions of the type presented in Sect. 3.3.2 show that people hold two types of psychological differences to be irrelevant for evaluating this specific justice; (1) differences in individual tastes, and (2) differences in individual capacities to enjoy (hedonic capacities). One can discard these differences from individuals’ utility functions and obtain, as a result, an interpersonally comparable “residual” which can be considered as the personal “welfare” relevant for this issue, as shown in Sect. 3.3.1. This remark about tastes is classical. For instance, [Mirrlees \(1971\)](#) says that he considers identical individual utility functions because “differences in tastes raise different kinds of problems”.

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<sup>9</sup> As for equality, *prima facie* equal treatment of equals in the relevant characteristics is a requirement of rationality (e.g. [Kolm 2010](#)).

The irrelevance of tastes is classically shown by examples of “expensive tastes” (there are others of “cheap tastes”), for instance by Arrow, Rawls, Dworkin, Cohen and many others.

The remaining interpersonally comparable welfare can then be used to define the egalitarian ideal. However, a classical liberal element of income may need to be added, as shortly noted.

The noted psychological comparisons held to be irrelevant are so for this specific problem, overall distribution in “macrojustice” and for instance the income tax, and not for all distributions, of course. For distribution between people who know each other well and have developed a particular empathy for the others, for example within a family, differences in tastes and in capacities to enjoy are obviously generally of prime importance. Similarly, when higher utility means lower suffering, interpersonal comparisons of it are held to be relevant for the allocation of relief. However, these cases are not the general situation for a large society not in a state of disaster, in which they refer to issues of microjustice (including particular public or private aid when needed).

### ***2.3.2 Classical Liberalism***

When the egalitarian part of income vanishes, the distributive structure presented becomes classical liberalism, a particular case. Classical liberalism is the standard theory based on rights and not what Murray Rothbard (1973) introduced as “libertarianism” in which the distribution results from force only. Using the same term for both constitutes an utmost confusion. The classical liberal theory is as necessary when there is an egalitarian part of income, since it describes what happens from the basis constituted by the given distribution that yields this egalitarian income. Hence, all aspects of this theory are useful. A place for classical liberalism is largely unavoidable in a large society. Replacement of pieces of it by processes that imply better social relations than market exchange (cooperatives, reciprocities, etc.) can be highly welcome, but this is not the present topic.

Classical liberalism, possibly on the top of some egalitarian distribution, has two rationales for non-exchange transfers: the redress of past torts and violations of the relevant rights, and gifts. Gifts for helping people in need are joint contributions to a public good for the givers, the welfare or income of the beneficiaries. Hence they often have to be implemented by the public sector to avoid free riding. The government would even have to guess the givers’ desires because they are generally too numerous to agree directly by a contract. These actually voluntary transfers are then realised by public

constraint, as are fully forced distributive transfers when they exist. These two types of transfers are not distinguished in their realisation, and they are not in people's mind either. There just is the awareness of the existence of different rationales and motives: benevolence, justice (the possible acceptance of which by payers requires them to be in another, more impartial, state of mind), but also, possibly, the benevolent desire that justice be realised, and the effect of knowing that others "provide their share". The basically voluntary motive is far from negligible, as shown by the purely private transfers in some countries in spite of the public good aspect, and by various enquiries and political stances about public transfers. Yet the most conspicuous feature is the mixture of motives.<sup>10</sup>

### 2.3.3 *Autonomy, Reciprocity and Justice*

This short paragraph may be irrelevant. However, since I am often questioned about the relations between different topics I have considered, a few words may clarify the place of justice. Justice, classically dubbed the "first virtue of society", is better seen as its third-best quality. These last words of the previous book *Modern Theories of Justice* (Kolm 1996a) are also the first ones of *Macrojustice*. Two considerations render justice superfluous in so far as they can exist. These three levels correspond to three actual but problem-raising psychological possibilities of the human mind: the self-control of the birth of one's desires, empathy and reciprocity, and impartiality. If people sufficiently controlled the birth of their own desires, as advanced Buddhist psychology shows the theoretical possibility of it, they would be satisfied without competing for scarce resources.<sup>11</sup> However, the diffusion of this information and training cannot be sufficiently achieved, by far, in modern mass societies. If, then, people cared sufficiently about one another, the conflicts about scarce resources would also vanish, although the consensual issue of sharing them would still remain. This benevolence could be supported by the important

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<sup>10</sup> The classical liberal theory is the topic of two books of mine, one to analyse it (Kolm 1985) and the other to criticise it (Kolm 1984b). Collective giving is analysed in three works (Kolm 2008a,c, 2009b).

<sup>11</sup> This analytical Buddhism is presented in the volume in French *Happiness-Freedom, Deep Buddhism and Modernity* (Kolm 1982). Thirty two of the 651 pages of this volume have been translated into English in *The Multiple Self*, edited by Jon Elster (1986, pp. 233–265) (there are also translations in other languages).

psychological phenomena of reciprocity.<sup>12</sup> One may be content with reciprocity and non-profit activity sufficient for influencing the general *ethos* of society – a market economy, not a market society. Even this is not that easy in large societies, and, at any rate, benevolent and reciprocitarian relationships are more likely to thrive when they implement fair distributions. Justice and fairness, therefore, constitute the third level, with their own successive levels of macrojustice (basic rights and overall income distribution), mesojustice (education, health, etc.)<sup>13</sup> and the multifarious issues of microjustice.

## 2.4 Liberty, Equality: Macrojustice from Endogenous Social Choice

Free from forceful interference, as they want it, people act and exchange, given the distribution of the resources given to society. These resources include prominently the individuals' capacities to earn and produce. Actual opinions and policies about the overall income distribution result from two opposite tendencies. One is the limitation of redistribution to gifts (possibly publicly implemented) and the redress of past torts, implied by the full self-ownership advocated by classical liberalism – an actual possibility. Other views advocate reducing income inequalities.

The present French income tax law shows that it is largely possible to base the redistribution on individuals' capacities rather than on total earnings which also depend on the chosen actual duration of labour. It is, and will be more precisely, completed for the other dimensions of labour, notably education. Other experiences and considerations concerning taxation comfort this conclusion. Hence, this policy can have only quite limited overall wasteful disincentive effects.

More or less egalitarian opinions object to the fact that some units of labour of different people are remunerated differently because of individuals' unequal given earning capacities due to their own characteristics and to society's demand for their talents. The classical liberal ethics does not share this view. Coexistence (synthesis or compromise) of these two ethics can be manifested by each determining one of two parts of each individual's income. On the one hand, an egalitarian part of income equally shares the proceeds that the individuals earn during an equal partial "equalisation

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<sup>12</sup> See the two volumes *The Good Economy: General Reciprocity* (Kolm 1984) and *Reciprocity, an Economics of Social Relations* (Kolm 2008b), and the *Introduction to the Handbook of the Economics of Giving, Altruism and Reciprocity* (Kolm 2006).

<sup>13</sup> See for instance Kolm (2001a).

labour” (with their different earning capacities). This part of income is the “equalisation or egalitarian income”. It is equal to the equalisation labour multiplied by the average wage rate (earning capacity per unit of labour). It vanishes in societies that choose so. On the other hand, the persons freely choose their total labour and keep the extra earnings they obtain with their different capacities: this is their “classical liberal income”.

A little formalisation may help. If individual  $i$ 's income is denoted as  $y_i$ , her chosen total labour as  $\ell_i$  and her wage rate as  $w_i$  (earning capacity per unit of labour), and if  $\bar{w}$  denotes the average wage rate ( $\bar{w} = (1/n) \sum w_i$  where  $n$  is the number of individuals participating in this distribution) and  $k$  denotes the equalisation labour, the noted distribution consists in replacing  $k w_i$  by  $k \bar{w}$  for each participating individual  $i$ , and individual  $i$ 's resulting total income is therefore

$$y_i = k \bar{w} + (\ell_i - k) w_i,$$

which shows these two egalitarian and classical liberal (respectively) parts of income. Classical liberalism is the particular possible case  $k = 0$ . This distribution applies for individuals  $i$  and a level  $k$  such that  $0 \leq k \leq \ell_i$  for a necessary reason shortly noted (along with the cases of low or zero labour). This implies  $y_i \geq k \bar{w}$ , a minimum income.

This distributive structure is the *simple* Equal-Labour Income Equalisation or simple ELIE. This core is further completed to constitute the *general* ELIE taking further phenomena into account, such as those noted in Sect. 2.2. Nevertheless, it shows simply the mentioned properties of this distributive philosophy for the participants. For instance, each participant  $i$  receives the net transfer  $t_i = k \cdot (\bar{w} - w_i)$  (a tax if  $t_i < 0$ ). This amounts to the noted tax structure since it is also a net tax of  $-t_i = (k/\ell^o) w_i \ell^o - k \bar{w}$  which, if  $\ell^o$  denotes the benchmark labour duration, describes a tax exemption of the earnings of labour  $\ell_i - \ell^o$  plus a uniform tax rebate or credit of  $k \bar{w}$  (with a tax rate of  $k/\ell^o$ ).

Philosophically, with ELIE each individual participant faces life with two assets : her given earning capacities per unit of labour  $w_i$ , and a financial asset  $t_i = k \cdot (\bar{w} - w_i)$  which compensates, to an extent  $k$  to be chosen (which may be zero), the handicap of being endowed with a meager  $w_i$ , thanks to the symmetrical partial solidaristic liability entailed by the godsend brute luck of being born with a high  $w_i$ . The whole distribution can be seen as the classical social liberty (freedom from forceful interference), and in particular free exchange, from a given allocation of the given resources constituted by the basket of the productivity  $w_i$  and of the lump-sum transfer  $t_i$ . Individuals  $i$  with  $w_i > \bar{w}$  pay a tax  $-t_i > 0$  if  $k > 0$ , which is the larger the larger  $w_i$ , but their final disposable income  $y_i = w_i \ell_i + t_i = (\ell_i - k) w_i + k \bar{w}$  is the

larger the larger  $w_i$ , and hence the larger the tax they pay, for each  $\ell_i > k$ . In particular, if individual  $i$  pays a tax  $-t_i > 0$  rather than 0, for each  $\ell_i > k$  her disposable income is higher by  $(\ell_i - k)(w_i - \bar{w}) > 0$  (since  $w_i > \bar{w}$  has to hold). This also permits to have the same income or consumption by working less.<sup>14</sup>

The equalisation labour characterises the limit between the two ethics possibly present in the overall income distribution in macrojustice. In a free society, it results from a basic collective choice that manifests the extent to which this particular society considers itself a solidaristic community. One of the most meaningful summaries of any redistribution is its “equivalent equalisation duration”, that is, the duration such that the full equalisation of all incomes during it diminishes an index of inequality as much as does the actual redistribution. This may suggest orders of magnitude (labour is the main source of income, particularly if the value of capital is allocated to the human and non-human natural resources that produced it). For instance, present-day national redistributions have an equivalent equalisation duration about between 1 and 2 days a week (from the USA to Scandinavian social democracies). But there is practically no redistribution at the world level and this duration is zero (classical liberalism), whereas sharing is the very life of families.

Part 4 of the book *Macrojustice* presents the various methods that permit to estimate the degree of redistribution desired by a society in any form (including for “social welfare functions”). It is at least as important as the rest of the study (and certainly deeper). It rests on the consideration of the extent and limits of the citizens’ classical impartial selves and capacities for empathy. Distribution is, then, a public good. Information about others and dialog can be favoured, notionally extrapolated thanks to the appropriate models, and these results can be shown to the participants. Other theories developed there are the “rational, recursive original position” and the similar “moral time-sharing”; the “distributive moral surpluses”; the notional “impartialisation of preferences”; and “fundamental insurance”. Individuals with an average wage rate are not affected by an ELIE redistribution and hence reveal their impartial opinion.

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<sup>14</sup> This implies that the full self-ownership of classical liberalism cannot be deduced from social liberty alone but has to resort to a concept of natural right – a central historical question of social ethical theory. Indeed, the derivation from social liberty is based on the reasoning that a tax forces the person to work more, which is a kind of “forced labour”, at least if she wants to maintain her consumption. In the present case, however, the tax implies the possibility to work less and consume more (unless it is banned because one assumes *a priori* that the productivity  $w_i$  is self-owned, but then this can only be from a conception of an *a priori* natural right).



When all members of a society reject or require some aspect of a policy, since they include people who decide on this policy such as officials and voters, this opinion is *a priori* implemented. Contrary properties are just not implemented. Then, the useful analyst can only try to show society the best way to realise what it wants. This is “endogenous social choice”: *Vox populi, vox dei* (unanimity guarantees the protection of minorities). This applies, for instance, to the basic liberties, economic (Pareto) efficiency, and, in very different ways, the choice of the degree of redistribution. The risk of bypassing this issue is simply to propose unapplied and hence useless studies. Another aspect of the same question is that it consists in saying that useful proposals are constrained by a condition of democracy.

Macrojustice concerns the most general rules of a society, and notably their application to the distribution of the value of the main resources in general income. Society also faces innumerable cases of microjustice concerned with allocations specific in terms of the nature of goods, reasons, people, occasions, circumstances or criteria. A field of mesojustice for particularly basic specific goods concerning everybody (e.g. education and health) is also fruitfully distinguished. All these “spheres of justice” of very different sizes are complementary.

Since people hold that *taxing leisure is shocking* and *providing a wage complement to hours that provide no wage is absurd*, they neither vote for nor apply such policies. But ELIE consists in taxing the units of labour  $k$  by  $w_i - \bar{w}$  when  $w_i > \bar{w}$ , and in providing a wage complement of  $\bar{w} - w_i$  to these units when  $w_i < \bar{w}$ . If  $k > \ell_i$ , the units of the *leisure*  $k - \ell_i$  would pay this tax or receive this wage complement. Hence  $k \leq \ell_i$ : the equalisation labour cannot exceed the labours freely chosen by the people who participate to an ELIE distribution. The few people who work less than the equalisation labour of an ELIE distribution cannot be part of this equalisation policy. Actually, extremely few people declare working less than 20 h a week,<sup>15</sup> and we have noted that such a  $k$  would correspond to a quite redistributive present society (about 25% more than present-day Scandinavian social-democrat national communities). People’s abnormally low labour has specific reasons which make them fall in the scope of *microjustice* with a variety of possible criteria. Moreover, most of these cases can be naturally brought back into the general case, as with total or partial involuntary unemployment (also the object of macroeconomic, insurance, formation and labour market policies), and part-time labour contracts and second wages in families (as in the present French tax law), whereas the income of people with low wage rates depends little on

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<sup>15</sup> Communication of Emmanuel Saez.

their labour.<sup>16</sup> The equalisation income ( $k \bar{w}$ ) then is a minimum income, the choice of which is equivalent to the choice of the equalisation labour ( $k$ ), and which adds to the various micropolicies, including insurances of all types.

## 2.5 The Possible Identity of the Supposedly Enemy Paradigms and the Additions of ELIE

The two most-discussed theories of distributive macrojustice, both presented in 1971,<sup>17</sup> are Rawls's "Justice as Fairness" and the theory of the "welfarist" "optimum income taxation" (Jim Mirrlees). Rawls presents his theory as the alternative to the principle the other purports to apply, the maximisation of a Social Welfare Function function of individuals' utilities, which, he says, just is never actually applied. In reality, however, the ideal of the "welfarist" theory of optimum taxation *as it is practiced* (and in [Mirrlees 1971](#)) can be seen to be the implementation of Rawls's view *after 1974*. In brief, this latter view is that social justice consists of equal income and equal leisure (hence equal labour, the complement of leisure). And the objective function of this "welfarist" theory, in which individuals' utility functions are replaced by the same function, is, notably, the minimisation of an index of a bidimensional inequality, in income or consumption and in labour (see Sect. 3.3.1). ELIE merely consists in the extension of this Rawls–Mirrlees theory in two respects demanded by society. First, people's desire of unanimous improvement and freedom of exchange introduces a part of classical liberalism and self-ownership, which may be small or, as a limiting case, occupy the entire place, according to the self-conception of the society which implements the policy. Second, one optimises the tax *base* (and not the tax schedule only) and takes advantage of the observed possibility of a largely non-wasteful transfer policy.

Even in 1971, Rawls and Mirrlees agree on the following three basic points.

(1) *Earning capacities*. Rawls and Mirrlees both hold that individuals have no right in the economic value of their own given earning capacities, contrary

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<sup>16</sup> See the volume *Macrojustice* and Chap. 3, Appendix B.

<sup>17</sup> In 1971, also, both the analysis of the principle "equity-no-envy", and the leximin in comparable "fundamental" preferences to be applied, notably, when the worst-off suffers and can be relieved at an acceptable cost, are introduced in the book *Justice and Equity* (Kolm 1971) (discussed by [Rawls 1982](#)).

to classical liberalism.<sup>18</sup> However, societies often hold that people have some more or less extended rights in the economic value of their own capacities, and since society implements the policy, other views cannot be implemented. ELIE just acknowledges this fact and unavoidably presents the corresponding structure that respects freedom to act and exchange and secures social (Pareto) efficiency: the value of earning capacities is equally shared for the equalisation labour (which may be zero) and self-owned for the rest.

(2) *Tastes*. Both Rawls and [Mirrlees \(1971\)](#) hold that individual differences in tastes are irrelevant for this issue. Mirrlees states that they “raise different kinds of problems” than those relevant for the income tax, and Rawls that they are irrelevant for “social justice” (“macro” and “not micro”, hence macrojustice). This is general opinion (see Sect. 3.3.2) and, therefore, ELIE also endorses this view just to be implementable. Mirrlees translates this view by using the same utility function for all individuals (this also suppresses the differences in individual capacities to enjoy, which also corresponds to general opinion as shortly noted). Since individuals’ actual utility functions are different, this is not their actual functions (except, possibly, for one of them). Nevertheless, this is a sound intuition which can be justified and implemented by defining a relevant function (Sect. 3.3.1.3) (but individuals’ actual reactions to taxation derive in fact from their actual utilities, which also are the relevant ones for the classical definition of Pareto efficiency). Then, the chosen Social Welfare Functions are symmetrical concave functions of these identical concave utility functions depending on disposable incomes and labours, and the choice of these variables that maximise them turns out to amount to minimising an index of inequality in these two variables.<sup>19</sup>

(3) *Information*. [Mirrlees \(1971\)](#) says that individuals’ wage rates can be observed by observing earned income and labour duration and that “we also have other means of estimating a man’s skill-level”. The present French income tax policy amounts to this (by taxing income earned during the benchmark duration only). However, Mirrlees bases his developed model on the different hypothesis that the tax base should be full earned income, which induces disincentives. This model can be an explanation of Rawls’s belief about the importance of incentives and disincentives (which leads him to propose the “difference principle”, a maximin in “primary goods” including income). Hence, both Rawls and Mirrlees’s developed model, in 1971,

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<sup>18</sup> Mirrlees’s text ends with: “the great desirability of finding some effective method of offsetting the unmerited favours that some of us receive from our genes and family advantages”.

<sup>19</sup> This is a generalisation of the classical Pigou’s (1912) proof that utilitarianism (with identical concave utilities) is income-egalitarian, to several dimensions and more general Social Welfare Functions.

appear to be too pessimistic about the possibilities of redistribution with minimal wasteful disincentives.

Rawls and Mirrlees pursued their work, however. In 1974, Rawls accepted Richard Musgrave's proposal to replace his "difference principle" by the introduction of a second economic primary good, leisure. Rawls's ideal, therefore, is equal income and equal leisure or labour. This can also be seen as an ideal, a very first-best, of Mirrlees's (1971) social maximand (see Sect. 3.3.1.4). This maximisation might thus provide second-best Rawlsianism if the first-best has some defect. Three defects can indeed be detected. First, there generally are solutions preferred by all individuals to equal income and labour. However, this cannot be remedied by the maximisation of the social welfare function with identical – and hence non-actual – individual utility functions, which presents the same type of defect (Pareto inefficiency). Second, imposing income and labour violates individuals' freedom to exchange, of which working and earning is an application. Third, common opinion favours some smaller or larger part of classical liberal self-ownership. The solution to these three defects consists in letting people freely work and earn from the equal income and labour basis. Since this free exchange is a basic liberty, this solution applies Rawls's most basic and prioritarian principle. This solution also happens to be the ELIE distributive structure. The equal labour and income basis constitute the equalisation labour and income. This equalisation can be realised by choosing the right policy base, as noted. The only specification is that Rawls thinks that the citizens dialoguing for choosing a distribution choose the distribution they are actually submitted to (a "well-ordered society") only if the equalisation labour is rather high.

However, Mirrlees, in 1986, intends to consider individuals' actual utility functions, hence with their actual tastes. Deriving the overall distribution from individuals' utility functions (including tastes and propensities to happiness) is, indeed, the first-best theory in the sense that it would be applied in the "best" society in which the individuals would be sufficiently "good" persons altruistic towards one another. However, actual, imperfect people are like this solely in small groups such as the family or when higher utilities mean lower suffering (as with allocations in hospitals). This is not the case for large societies in normal situations. For the general opinion, indeed, interpersonal differences neither in tastes nor in individuals' capacities to enjoy are relevant for determining the income tax (see Sect. 3.3.2). Hence, a theory with an objective function based on these items could not be implemented and the insurmountable difficulty of knowing these specific actual individual utilities is just not raised at this point.

Finally, people's discarding differences in individual hedonic capacities and tastes, and hence in the utility functions that represent them, can be seen

either as discarding these differences only for retaining some comparable “welfare” – Mirrlees’s (1971) approach which can be rationalised –, or as discarding individual utility functions altogether, which is Rawls’s view that leads him to an ideal equality of the arguments of these functions, income and leisure or labour. As we have noted, the former approach can be seen as desiring the second conclusion (minimise the bidimensional inequality), and the result should be extended by the addition of some free exchange. However, if utility functions are seen as representing not final satisfaction but the motives for choice by their maximisation, discarding them leaves the domains of free choice as the directly valued items. The freedom of choice permitted by these domains is a commonly demanded value in itself. Then, the moral principle becomes the equality of these liberties. The various possible ways of defining these equal liberties without referring to the discarded individual preferences turn out to yield the ELIE principle again (Sect. 3.6).

## 2.6 The General ELIE Research Program: The Present Volume

### 2.6.1 General ELIE

Even though ELIE can be seen as just the necessary synthesis of the main paradigms of macrojustice (and complement to the distributive ones), Erik [Schokkaert \(2009\)](#) points out that the practical differences it implies amount to a full-fledged paradigm shift.

A paradigm shift defines a new research program. The *simple ELIE* outlined above is a basic core theory that has to be completed to constitute the *general ELIE* taking account of other important relevant facts. For a number of them, this is done in *Macrojustice* and in previous works. Labour is multidimensional (duration, education, intensity, possibly of various types for the same person), and hence the equalisation labour is multidimensional. Pay may be a non-linear function of labour. Unemployment – the concern of other policies – can also be introduced in the general scheme. The present French tax law applies the solutions for part-time labour (by reference to a part-time labour contract) and for family incomes. It has been computed that replacing all aids to low incomes by ELIE transfers would benefit everybody (in the case of France). The financing of other expenditures can be integrated with this “distribution branch”. Possible principles of allocations of non-human natural resources are analysed in *The Liberal Social Contract* ([Kolm 1985](#), Chap. 10). The ethics and fiscal treatment of bequest have also

been studied (Kolm 1985, 2006). Very high incomes are mostly *de facto* non-labour or collusive (with board members).

Each chapter of the present volume provides a crucial part of this building, and it is at least as important as – and more elaborate than – the initial ELIE by itself. This covers most issues except, regrettably, developments and applications of the methods for determining the degree of equalities in income and self-ownership desired by a society (analysed in Part 4 of *Macrojustice*).

## 2.6.2 Axiomatic Foundation

François Maniquet's contribution is particular by being “upstream” and foundational. His terse axiomatic derivation of the simple ELIE structure constitutes an alternative to the one presented in *Macrojustice*. This elaborate, imaginative and rigorous construction was in fact initially due to be published as a chapter of *Macrojustice* (this was not done in order to keep homogeneity in style of presentation). Maniquet is a complete co-“inventor” of the ELIE distributive structure, in a particularly appreciated logical form.<sup>20</sup>

## 2.6.3 Minimum Income, The Sociology and Psychology of Transfers, Community and Dignity

If the average productivity of the society and the equalisation labour are sufficient, the minimum income ( $k \bar{w}$ ) also is. If this is not the case, specific policies of support to low incomes can be added. Of course, contributions are provided by the various types of social insurance,<sup>21</sup> the noted cases of unemployment and part-time contracts, and donations (important in some societies) which may have to be actually implemented by the public sector because the poor's income is a non-excludable public good for the givers. Note also that, at the other end of the income scale, very high incomes often include a rent of situation which is not labour (for instance a “reciprocity”

<sup>20</sup> See Sect. 3.6.4, Maniquet (1998) and Kolm (1993, 1996a,b).

<sup>21</sup> Including transfers implementing hypothetical “fundamental insurances” against relative handicaps that occurred in the past when this is largely approved (such as with public health insurance with premia unrelated to health status, or possible similar policies for the “brute bad luck” of a poor education or of low earning capacities) (Kolm 1985).

with board members for top executives), and this part of income requires a specific treatment beyond the ELIE scheme (an issue of microjustice for macroincomes).

Alain and Justin Leroux propose to eradicate poverty by completing an ordinary ELIE distribution with a specific support to the poor provided in a form particularly valuable and important from a social and relational point of view and for implementation efficiency. In an additional, specific, ELIE scheme (a “poverty ELIE”), the equalisation incomes would be voluntarily redistributed to the poor in the framework of voluntary associations of people having some common characteristic (each individual has to join one association). The method, tightly and convincingly analysed, replaces public assistance by humane or fraternal local solidarities, and transmutes a part of egalitarian fairness into collective altruistic help. This would improve not only the poor’s welfare but also the overall quality of social relations both with the poor and between people who help them – an essential aspect of the quality of a society.

The elaborate analysis of social relations that may be induced by ELIE transfers is precisely the topic of Pierre Livet’s chapter. Yielding or receiving transfers induces opposite emotions due to social recognition, judgments and status. However, people with lower capacities may be credited for creating diversity favourable to society. The detailed analysis of these aspects reveals and enlightens an essential dimension of social transfers. It should help us make sure that transfers do not jeopardise dignity. This should be the case with the principle of ELIE which is the manifestation of a solidaristic community. Moreover, social emotions and judgments may induce people to pay their due, to help others when they have to – which happens when they have the luck of being endowed with high productive capacities –, and not to cheat by pretending to be less able than they are. People may be proud both to help others and to display their high abilities even though they are not responsible for them (both Voltaire and Mirrlees independently propose jokingly to tax intelligence, which people do not want to hide – I.Q. for the second).<sup>22</sup> They may be particularly ashamed to exploit others and be social parasites living at their expense when they are able to earn their own living and – perhaps – to help less fortunate others. Therefore, Pierre Livet’s considerations may also be particularly important for the actual implementation of distributive principles.

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<sup>22</sup> See Voltaire, *The Man with Forty Ecus* (*Philosophical Tales*). The king to whom this advice is given answers the adviser that he would have to be exempted from this tax.

### 2.6.4 *Education and Growth*

Education, formation and training that increase qualification, productivity and earnings constitute essential dimensions of labour, and hence of general ELIE. This includes education, formation and training both before and during one's working life. The treatment of this issue is also particularly delicate. For instance, one should distinguish, in educational achievements, what is due to the person's responsibility or effort and what is due to family help and influence, which should be considered along with family gifts and bequest (and includes motivation). Capacities to learn also intervene. Then, education can be treated strictly according to ELIE by redistributing equally individuals' earnings due to education up to a certain level (the "equalisation education"). It can also be treated in other ways such as "spreading" education duration as an increase of the duration of the labours that use the increased productivity (*Macrojustice*), or by free public education (or other subsidy) compensating taxes on labour productivity boosted by the increased qualification.

The issue is inter-temporal, and the analytical breakthrough is provided by the model of overlapping generations proposed by David de la Croix and Michel Lubrano. An individual chooses a level of education, works with a low productivity the rest of her youth (which shows the opportunity cost of education in foregone earnings), and then works as a mature worker with a productivity enhanced by education. This is a splendid precise example of tridimensional and inter-temporal labour, which permits enlightening studies of various effects and policies. The authors use it in particular for studying the trade-off between growth and redistribution when taxation is not based on given capacities only, and for proposing the noted education subsidy.

### 2.6.5 *Low Labours*

Since general opinion refuses taxing or subsidising unused capacities, ELIE can apply only to individuals working no less than the equalisation labour, as we have noted. As we have seen, extremely few people declare presently to work less than 20 hours a week, which is about an upper bound for equalisation durations realistically possible in present-day national societies. On logical grounds, an easy theorem shows that, *if* an ELIE distributive scheme were applied to *everybody* and to these capacities *actually used* by people: (1) individuals who choose to work more than the equalisation labour have an interest to work with their most highly paid capacities; (2) on the contrary, individuals who choose to work less than the equalisation labour have an



interest to work at occupations that earn as little as possible (Sect. 3.8.2). The latter individuals, if the effect is complete, do not work at all and receive, as a subsidy, the equalisation income computed with a zero productivity (wage rate) for idle people. These are issues of microjustice, with many possible solutions and out of the present concern – yet one may nevertheless say something about them.<sup>23</sup> Unemployed and handicapped people would be so subsidised, as people with very low earning capacities whatever their work (and part-time labour contracts and second jobs in family have been brought back to the equivalent full-time as indicated). For the very few other people who choose not to have a higher income, several points are in order. Rawls emphasises that people who choose to work very little are not members of the social process of cooperative production and therefore not party to its distributive scheme in “social justice” (i.e. macrojustice). These fugitives from cooperative production drop out from its distribution. They voluntarily withdraw from the general reciprocity of labour. Hence, neither would they be entitled to a subsidy from others’ labour, nor would the most able of them, who do not take advantage of the high pay they could have, incur a liability for this absent benefit.

However, as shortly noted, the social waste is limited and these individuals may simply receive this universal social dividend or basic income. This may in particular permit them to do voluntary or associative work, or innovative art, and participate to valuable non-market production, activities and relationships. However, earning power may also be estimated from past activity, education and health. The better endowed may then simply be asked to take care of their own living – the solution of Rawls and Saint Paul (“he who does not work does not eat”). They may even be asked some contribution (certainly so when their work can save lives). Moreover, activity using one’s best capacities is a main dimension of a satisfactory life (Aristotle says of happiness), a source of pride, dignity and fulfilment, especially when it also serves others and provides social integration, relation and status. For these reasons, unemployed people are often despaired even when they benefit from a substantial unemployment compensation. Furthermore, able idle people may be ashamed to live on others’ labour, discontent with the attached blame, stigmata and lower status as Pierre Livet explains, reluctant to violate the very common folk-Kantian ethics (“what if nobody worked?”), and aware that ELIE schemes apply basic properties unanimously wanted to an extent ( $k$ ) that corresponds to a deep collective desire in a democratic “well-ordered” society (some people do not cheat on taxes because of a civic culture and

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<sup>23</sup> Scholars happen to be more excited by weird issues of microjustice than by the simple fate of the toiling masses.

duty, and they are numerous in some countries – among which some with the highest rate of tax and transfers). Actually, very numerous empirical and experimental studies of the supply of labour in reaction to pay, in social psychology and economics, from those of “fairness” by Adam and others in the 1960s to those of reciprocity in labour by Fehr and others recently, show that people freely chose to work for an amount they consider “fair”, from a motive of “balance reciprocity”, in reaction to a pay they receive, rather than trying to maximise their “material self-interest” in this respect.<sup>24</sup> Therefore, economists’ cherished anthropology of suspicion assuming that everybody is exclusively materially self-interested and tries to exploit others as much as she can is not necessarily warranted, to say the least.

Assume it is, however, just to be on the safe side. Then, if an ELIE scheme is applied universally to everybody, and if some people choose to work less than the equalisation labour whereas their case is not brought back to the general case (very low wages, unemployment, part-time labour contracts) and their productivity has to be inferred solely from their statement or their actual activity, this implies some social waste. Nevertheless, a remarkable empirical analysis of Erwin Ooghe and Erik Schokkaert shows that this waste does not exceed that induced by ordinary tax schemes that take whole earned income as base. Since the working people also receive, as their equalisation income, the same equal amount as that received by idle ones (they also finance it by the same labour or according to their capacities), the result can be the implementation of a universal basic income advocated by many scholars such as Brian Barry, Yoland Besson, and Philippe van Parijs whose proposal is analysed in depth by Claude Gamel in this volume. This financing, based on actual workers’ given capacities, is less wasteful than that based on their full wage income proposed by van Parijs (although not in the situations of involuntary unemployment emphasised by this author).

This Ooghe–Schokkaert financing of a universal income thus consists simply in extending an ELIE-type redistribution to everybody by taking as individual productivity that of the actual occupations chosen by the individuals. However, there remains some waste and the working people finance this equal universal allocation by the same equalisation labour or according to their capacities. One may therefore be interested in other solutions for financing a universal income, at least for non-working people. The only assets apart from human capacities are the non-human resources. These resources may be seen intertemporally, and then they reduce to non-human natural resources. They may also be seen at a given time, and then they also include all existing produced capital which, at this time, constitutes the bulk of non-human

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<sup>24</sup> An analysis of this motive is provided in Kolm (1984, 2008b).

resources and considerably extends this base. Both views have their rationale and tradition, as pointed out shortly, but the second may compensate the disincentive effect and induced inefficiency it entails in capital formation by being more practical and, at a given time, providing a much larger base. Claude Gamel advocates this second view, and, in an original analysis, proposes to tap these non-human resources in a way analogous to that in which ELIE schemes tap the human resource. Besides the financial result, this provides homogeneity to society by the universality of both the basic income and the uniform intent of its financing. Moreover, Sect. 12.3 shows that various rationales lead to add an ELIE distribution to an equal sharing of the distributable non-human resources whatever they are; this provides more compensation for poor earning power with more self-ownership.

### 2.6.6 *Capital, Uncertainty, Family Size*

Claude Gamel's discussion has the additional virtue of raising the important question of the status of capital and time. A traditional conception objects to taxing capital because the savings that created it were a free choice, the incomes from which they came have already been taxed and this would be double taxation, and this tax induces wasteful intertemporal disincentives. This intertemporal view would advocate restricting the meta-ELIE redistribution to the allocation of the non-human natural resources, according to any of the principles analysed in *The Liberal Social Contract* (Kolm 1985), for instance to help the most unlucky, miserable or poorest people, or those with the lowest earning capacities  $w_i$ , or equally – the solution retained by the famous “left classical liberals” such as Hillel Steiner (1994) and Peter Vallentyne (Steiner and Vallentyne 2000a,b) – plus the redress of past torts and gifts possibly publicly implemented. However, first, this may not suffice. Second, many nations actually tax earnings from capital (and a few capital itself). Third, the problem may be to introduce a new distributive rule, and, therefore, the ownership accumulated under an ancient rule may not have to be respected. Therefore, taxing present-day ownership may be justified; it is actually performed and it is advocated in general by Ronald Dworkin (1981) and, with elaborate theories, by Maurice Allais (1989) and, very differently, by Claude Gamel in this volume.

The taxation of capital along with ELIE is also studied by Michel Lubrano, with an explicit growth model, in an essential contribution which analyses the introduction of ELIE in an economy which has to keep a number of present-day policies and faces other problems. These other distributive policies may be necessary for several reasons: provisionally in a transition

period, because the chosen labour duration and society's productivity do not suffice to satisfy all distributive needs, or because particular incentives or issues of fairness are sought. Beyond the tax on capital income, the basic question of adjusting ELIE for family size and the role of family allowances are analysed. The issue of the imperfect information about individuals' earning capacities is also investigated. The concepts, proposals and results of this study constitute the threshold towards the actual application of ELIE policies, a concern without which all the rest is valueless.

### ***2.6.7 Information and Second-Best Implementation of the ELIE Ethics by Taxes on Total Earnings: A Marriage of Paradigms***

An ELIE distribution induces individuals to work with their best capacities. The tax authorities may observe wage rates on pay sheets (official documents). They may deduce them from the observation of some corresponding earnings and labour. This may be, for instance, full earnings and labour or, as with the exemption of overtime labour earnings, the official duration of labour (e.g. in hours per week or in days per year for executives whose daily hours of work are unclear). They may estimate the person's productivity by comparison with similar jobs. The authorities' information about full earnings is sometimes good and sometimes very bad. However, this is the common tax base, often without other information (except family status). If this is followed, and in so far as the taxpayers are not motivated by civic, ethical or social considerations for implementing a distribution with clear properties of fairness and efficiency and collectively chosen, the problem faced is to implement a second-best ELIE with this tool and facing exclusively materially self-interested taxpayers.

To solve this problem Laurent Simula's and Alain Trannoy's deep and elaborate study proposes two basic concepts and derive examples of solutions. In one case, they maximise a social welfare function which gives an ELIE policy as first best. In the other, they consider a second-best which realises ELIE transfers. The results depend on the specifications of the utility and social functions in the first case, and the result is unique in the second case. This constitutes a great example of the richness and flexibility of the classical optimum taxation studies, capable of providing very important analyses of social and ethical conditions different from those of their initial intuition. Can we conclude, from this synthesis of paradigms, that normative economics is more advanced than theoretical physics? On related issues, see also [Simula and Trannoy \(2011\)](#) and [Fleurbaey and Maniquet \(2011a,b\)](#) in the volume *Social Ethics and Normative Economics*, [Fleurbaey et al. \(2011\)](#).

### 2.6.8 *Macrojustice in Normative Economics and Social Ethics*

Finally, Chap. 12 raises, broadens and deepens the analysis by briefly situating the obtained results in the full spectrum of the distributive principles of economics and social ethics. This is indispensable for four reasons. First, a principle is justified only if it is compared to all other possible alternative ones and found superior to each; and other principles have actually been proposed. Second, other principles may coexist with it, for instance in questions of microjustice or mesojustice, and the relations between them have to be considered. Third, this enlarged consideration may in particular be necessary for specific issues of application of the principle, for choosing properly justified solutions rather than *ad hoc* ones. Fourth, this broadened vision explains better, by comparison, the place and structure of the result obtained. In particular, one such deepening concerns the distinction and different treatment of various aspects of “utility”, a surgery also practiced by some other principles. And one enlargement is the integrated treatment of human and non-human resources.

The principles of distributive justice are classified and appraised according to various criteria. The criteria of evaluation include the internal logic (some principles do not pass this test); the consistency with other properties (for instance a number of principles consist in equalities that happen to jeopardise Pareto efficiency); the possible meanings; and the relation with the general actual people’s judgment, which is crucial for the social possibility of implementation.

The principles are characterised by their end-values, the items they directly evaluate. A class of them is basically concerned with psychological properties which can often be described as some structures of individuals’ utilities. This includes overall “welfarism”, “pure welfarism” discarding differences in individuals’ tastes and hedonic capacities, “ordinal welfarism” considering preferences orderings only and including principles in the families of “equity-no-envy” and of the “equivalence principle”, and co-ordinal welfarism that relates such preferences of various individuals.

Other principles focus on freedom of some sort, such as “freedom from” and basic rights, domains of choice, and opportunities in various respects. Various goods provide both freedom as means and satisfaction from use, including income, the satisfaction of needs, human capital from education or health, or other “capabilities”.

Indeed, an alternative to macrojustice is to reduce all justice to micro or macro issues. This is not actually possible in a modern society, however. Michael Walzer (1983) sees justice as equality in “spheres” for each main good or service. But one such sphere is much larger in volume than others, that related to income even if the market is not maximally extended. Other

theories also demand equality in various types of goods (e.g. opportunities, capabilities, etc.). However, these equalities violate Pareto efficiency because they interfere with people's actions or because they are multidimensional, or both. In the former case, the solution is of the ELIE type (equal liberty provided by different domains of choice). In the latter case, the corresponding efficient second-best egalitarian solution leads to equality in income, hence to an issue of macrojustice.

In the end, this comparison with *a priori* possible alternatives guarantees the necessity of the obtained distributive structure.

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Derived from principles generally demanded, and hence socially implementable, this distributive structure is both philosophy and practice. Philosophically, it synthesises the three polar paradigms of macro social ethics. Classical liberalism, with its virtues of basic liberty and efficiency (possibly with public corrections) – and which may take the entire place in societies that want it – operates on the top of an equality in income and leisure (or labour) which is the ideal of Rawls and can be seen as that of the standard “welfarist” optimum income tax (Mirrlees 1971). Practically, the result can simply be an income tax with two universal bonuses: an exemption of overtime labour earnings over a low benchmark, and a uniform tax credit – the linearity is not always the case with general ELIE and it is not essential. The intensity of the redistribution, however, can be quite varied.

The core simple ELIE is completed to become the general ELIE taking account of the above noted phenomena. The present volume provides such analyses. It shows essential aspects of this distributive philosophy. It investigates its relations with other distributive forms, whether they are complements, supportive methods, alternatives or interfering structures. In this process, this volume relates these issues to basic aspects of the economy such as efficiency, growth and employment, and of society such as formal and real freedom, social relations and consideration, and distributive and procedural justice. This result is finally situated in the field of the rather numerous economic and ethical theories that ambition to propose a solution for the overall allocation, with the logical and moral appraisal of these proposals.

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