

# THE ROLE OF ECONOMIC INEQUALITY IN ACHIEVING THE SOCIAL JUSTICE

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**Abstract:** *The paper aims to analyse from a logical and philosophical standpoint the role of economic inequality in achieving social justice by answering a series of questions pertaining to the area of interest of this problem. Thus, the concept of inequality and some perspectives of inequality will be examined when it is applied in the social field defining, within the paper, the concept of social inequality. Next, we will define the concept of economic inequality as a species of social inequality, identify some causes of economic inequality and make some assessments regarding the sustainability of economic inequality. The definition given to the concept of social justice will help us to observe how economic inequality influences the achievement of social justice. At the end of the paper we will refer to the mechanism by which economic inequality can improve the achievement of social justice and we will answer the question why the government should improve the achievement of social justice.*

**Keywords:** *inequality, economic inequality, social inequality, commutative social justice, distributive social justice, social fruits.*

**JEL Classification:** *A14, D63, Y20.*

## Preliminaries

The economic inequality is most often seen as something wrong or unacceptable in a free and democratic society. There exist analysts, either from economic field or from other disciplines (especially from sociology or social philosophy) (Piketty, 2013), who thunder against such an inequality. Of course, there exist also analysts which consider not only the economic inequality is not wrong at all, but even it is beneficial for the society as a whole, even if some individuals must pay the price for that (Hayek, 2011). The fact that scholars having so penetrating minds, get so polar (in fact, diametrically opposed) position regarding the economic inequality is sufficient to invite us to think about.

The paper has two main aims: a) to provide a general examination of the concept of inequality and, more specifically, of the concept of economic inequality; b) to draw a logical and philosophical link between the economic inequality and the social justice, under the idea of the possible role of the economic inequality to achieve (although it seems be quite paradoxical), either directly or indirectly, the social justice. We'll proceed by formulating ten questions which we formulate our answers to.

### 1. What the inequality is it?

In the most common sense, by inequality is understood an unbalance between two entities (numbers, objects, properties and so on). So, the inequality means a difference between two (or more) entities of interest, based on given criterion. For example, two entities can be unequal based on a criterion and equal based on another one, or may be more unequal from a perspective than from another one. Logically, the property of a comparable pair of entities to be unequal has not a negative meaning per se, but only if the criterion used to extract the inequality is „endowed” with such a meaning, whatever be it.

### 2. What the social inequality is it?

A more complicated issue is constituted by the concept on inequality when it is applied to the social field. In such a case, the inequality is focused on the individuals - sometimes the concept of social inequality is applied to groups, to regions, or even to countries. Such applies are very problematic, because there is not a consciousness of groups, or of population in a region or in country to assess the state of the social inequality.

Here we have to do with statistical/econometrical standpoint - so we have two perspectives of the social inequality: a) the assessment of the involved individual – s/he feels be in an inferior state compared with other individuals from the point of view of a given criterion (for example, social position); b) the assessment of an external observer (be it researcher, policy maker and other of the same). The two evaluations have a big probability to be different.

From a psychological point of view, it seems be genuine the self-assessment of the involved individual, while from a sociological (or political) point of view, it seems be more „objective” (that is, more qualified to be generalized at the entire society) the assessment of the external observer. This is way many scientific researches use the interviews or questionnaires to get the expected results, although an aggregation of individual perception is quasi-impossible because the impossibility to aggregate or to ranks the individual preferences (see, here, the famous theorem of Kenneth Arrow regarding the impossibility to order (to rank) the hierarchies of preferences) (Maskin and Sen, 2014). The social inequality can be seen from many criteria, beginning with the primary goods (for example, the freedom) and ending with the social benefits granted by the government, passing through differences in the degree of education, of abilities, of talent, of health, and so on.

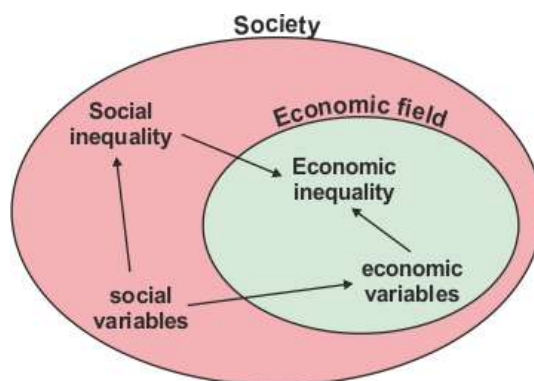
Essentially, the social inequality cannot be established without a general accepted benchmark. For example, no inequalities could be found if the society in case has as general value the inequality, but only if that society has as general value the equality (for example, the old Indian social organization on closed castes was based on the value of social inequality, so nobody could observe a social inequality from that perspective. More than that, even the involved individuals do not feel themselves experiencing a social inequality). More than that, there is an issue very interesting which is raised especially by the mathematicians, namely: at a certain rate of exchanging the places among involved individuals in an unequal society (given a criterion of the social inequality), the social inequality does not exist. Of course, the issue has not only mathematical (statistical) implications, but also psychological and sociological ones (and, of course, it will be not developed more now).

### **3. What the economic inequality is it?**

The economic inequality is a species of the social inequality. To extract the economic inequality from the social one, it is sufficient to assign the social inequality to an economic variable. The most used such a variable is the income (no matter in its gross or net variants). There are many arguments to choose the income as benchmark for judging the economic inequality, the most relevant being the amazing versatility of the income (especially in its monetary kind) to get any other economic (and not economic only) goods and services. Such versatility is explained by the fact the money has the greatest liquidity among all assets an individual could get. Before examining the meaning of the economic inequality, it is useful to add that another economic variable is a good candidate to extract the economic inequality from the social one: the wealth.

There is an interesting scientific debate regarding the primacy of either the income or the wealth to be the genuine benchmark for the economic inequality. Because the two concepts are causally correlated (the wealth is nothing else than the accumulated income - here resides the controversial debate regarding the taxation of the wealth: since the income has been already taxed when it has been received, it results that taxing the wealth, which is the taxed accumulated income, means to tax twice the income) it seems to be more adequate to consider the income as benchmark for assessing the economic inequality.

Figure 1 gives a visual expression to the relationships between the social inequality and the economic one.



**Figure 1. The basic relationships between social and economic regarding the inequality**

Source: author's own works.

#### **4. Which are the sources of economic inequality?**

The economic inequality can occur from many causes. It is not necessary to qualify the causes for economic inequality as unfair causes. It is easy to show that the economic inequality can arise (in fact, in the most cases arises) based on law, correctness, fairness and so on. Of course, illegal or unfair causes or mechanism by which the economic inequality rises, could exist, but this is not sufficient to establish a "criminal hand" in occurring of such an inequality. Briefly, the „natural” causes based on which the economic inequality occurs are also of inequality type: a) the inequality in education, which leads to inequality in productivity, so to inequality in income; b) the inequality in chances (opportunities) to get good jobs and, so, to gain good incomes; c) the inequality in talent, to identify and exploit businesses, financial speculations and other of the same; d) inequality in wealth inheritance, to start from a better line in competition with others; e) the inequality in own capacity to deliver work, imagination, ideas, innovation, etc. in the economic activity. The five basic sources of arising the economic inequality are simply facts, they do imply no value judgment. However, there are social philosophers (for example, Hayek) who argue not only on the inherence of the economic inequality, but also on the desirability of such an economic inequality. The main two arguments of this position is, roughly, the followings: 1) the individuals who experience the low level of income (or wealth, if the case) will desire to make efforts in order to enter the middle, and, after that, the high level of income, so the economic inequality constitutes an causal impulse to exchange the held position with a better another; 2) the high social class from the income criterion, just because has a high level of income, will tend to use the income (or the wealth) to get new products, new services, new scientific researches, etc., and from these results will also benefit the low social class. In our opinion, the two arguments are not invalid or false, but they do not exhaust the economic inequality problem. By the contrary, the negative effects of a large economic inequality seems go beyond the positive effects mentioned before. Any case, the economic inequality should be examined more analytical and, if possible, without any ideologically prejudices.

#### **5. How sustainable the economic inequality is it?**

A question can arise: from the standpoint of its own kinematics, the economic inequality is increasing or decreasing. Social. When we speak about its own kinematics, we understand the internal mechanism of the economic inequality phenomenon, without any governmental intervention. We'll make some qualitative comments in this matter:

- the economic inequality means, in last instance, the inequality of the economic action potential. The individual who stays in low level of income (or wealth) has less resources to use in order to improve its state;
- based on the previous, it can be said the economic inequality is auto-catalysing, so it is characterized by positive feedbacks;
- so, by itself, the economic inequality never will reduce, but by contrary, it will increase;
- the result is the economic inequality is not sustainable (Dinga, 2018) by itself (for example, it has not the capacity to become, by itself, invariant around a natural level - for example, the labour market, by itself, is moving the rate of unemployment around the natural rate of unemployment - either as NAIRU or as NAWRU).

This auto-catalysing feature of the economic inequality leads us to understand that this phenomenon must be controlled from exterior. Clearly, the economic inequality is a species of the market failure - as, for example, the case of positive externalities which the free market has not the capacity, by itself, to produce them. But the external control should control what exactly? In our opinion, the economic inequality, as automatic and inherent result of the free market mechanism, should be controlled for one and only one reason: the social justice achieving.

## **6. What means social justice?**

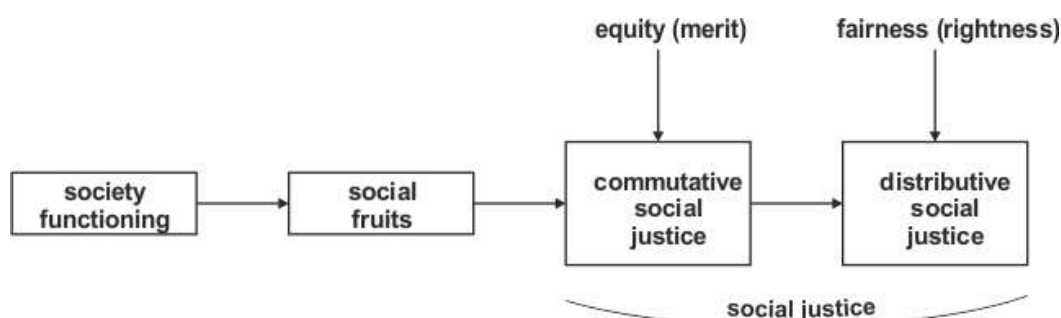
First of all, the social justice must be distinguished by...justice understood as judiciary process, that is, as the process to generally apply the law. By the contrary, the social justice applies primary principles which, in turn, constitute basis for the law applying.

Secondly, the social justice is characterized by the following fundamental features:

- it doesn't depend on the normative framework of the society. The social justice is based on the same principles either in a cvasi-anomic society or in an over-nomic society. This autonomy of the social justice from the normative framework means it has not only a primacy face to codified norms, but also a primacy face to democracy (however, the social justice hasn't primacy face to freedom, which is the most primary good) and other predicates of modern societies (equity in treatment, equality of chances, etc.);
- it addresses basically the primary goods only (the primary goods are the goods established by the social contract: equality of freedom, equality of access to social opportunities, equality before the law, etc. The secondary goods (for example, the economic goods and services) are conditioned in their availability by the initial distribution of the primary goods)
- the social justice has two basic effects (results) of its functioning:
  - an equitable social fruits distribution: the functioning of society produces social fruits (economic product – PIB, opportunities for social positions, education, health and so on). The first basic effect of the social justice (Dinga, 2018) is to distribute equitable – that is, proportional with the merit (by merit we understand the degree of contribution to obtaining the social fruits (that is, not the passive endowment of individuals with potential, dexterities, talent, etc., but the result of effectively applying of that endowment) such social fruits
    - the social justice having such an effect are called commutative social justice
    - the commutative justice is based on fairness

- a fair social fruits redistribution: based on and, at the same time, despite the correct functioning of the commutative social justice, social inequalities (and, as consequences – see Figure 1 – economic inequalities) could appear. As shown above, these inequalities rise naturally. But, no matter how the inequalities occurs, those of them which are not the result of the individuals fault must be compensated by society based on a primary goods named solidarity. This time, the distributed social fruits must be redistributed in order to (partially) mitigate the social (and economic) inequality. So, the redistribution of distributed social fruits are not based on merit, but on the inherent incorrect asymmetries generated by the (either correct or incorrect) functioning of society
- the social justice having such an effect are called distributive social justice
- the distributive social justice is based on rightness

Figure 2 illustrates the above conceptual consideration regarding the concept of social justice.



**Figure 2. The two kinds of social justice functioning**

Source: author's own works

### 7. What means to achieve social justice by the economic inequality?

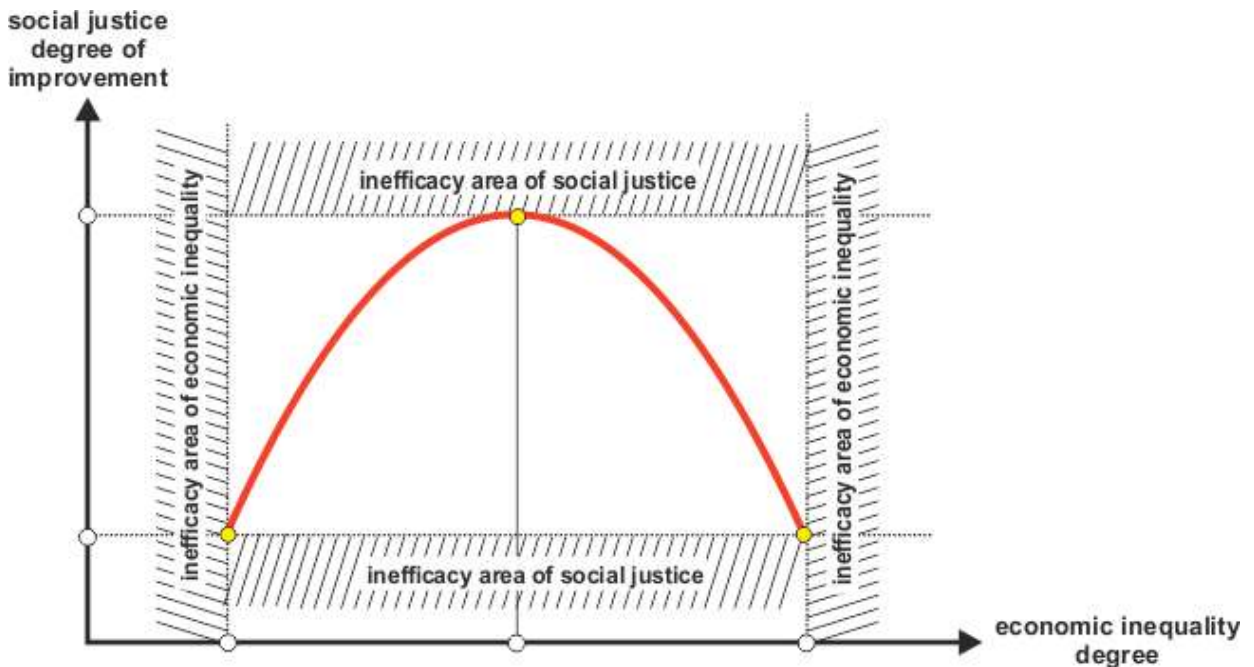
To achieve by social justice by the economic inequality should mean to use either the increasing or the decreasing of the economic inequality to get the social justice. Before give a description of such a possibility, some preliminary considerations must be done:

- firstly, using the dynamics of the economic inequality (James, 2016) in order to achieve (or, at least, to ameliorate) the social justice implies to use the second type of social justice, namely the distributive one. Indeed, the commutative social justice, which acts proportionally with the objectified merit, cannot do else than to replicate the state of economic inequality as it is. Instead, the distributive social justice, by its possibility to modify the degree (or even the structure) of the inequality could lead to an improvement of the social justice (obviously, from the social justice standpoint, we cannot say if an improvement of the economic inequality means its increasing or its decreasing. This ambivalence (or ambiguity) of the economic inequality improvement could be very provocative in deepening the research regarding the relationship between social justice and economic inequality);
- secondly, it must be previously and autonomously proved that the dynamics of economic inequality is a causal factor for the social justice improvement;
- thirdly, it must be clearly established what means the social justice improvement. Taking into account the distributive social justice only (as explained above) it seems an improvement of the social justice should mean an elimination (at least in some a measure) of the non-entitlement occurred in the society even by the commutative justice functioning;

- fourthly, it must be acquired assurance on the irreversibility of the social justice improvement gained by using the economic inequality appropriate changing.

Based on the four methodological a priori precautions, we can now address the issue of the meaning of social justice improvement by intermediation of the economic inequality changing, namely: to improve the social justice using the economic inequality changing means to drive the economic inequality level (and, if possible, the economic inequality structure) towards increasing of the degree of rightness within the society. In our opinion, an insidious risk arises, however, here, namely to „improve” so much the social justice by modifying the economic inequality so the beneficial social tension induced by the economic inequality into society (Dinga, 2018) be destroyed and, as consequences, be oriented to worsening the social justice (that is, the appearing of an adverse effect).

Figure 3 shows the evoked adverse effect in the matter.



**Figure 3. The dynamic relationship between economic inequality and social justice**

Source: author's own works

## 8. Could economic inequality play a role to achieve the social justice?

We're dealing now with a significant issue linked to the hypothesis the economic inequality can be used as a vehicle to get (or improve) the social justice into the society. The main points in the matter are the followings:

- according to Figure 3, could exist either situations in which the social justice is improved (its curve is concavely increasing) by increasing the economic inequality or situations in which the social justice is worsened (its curve is concavely decreasing) by increasing the economic inequality (of course, the symmetry of the social justice curve is not mandatory. Figure 3 only tries to suggest a general relationship between social justice and economic inequality, not a realist one);
  - the second case – worsening the social justice by increasing the economic inequality – is manageable by applying the Rawlsian principle of difference;
  - but, what about the first case – improving the social justice by increasing the economic inequality? In our opinion, here another principle is needed (probably a „mirrored” principle of difference), so gaining more social justice

- by accepting an increase of the economic inequality (the research of the author regarding such a „mirrored” principle of difference is in processing, and will come back, in another paper, with another intervention in the matter);
- there are four thresholds in the relationship between social justice and economic inequality:
    - a minimal threshold under which the economic inequality cannot be reduced without affect the „social competition” within the society;
    - a maximal threshold over which the economic inequality cannot be increased without affect the „social competition” within the society;
    - a minimal threshold of the social justice, under which the society cannot anymore considered as a free and democratic society;
    - a maximal threshold of social justice over which the society could become too homogeneous, dangerously approaching to a centralized society.

### **9. What about the mechanism which economic inequality deliver social justice through?**

The social justice, as mentioned before, requires rightness within the society. Although the economic inequality is not always the necessary result of non-fairness (Rawls, 2011) (or of non-entitlement) (Nozick, 2013), however it signalizes either a risk regarding the social justice quality, or a risk of social justice worsening. Consequently, the economic inequality seems to be a good proxy to handle, at least partially, the process of social justice conservation. The mechanism (Dinga, 2020) through which the economic inequality could (or is expected to) improve the social justice can be as follows:

- previous information held:
  - the four thresholds above evoked;
  - criteria to verify the action of the two principles of difference which „govern” the process of reducing/increasing the economic inequality (to be mentioned that Rawls does provide no such a criterion – for example, how to assess that a given reduction of the economic inequality move the most disfavoured social class into a better state compared with any other possible state? Probably, a list of these possible states should be at hand for the political decision makers and, also, a procedure to compare the new state occurred with all the states in the list. Obviously, here is a large area of developing specific research);
- the „algorithm”:
  - step 1: identifying the economic variable which can constitute the target for generating (and measuring) the economic inequality (the most probable such a variable could be the current income);
  - step 2: identifying the institutional (normative) way to modify the established target so the risk to induce non-entitlements be maximally reduced – for example, introducing the progressive taxation on the personal income where/when by then it had worked a flat tax in the matter;
  - step 3: assuring the new levels both of economic inequality and of social justice do not escape from the correct quadrilateral in Figure 3;
  - step 4: be possible to assess an improvement of social justice, more exactly, have a procedure to decide the society is in a better state for the most disfavoured social class as a result of algorithm applying, than in other possible (imaginable) solution (it is obviously that Rawls was influenced in such a statement by Leibniz – God cannot put us than into the best possible world).

## 10. Why should Government improve the social justice?

Government (that is, the state) has appeared as consequence of the social contract. The main clause of the social contract is the responsibility of the state for all the individuals (or, in modern societies, for all the citizens). The essential of this clause is to monitor that the distribution of the primary goods among the individuals be as equal as possible. The social justice is a signal regarding such equality of the primary goods distribution, so managing the economic inequality (based on the two species of the Rawlsian principles of difference) is one of the institutional path through which the social justice can be improved.

## Conclusions

The paper aims to offer the scientific community, from the economic field, a logical and philosophical approach to the way in which economic inequality influences the achievement of social justice. Thus, the concepts of inequality, economic inequality and social inequality (Piketty, 2013) were definite and economic variables were identified that can be observed, analysed in the basic relationships between economic inequality and social justice, such as income and wealth. In the study of this problem, a number of five basic natural sources (causes) of the appearance of economic inequality were identified, mentioned and analysed. The evaluations, of a qualitative nature, focused on the internal mechanism of economic inequality and it has been concluded that this phenomenon must be controlled from the outside in order to obtain social justice. The definition formulated for the concept of social justice, with its two categories, commutative social justice and distributive social justice, came to support the formulation of the specific characteristics of this concept, the way in which social justice functions and were has identified some effects in the correct social redistribution of the social fruits. There were also established a number of four precautions of methodological nature necessary to achieve social justice through economic inequality. The scientific formulation of the meaning of improving social justice, through the exchange of economic inequalities, led to the study of the identified adverse effect and proceeded to analyse the dynamic relationship of the two concepts.

Regarding the mechanism by which economic inequality could lead to the achievement of social justice, the paper established that it contains previously held information (4 thresholds were established, as well as the verification criteria) and the application algorithm (in four steps).

Finally, we have shown that social justice is a signal regarding the correct distribution of primary goods and thus economic inequality is one of the institutional modalities by which social justice can be achieved.

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