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# Why should Governments Redistribute Income?

I am in favour of having public and compulsive redistribution of income. In this paper I shall try to convince those hold a different opinion, those who argue that social security and redistribution ought to be based on voluntary and individualistic decisions (a market solution), that their view is mistaken. How can I do that ?

Generally, there are two types of arguments we can use to convince those who think that B is a better social institution than A, that they are mistaken. One possibility is to argue that they are erring in values, the other that they do not get the facts right. In the first case the point is to make it evident that the standards they use to evaluate

institutions are deficient. One must show that their interests, values, or moral beliefs are unreflected and therefore not fully rational, and to demonstrate that judged according to more reflected interests A is a better alternative. This is the kind of arguments Rawls uses when he tries to convince us that there ought to be more economic (and political) equality between citizens. To get our moral perspective right we must think of distribution matters behind a veil of ignorance. And when we consider life from "the original position", that is when we are unaware of our own rank in the society we are about to shape, rationality requires us (or so at least Rawls argues) to support highly egalitarian institutions.<sup>1</sup> This

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1. Rawls assumes that in the original position individuals act like *Homo Economicus*: "A rational person is thought to have a coherent set of preferences between the options open to him. He ranks these options according to how well they further his purposes; he follows the plan which will satisfy more of his desires rather than less..." (page 143). But Rawls does not consider this as a good description of real citizens whom he pictures as being moral individuals who have impartial motivations in addition to personal interests. The point is that calculating egoists can represent real individuals if choices are made behind a veil of ignorance. The calculating egoist is therefore supposed to have the capability to understand and take into account (when institutions are created) the motivations of real citizens. He is supposed to acknowledge that real people have a sense of justice which he is denied in the original position. See Habermas (1995) for some critical remarks about Rawls' representation of the "original position".

argument alone does not justify compulsion. A rationalisation of our intuitive moral beliefs can perhaps convince us that we ought to redistribute more of our income to the poor, but not that it is right to do so by force. Alternatively we can accept the criteria that are used to judge institutions, but demonstrate that A has some beneficial consequences which are overlooked by those who prefer B. In this case we do not censure (or try to enlighten) their values but rather question their capability to sort out the consequences of the different institutions. This is how I shall argue. I shall try to show that public redistribution of income have desirable effects which, I believe, often are overlooked by those who are opposed to this institution.

*A taxonomy of social theories*

All predictions about the effects of social institutions rest on a theory of human agency. Institutions specify the incentives and opportunities that are available to people. The outcome of a specific design depends on *how* people act upon the opportunities and incentives that are available. It depends on the values and motives that move people to action. Hence, the evaluation of a specific social set-up, e.g. of having public redistribution of income, depends crucially on the concept of human agency we base our analysis on. As opposed to lesser animals, which are driven by instincts alone, we have the capacity to found our choices on a complicated, deeper and more social deliberation. We are able to consider our lives and projects from different perspectives, and hence to use different standards to evaluate our actions. These evaluative standards signify our values, they signify what we care for and aspire to accomplish. They give us motives for action.

There are probably no end to all the particularities we can appeal to in order to understand peoples conduct. It is, however, impos-

sible to include all elements that affect human behaviour if we want to analyse social phenomena. To theorise (as we must in order to analyse) a phenomenon essentially means to stand back and look at it from distance. Looking at something from a long distance enable us to stretch out a large terrain of territory. But we do not get this view for free, by standing back we loose sight of many of the finer details and particularities of the phenomenon we are interested in. Social theories look at social activities from a distance. They generalise and simplify, and they certainly overlook many of the finer details and particularities of human lives and behaviour. Simplification is, however, not a zero one choice. It is for example possible to classify social theories according to how much motivational complexity they take account of. There are two ways of making the motivational structure of individual behaviour more complex. One way is to increase the number of values and motives that affect individual behaviour. The other way is to increase the malleability of these values and motives.

|                          |           |                          |        |
|--------------------------|-----------|--------------------------|--------|
|                          |           | Plurality<br>of motives: |        |
|                          |           | Singular                 | Plural |
| Placticity<br>of motives | Fixed     | A                        | B      |
|                          | Malleable |                          | C      |

Figure 1: A classification of social theories based on how much motivational complexity they take account of.

Theories that belong to cell A try to explain social activities as the outcome of interaction between individuals who are guided by a single evaluative standard that is, who act on a single motive. The conventional economic model belongs here. It pictures individuals as

being moved solely by self seeking impulses. Furthermore, it presumes that the goals people pursue (the projects they fashion) are prefixed; they are taken as given and not to be explained by the theory. I shall start to discuss redistribution of income from this perspective. I shall try to answer this question: *are there any reasons why purely selfish individuals should be in favour of public redistribution of income?* I start with this question, but I do not dwell very long with the economic model. In my opinion it is too narrow to give an adequate description of how major political institutions affect social activities.

Clearly, starting with an uncomplicated model of man has its advantages. It enables us to give a precise description of the mechanisms which underlay social phenomena and to give explicit and pointed predictions about how a change in the institutional set-up affects the outcome of social interaction. It is for example much easier to predict how an institutional change affects social activities when individuals are guided by a single motive (A) than it is to predict the outcome when people are governed by an admixture of motives (B). The world looks even more disordered when peoples' motives are shaped by social institutions (C). Put differently, analytical precision and clarity require simplicity. But, as Sen so aptly pointed out, the danger of being too much concerned with precision is that our conclusions get "precisely wrong instead of vaguely right".

It is necessary to renounce a bit on precision when we pass judgements about (or simply try to describe) moral and political institutions. These institutions cannot be adequately understood unless we take account of the fact that most people are moved by many different (and conflicting) motives, and that the motives that spur social action are influenced by social institutions. Hence, to give an good description and

comparative evaluation of public redistribution of income (of the welfare state model) we have to go all the way down to cell C. I will end there, but I shall add complexity to the economic model in a stepwise manner. First I move to cell B in figure 1 and ask: *does the fact that people are guided by a multitude of conflicting motives give us any additional reasons for having public redistribution of income?* At this stage I do not examine the formation and expression of values and interests. I simply acknowledge that people are moved by an admixture of motives. A further complication is made in the succeeding section when I move to cell C and ask: *does the fact that values and motives are influenced by institutions give any additional reasons for having public redistribution of income?*

### **Redistribution of income in the economic model**

Almost all economic or game-theoretic analysis of social interaction builds on the presumption that people act rationally to advance their own narrow self interests. The term narrow indicates that people care solely about their own consumption of goods and services and (perhaps) their own social status. People are conceived psychologically as having only self regarding preferences; self-interest and selfishness are synonymous concepts in this model. We know from the Prisoners Dilemma and similar situations in which selfish individuals interact that individual rationality may generate collective irrationality, i.e. everyone can be better off if they jointly commit themselves to compulsive rules. This insight is not new with game theory, it was present in Hobbes' justification of using state power to regulate social interaction. He argued that an authoritative state is justified because selfish individuals need

compulsive rules to secure themselves against the violent behaviour of other selfish individuals. Modern game theory has provided us with a deeper understanding of why and how pre-commitment alters the equilibrium outcome of social interaction among selfish and independent decision makers. There are classes of games in which a possibility of making universal commitment to compulsive rules will produce a Pareto improved outcome. We can follow this route and show that compulsive redistribution of income is desirable because it solves collective irrationality problems that arise if redistribution decisions are made on an individualistic and voluntary basis.

*Redistribution as a Public Good.* Redistribution of income may generate effects which can be characterised as public goods. To see this, consider an example in which the rich care solely about their own wealth and security. They do not feel any direct concern for others who are less fortunate. There is, however, a connection between their own well being and the wealth of the poor since it is reasonable to assume that violence, crime and social riots are reduced if the poor are granted a decent living standard.<sup>2</sup> The well being for a “typical” rich person can be represented by a function  $u^R = f(I^R, I^P)$ , where  $I^R$  and  $I^P$  is the income level for the rich and the poor, and  $\partial f / \partial I^P > 0$ . In this society the rich have an incentive to give some of their income to the poor in order to increase their own security. But note that any contribution from a rich person to a poor person generate positive externalities because

all rich persons, not only the contributor, benefits from the increase in the poor receivers’ income. A voluntary redistribution system will therefore lead to under-provision of transfers.<sup>3</sup> The rich (and of course the poor) are better off with a compulsive redistribution scheme.

*Redistribution of income as a device to stop rat-racing.* Robert Frank (1985) has argued that forced redistribution of income can solve inefficiency problems which are prevalent when people are concerned not only with their absolute income level but with their status or relative income as well. It is then possible to end up in a materialistic rat race were everyone is trying to out-perform others. Forced redistribution of income might slow down this race and lead to a Pareto improved outcome.

*Redistribution and social insurance.* We do not choose our institutions behind a veil of ignorance. We have a fairly accurate estimate of our future social and economic position when we vote for different social arrangement. But there is enough uncertainty around to make it reasonable to consider the welfare state as some kind of social insurance scheme.<sup>4</sup> A third reason for supporting public redistribution of income is that social insurance is a “good”, which for various reasons will be inefficiently provided in a free and competitive market, and that a system based on compulsive social insurance will do better. For example can scale and scope advantages and lack of individual rationality (people typically underestimate the probabi-

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2. Another selfish reason that can explain the link between the well being of the rich and the living standard of the poor is that the rich experience it as disturbing or unpleasant to watch poor people.
  3. See Hochman and Rodgers (1969) for a discussion of the inefficiency of a system based on voluntary redistribution of income.
  4. The welfare state is probably best described as being a system which (to quote Sandmo (1995:471)) “combine the principles of insurance with time and state dependent redistribution”.

lity that they will become unable to earn their own income) be reasons for having compulsive insurance. Another important point is that this is a market in which asymmetric information is prevalent, and we know that this can impair the market mechanism.

To get the flavour of this argument, consider a competitive insurance market in which individuals have private information about their own probability of experiencing an income loss in the future. Let there be two types of people, high risk and low risk individuals. An individual's type is her private information. The best estimate an uninformed insurance company can make about individual risk is to use statistical information. In order to break even insurance companies must offer insurance at a price which reflects the average risk in the population. At this price the low risk individuals may prefer not to buy insurance. Does this mean that in a competitive market only those with high risk will be offered insurance? This can be the case. A less dramatic outcome is, however, possible. Sometimes there exists equilibria in which both high and low risk types are offered insurance, but they are offered different insurance packages. But also in such a separating equilibrium will there be a problem of under-coverage. Those with a low risk are offered incomplete or partial insurance in order to be separated from high risk individuals. It can be shown that everyone (both high and low risk types) may then be better off in an equilibrium in which all individuals purchase insurance at the same

price. The problem is, as we have indicated, that such a pooling equilibrium cannot exist in a competitive market. The only practical way to implement a pooling policy is by using state power to introduce a social insurance system based on compulsive taxation.<sup>5</sup>

These arguments illustrate mechanisms we should be aware of when we discuss the merit of different distributive arrangements. Certainly, I would present them to any person inquiring about the government's legitimacy to use coercion to redistribute income. But I would not stop here.

### Motivational complexity and redistribution of income

*Bitzer:* I am sure you know that the whole social system is a question of self interest. What you must always appeal to is a persons self-interest.

*Mr. Sleary:* There is love in the world, not only self interest after all, but something very different.

(*Hard Times* by Charles Dickens, quoted from Batson (1995))

The scope of the economic model is limited because it describes social activities as the outcome of interaction between self contained and selfish individuals. Important effects of having state governed redistribution of income which are therefore suppressed if we confine ourselves to argue within this perspective. I have no problems in granting the powerful and persistent force of self-interest in our lives, but I believe that as social actors we have the capacity to consider things from a moral point of view and to let our actions be guided by altruistic motives as well.<sup>6</sup>

5. See for example Hellewig (1987) for a general discussion of markets and information problems and Barr (1993) for a discussion of information problems and social insurance.

6. That people have a dual nature or view things from two standpoints, one personal and one other-regarding or impartial, is argued by many social scientists. By way of illustration: Margolis talks about the dual character of our preferences, the personal and the social part; Etzioni about our moral dimension; Binmore thinks that individuals include both Mr. Hyde and Dr. Jekyll, that is, *Homo Sapiens* is a mixture of *Homo Economicus* and *Homo Ethicus*.

In addition to pursuing our private projects we sometimes take an impartial standpoint and evaluate alternatives in the light of such agent neutral considerations as; the equity in income distributions, the protection of human rights, the prevention and sustainability of common resources etc. Incorporating conflicting motives gives additional reasons for having public redistribution of income.

*Conflicting motives and the benefits of making moral commitment*

Consider an individual who is not guided by self-regarding (selfish) impulses alone, but who in addition has other regarding (altruistic) motives. Let us say that she has decided that she ought to put a weight  $\alpha^*$  on her other regarding concerns. I shall soon return to the question of how she arrives at this decision. (In the next section I discuss how public redistribution of income fare when we take account of the possibility that this arrangement affects the determination of  $\alpha^*$ ). At this stage it suffices to say that this person, for purely altruistic reasons, aspires at allocating a certain share  $\alpha^*$  of her attention and resources to less fortunate people. (We can think of  $\alpha$  as the share of her income a person *actually* transfers to those who are less well off). From the proceeding section we know that there are selfish reasons for supporting public redistribution of income (even if  $\alpha^* = 0$  she may be better off with public redistribution of income). I shall now argue that living with dual standards can in itself be a reason for having public redistribution of income. The key idea is the desirability of making moral commitments.

*Moral division of labour.* It is difficult to live with double standards. It is psychologically exhausting to constantly have to evaluate our behaviour against two conflicting motivations; selfish interests and the interests of

others. A solution to this problem can be to make “a once and for all” commitment to rules which take care of our moral concerns. This is a solution Thomas Nagel (1991) elaborates in his recent book *Equality and Partiality*. Nagel discusses the design of political institutions in a society were people consider circumstances from two opposing standpoints. The aim is, he says, to design public institutions which enable us to externalise the most impartial requirements of our impersonal standpoint. He adds:

“An approach of this kind is not merely a way of balancing the claims of the two standpoints, because its object ideally is to make possible a more complete satisfaction of both of them, by altering the conditions of their expression, and allowing part of the self to expand into the surrounding world. If the most serious impersonal claims can be externalised and met through occupation of a social role, the individual can pursue his remaining personal aim within the framework with a good conscience”.

This, then, could be an argument for having compulsive redistribution of income. Compulsive taxation enables a moral division of work that makes it easier to live with both self regarding and other regarding standards.

*Implementing considered judgements.* A straightforward extension of the moral division of labour argument is to point out that the same type of commitment and externalisation can help us to implement our considered judgements. Maybe we feel that in everyday life we are bent to put too much emphasis on our personal interests. Too much, relative to how we evaluate matters in moments of deeper reflections. Due to weakness of will, ignorance or to some other factors we have a tendency to end up with choosing  $\alpha < \alpha^*$ . If we try to deal rationally with our own irrationality we should seek institutional frameworks that enables us to commit ourselves to rules which force us to

follow our reflective judgements. A democratic political system enables us to make this kind of commitment.<sup>7</sup> Hence, a desirable effect of public redistribution of income is that it enable us to live more in harmony with our higher values and aspirations. The general idea here is that we can use the political system to implement aspirations we do not manage to live up to as private consumers. There are strong evidences that the choices we make as political citizens are different from those we make as consumers.<sup>8</sup>

*A caveat: moral atrophy.* Can externalising our moral claims undermine our ability to perceive moral obligation and to make moral judgements? Can the institutions which enable us to pursue our “remaining personal aims within the framework with a good conscience”, actually undermine our moral motivation. As I shall explain below, I do not think this kind of moral atrophy is possible. But if there is such a thing as moral atrophy going on this will certainly put the arguments above in a dubious light. The point is that moral atrophy makes the institutions we design to externalise our moral requirements

unstable. The will to implement such institutions must originate from our impartial concerns, but if the institutions produce a negative feedback on moral motivation they may undermine these concerns. The institutions implemented at one time will therefore not be replicated later on. Put differently, moral atrophy implies that a moral division of labour will lead to a decrease in  $\alpha^*$  over time. Robert Goodin (1993) gives a review of what experiments done in social psychology can tell us about moral atrophy. The evidences are not clear, but they suggest that externalising moral obligations can lead to a decline in altruistic behaviour.<sup>9</sup>

Moral atrophy and its implications for institutional design points in the direction of cell C in figure 1. It illustrates the kind of question we ought to ask if institutions influence not only the opportunities and incentives that are available to individuals, but also their values and motives.

#### *Malleable motives*

So far I have discussed redistribution of income from a rational choice perspective. Values and preferences have been taken as

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7. This idea is nicely expressed in a poem called:

*Why I voted for the socialist ticket*

I am unjust, but I can strive for  
justice.

I am unkind, but I can vote for  
kindness.

...

Come let us vote against our  
human nature.

(Vachel Lindsay 1879 – 1931)

8. Cass Sunstein gives the following examples: “Some people may, for example, support non entertainment broadcasting on television, even though their own consumption patterns favour situation comedies, they may seek stringent laws protecting the environment and endangered species, even though they do not use the public parks or derive material benefits from protections for such species; they may approve for laws calling for social security and welfare even though they do not save or give to the poor;..”. For more about the ethical voter, see Goodin and Roberts (1971).
9. See also Alan Wolfe’s (1989) “Whose Keeper” for a discussion of how moral perception and our sense of moral obligation can be alienated in a society based on “too much market or too much state”.



given, behaviour as instrumental, and I have used the Pareto criterion to justify public redistribution of income. I have shown some reasons why individuals who want to allocate a share  $\alpha^*$  to the poor may be better off in a system with compulsive redistribution of income. The key idea underlying the arguments I have presented so far, is that public redistribution of income provides the means for making a binding commitment to a redistribution policy, and that making such a commitment is, for various reasons, beneficial. Nothing I have said so far justifies having *public* redistribution of income. If redistribution could be organised in a system based on individual commitment, for example if people could write a binding contract with their bank saying that  $\alpha^*$  should be deducted from their pay check every month, this would work just as well as compulsive taxation. In this section I shall argue that it is beneficial to have public redistribution of income because such a system enables us to form and act on reflected values. The focus is not on compulsion but rather on how redistribution within a political system affects moral deliberation (how it affects the process that leads to  $\alpha^*$ ). But before I turn to that problem I want to say something at a more general level about how malleable individual motivation alters our understanding of social activities and the institutions that govern these activities. It takes a while before I return to the central question of this section (which is: does the fact that values and motives are influenced by institutions give any additional reasons for having public redistribution of income?). Some readers may therefore, after a while, ask in what way the general discussion relates to

this specific question. I ask them to be patient, I try to pull together the threads at the end of the section.

*The formation and satisfaction of wants*

The rational choice model performs well in many contexts. But it is important to be aware that this model, precisely because it takes preferences as data and therefore considers all behaviour to be instrumental and success oriented, does not come at grips with a fundamental dimension of social life. This perspective has nothing to say about the formation and expression of individual values and preferences. Hence, it is silent about the part of our lives which concerns us most deeply, the part that sometimes keeps us awake in the night. The point here is that making choices between things we know how to value, which involve straightforward calculation to find the value of different alternatives and then to pick the one with the highest score, is not the only activity we engage in. A more basic, social and complex part of human deliberation is to figure out *how* (not only how much) we ought to value different factors. For most people this latter activity consumes much time and energy. Frank Knight puts it this way: "The chief thing which the common-sense individual actually wants is not satisfactions for the wants that he has, but more, and *better*, wants."<sup>10</sup>

There are, in other words, two activities going on when individuals with malleable motives interact in a social system: (i) individual values and preferences are formed (ii) individuals act to fulfil the interests and projects they identify with. If we want to give an adequate evaluation of social institutions

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10. Frank Knight, quoted from Stewart (1995:79) which is a good reference for a thoughtful discussion of the limits of rational choice models.

we ought to take account of how they perform with respect to both activities, and not only with respect to the latter as the rational choice model constrains us to do. By focusing solely on instrumental behaviour we get a distorted and impoverished understanding of social life. It is, I believe, particularly important to take account of the motivational effect of social arrangements when we consider some of the more fundamental principles and mechanisms that frame our lives. So, if it is proposed to use the market mechanism to solve a social problem that now belongs to the political domain (e.g. social insurance/redistribution), it is not sufficient to evaluate the effects of such a change solely in the light of how it alters individual incentives and opportunities. In addition we should ask what this solution does to individual values and motivation.<sup>11</sup>

#### *Social institutions and individual motivation*

To what extent one perceives that institutions affect individual motivation depends critically on how flexible one thinks the human mind is. One extreme view, held by many social scientists (save economists) is that, "the human mind is merely the indeterminate material that the social factor moulds and transforms".<sup>12</sup> According to this point of view we are born as *tabula rasa*; our values and motives are totally determined by culture. If that is the correct description of the human mind, we certainly make a serious mistake by ignoring the motivational effect of social design. Institutions will then play an important role in moral character building:

social factors will determine to what extent we are guided by self regarding or other regarding concerns. Or, in a more colourful language, according to this view it is nurture alone that determines whether we turn into a Mr. Hyde or a Dr. Jekyll. It is this view that lies behind the idea of moral atrophy which I referred to above (the point being that unless we practice moral virtues actively and regularly the underlying moral motives will slowly decay).

I believe this description of human nature is erroneous. It overemphasises the importance of nurture and disregards the impact of nature. By doing so it gives a far too optimistic view on how human motivation can be formed to avoid social problems. Institutions cannot, I believe, affect our *capacity* to feel sympathy, warmth and affection for our fellow citizens. We are not mouldable in such a fundamental sense, and building institutions based on such hopes may end in a disaster. Our minds are shaped in long lasting evolutionary process based on adaptation and selection. This process has hard-wired certain modules that constrain and give direction to the way social arrangements can influence human behaviour. Acknowledging nature's influence on our motivation is, however, not the same as saying that selfishness is the only impulse that makes us move, nor is it the same as saying that social institutions can only play a role as disciplining devices that can be used to align conflicting individual interests. It is well recognised that the principles of evolution are capable of having equipped us with the capacity to feel empathy

11. Note that when we discuss the effects that social institutions have on preference formation we are prevented from appealing to the Pareto criterion to justify a particular arrangement. The Pareto rule uses individual preference satisfaction to rank social outcomes. When preferences are shifting we have to decide which set of preferences that should be used to evaluate the desirability of social arrangements. We have to rank different values and preferences.

12. Emil Durkheim, quoted from Wright (1995).

and to have moral sentiments and therefore to act on other regarding and altruistic motives. Put differently, it is perfectly justifiable to claim that nature has hard wired both an altruistic and an egoistic decision algorithm into our brain. In fact recent studies in biology and psychology indicate that this is a good description of human motivation.<sup>13</sup>

How much elbow room does this view on human motivation grant social institutions; to what extent can social institutions affect our behaviour? I believe social factors play a role in determining behaviour by influencing (at least to some extent) which of the algorithms we apply when we engage in social activities. The voices of Mr. Hyde and Dr. Jekyll are hardwired into our brains, the social framing we operate within matters because it determines whose voice “we” are listening to.<sup>14</sup> This, I believe, is the basic mechanism through which social factors affect individual behaviour. Social institutions cannot change our underlying motivations. But they do have an impact on which motives we act on since they provide frames, structures and mechanisms which can either thwart or advance the impulses our brains are shaped to identify (e.g. egoism and altruism).

Here is an example which illustrates the kind of mechanism I am thinking of. There is a wealth of evidences showing that peoples’ propensity to help others in critical situations depends on the framing of those situations. Experiments show for example that people are more likely to render someone assistance if they have previously been exposed to

“helping behaviour”. The classic study of role-models-and-helping-behaviour was done by Bryan and Test (1967). They found that the chances that someone would stop and help a person (a woman) to change a flat tire increased substantially if this person recently had passed another car that got help. One way to interpret these findings, the right way in my opinion, is to say that the basic motivation for rendering assistance to someone who needs help exists inside our head alongside with the selfish motivation of getting home in time for dinner. Whether or not we recently observed helping behaviour does not change this underlying motivational structure. What it does is to put a spotlight on one part of our motivation: it tunes in on our altruistic algorithm.

Much in the same way I believe that the market will tune in on our egocentric and instrumental algorithm. Last summer there was a draught in England. The recently privatised water supply companies responded to the situation as they had done earlier when they were publicly owned; they appealed to people’s community spirit and asked them to restrain their use of water. The curious thing is that while such a plea to peoples’ good will had worked in previous years with water shortage, it did not this summer.<sup>15</sup> Why not? The point I am trying to make is that looking for changes in individual incentives and opportunities may not be the right place to start searching for an explanation. If peoples’ motivation is endogenous there is another explanation available. Privatisation of the public utilities have changed the institutional

13. See Wright (1995) and the references he gives, and Badcock (1994).

14. Robert Wright in his *Moral Animal* (1995:322) quotes two psychologists who claim that basic conflict – the basic discourse – is “between selfish and altruistic motivation, between pleasure-seeking and normative behaviour, and between individual and group interest. The functions of the id match the first half and the functions of the ego/super-ego the second half”.

15. Giovanni De Fraja made me aware of this example.

framework, and it is possible that this have changed the way people describe their options and what is at stake. Maybe people perceive that they have other obligations towards a public utility than towards a private company. Maybe privatisation of companies, or using decentralised market solutions more generally, nurtures egocentric and instrumental behaviour and suppresses other-regarding considerations (as, for example, the degree of community spirit)? This example has much in common with Richard Titmuss (1971) description of how blood donors reacted when the organisation of blood donation was changed from a system based on charity to one based on market principles (blood donations decreased as one began to offer payment for blood). If we use a model of interest calculation to understand blood donations (if we model donations as the outcome of a process in which individuals' optimise a prefixed preference function) it seems to be a good idea to introduce a market for blood if voluntary donations lead to an under-provision of blood. The argument goes like this: At a price zero  $n$  people found it worthwhile to donate blood. If this is too few the solution seem to be to increase the price a bit to attract those who requires a (small) positive price for their blood. Again, this argument overlooks the possibility that when blood becomes a tradable good – when it gets a price – then donating blood loses its essence of being a moral choice (it overlooks that introducing a market mechanism may lead individuals' to switch decision algorithms).

Can “privatising” the redistribution of income yield similar effects? Can a system based on voluntary and individualistic redistribution of income change peoples

moral perception and motivation? I believe so, and there are studies which suggest that the framing of the redistribution decision is important for determining what kind of distribution principle people will support. Some institutions or decision frames seem to stimulate moral perception while others discourage this kind of reasoning. In an interesting paper about “*Distributive Justice; What the People Think*” David Miller reports from various experiments done in social psychology. Some of these studies reveal that people assign *equality* less weight when they decide on distributive principles, the more *distant* and *instrumental* the relationships between individuals are. In these cases they put more emphasis on desert or performance as a principle for distribution of income.<sup>16</sup> Another observation is that people are more likely to favour equal distribution of resources if they *discuss* various distributive principles within the group. An explanation could be that when people engage in an argumentative process before they make their decisions, they are stimulated to make moral evaluations of their own claims. The general insight here is that communicative interaction (a public debate), which is oriented towards meaning and understanding, stimulates participants to enlarge their interpretative perspectives and force them to view things from a more other-regarding and moral point of view. Instrumental and success oriented interaction, on the other hand, will perhaps make us more inclined to make decisions based on the calculation of personal desires. If this is a valid interpretation it seems to be fruitful to say that communication or public deliberation changed the outcome (towards more egalitarian institutions), not because it altered the personal costs and

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16. See Miller (1992:560-561).

benefits of implementing the various alternatives, but because it altered the moral deliberation decision makers undertook before they made a choice between the alternatives.

The examples above illustrate two ideas. First, they indicate that social institutions may affect the economic outcome not only by changing individual incentives and opportunities, but also by having an effect on individual motives. As we saw, we may draw wrong predictions about the outcome of different social institutions if we ignore how they affect individual motivation. Second, the experiments discussed by Miller indicate how or why letting the market solve some social problem can twist our motivation towards the egoistic module. Again, the general point is that decision frames or institutions matter because they function like spotlights; some arrangements (for example having a public debate before a decision is made) highlight that many different values are affected by our choices, while others (for example a decentralised and individualistic market solution) might leave all but one evaluative standard in the dark. Changing our decision frames (imposing a market solution) can lead us to reformulate a decision problem which earlier was perceived to require a moral or ethical deliberation, into a pragmatic choice that can be solved by simple interest calculation. Before I go on to discuss this claim in more detail I want to illustrate the consequences these ideas have for the second welfare theorem in economics.

This theorem says that it is possible to separate the production of goods and services from their distribution. The market mechanism can produce an efficient output, which subsequently can be redistributed through lump sum taxation. All Pareto efficient resource allocations can be realised in this way. The second welfare theorem says, of course, nothing about peoples' distributive

preferences or motivation. It just states what is possible from a benevolent planners perspective. But if we are interested in the practical implications of this theorem we should of course take account of the fact that a redistribution policy must be approved by the people. If we do that we will see that the separation principle may not hold anymore. The reason is that the production process (the way we organise production) may have implications for how people think about distributive justice. The results reported in Miller's article suggest that an extensive use of the market, which is based on distant relationships (specialisation) and instrumental rationality, makes us less motivated to redistribute income. These motivational effects make it impossible (and not only because lump sum taxes are unfeasible) to separate production from the distribution of resources.

It is time to return to the theme of this essay and ask: why do the observations (if they hold water) I have made so far (about social institutions and the malleability of individual motivation) give us any reasons for supporting public redistribution of income? Is the argument simply that public redistribution is preferable because such a system probably leads to more redistribution than a market based system? This is of course a legitimate reason for supporting public redistribution of income. There is, however, a deeper and more fundamental reason why I find that the notion of a malleable motivation makes public redistribution of income desirable. The reason is that this arrangement provides the means for forming and acting on more rational values (or preferences). So far I have indicated that imposing a public debate upon a redistribution decision may have the effect of bringing lots of different arguments and considerations into the light (deliberations that will be left in the dark in a redistribi-

bution system based on market principles). My claim now is that rational moral decisions require an expansion of our interpretative perspectives. I shall try to explain and justify this claim in the remaining part of the paper. To do that I introduce the distinction between weak and strong evaluations of desires. I argue that moral questions (for example how and to what extent we should redistribute income) requires strong evaluations of desires and that a political system which is grounded on a public discussion of different alternatives may stimulate people to undertake such judgements.

#### *Weak and strong evaluations of desires*

According to the standard utility framework rational choices are based on a prudent calculation of the desirability of the different alternatives. To be able to make this kind of calculations we have to assume that all alternatives are in some sense commensurable. Our choices between the alternatives are then made solely based on weak evaluations, or on a simple weighing of the alternatives. The only thing we consider is the outcomes of different desire fulfilment. We do not consider the quality of our motivation; we do not assign different worth to our desires or to our evaluative standards. If we judge weakly and decide not to fulfil some desires it is not because we find them unworthy. We do not think in terms of worthy-unworthy. Desires are left unsatisfied simply because fulfilling them would draw on scarce resources which,

after an appropriate trade-off between various commensurable wants, we found could be used better elsewhere. Even weak evaluations are in a minimal sense reflective: desires are evaluated and scarce resources allocated to get the optimal mixture of desire fulfilment. But the degree of reflection is shallow and the judgements of desires weak, because people do not rank different desires qualitatively.<sup>17</sup>

There is an alternative decision making process which I believe gives a more appropriate description of how choices are made when we recognise that our conduct relates to different (and conflicting) evaluative standards. When we face serious moral questions it is natural to ponder over what beliefs, interests, wants and needs it is rational or legitimate to support. We are then just as concerned with *how* we ought to value various factors, as with finding out *how much* they should be valued. Our actions must then be based not only on calculation of preference satisfaction, but on qualitative judgements. Moral deliberation involves a deeper reflection about conduct than the notion of weak evaluations captures. It requires us to enter a process in which we start to question the worth of our wants, it requires us to act on the basis of a *strong evaluations of desires*.<sup>18</sup>

Note that difference between weak and strong judgements of desires refers to the way decisions are made, to the decision making process. The deliberation preceding strong evaluations is deeper and more expressive than the process preceding weak evaluations

17. Within the economic model it has been shown that individuals might strategically commit themselves to refrain to act on the spur of temptations. People are then handling their first order preferences in a sophisticated way, but they do not reflect in "depth"; they do not consider the worth of their desires.

18. It was Charles Taylor who introduced the distinction between weak and strong evaluation of desires. He developed this differentiation in order to develop Harry Frankfurt's insight that the genuine human factor is our ability to form second order desires: As a human being I can form desires which have my first order desires as objects and this gives me the power of self-evaluation, which is a genuinely human capability. Taylor's argument is that we get a better understanding of human agency if we distinguish between weak and strong judgements of desires.

of desires. "The strong evaluator envisages his alternatives through a richer language. The desirable is not only defined for him as what he desires, or what he desires and a calculation of consequences; it is also defined by a qualitative characterisation of desires as higher and lower, noble and base, and so on".<sup>19</sup> When we make strong evaluations we articulate why we choose to fulfil some wants; we have a language of worth. When choices are made in this way it is meaningful to talk about the rationality of our goals and aspirations, a notion that does not make sense if making choices is considered as picking things from a flat landscape. If we think no desires or motives as being more worthy than others, then all we can demand in the name of reason and rationality is that we select consistently among our desires and that we choose efficient means to fulfil whatever we desire. Strong evaluations of desires gives more depth to the rationality concept.

In my opinion moral decisions ought to be based on a strong evaluation of different desires. This then explains why I prefer public redistribution of income: How and to what extent we should take care of the poor and unable is a moral problem – moral problems ought to be solved on the basis of strong evaluations of the different alternatives that are available – a public debate stimulates the participants to engage in strong evaluations of their desires.

*Public discussions and strong evaluations of desires*

As I have used some time to explain, the rational choice model does not capture this exploring and searching aspect of moral decision making. In fact that model pre-

sumes that people already have formed their will when they engage in a political discourse. It is probably true that in most cases we have a fairly good grip of what we want. We have certain preferences and some information, but our preferences are incomplete and can be irrational and our information is notoriously ambiguous. In an argumentative or deliberative process there will be confrontation of different points of view, such confrontations (at least if they take place under favourable conditions) will provide more complete information and help us to form more rational interests and preferences. A political discourse may therefore make the formation and expression of preferences more rational by increasing the available information.

But a public discourse is not only a process of discovering facts, it is also a process in which different interests, claims, and points of view are defended and justified. The logic of public reason requires us to treat similar cases similarly because it is difficult to manipulate rules to personal advantage or to make ad hoc exceptions for oneself in an argumentative process. We have to appeal to general rules and principles that are impartial in the sense that others can refer to the same rules and principles when they argue their case. A public discussion of individual needs and responsibilities will force the participants to consider the worth of the different claims that strive for recognition. Those who engage in a public debate are forced to make attempt to transcend justification for their point of view by referring to something deeper than the mere liking of an alternative. They have to appeal to social standards and norms of appropriateness which are found only in a public space of

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19. Taylor (1985:23)

reason where different opinions are stated, criticised and defended. They have to make strong evaluations of different desires. While, on the other hand if a social problem is withdrawn from inter-subjective justification this entitle us to ignore (or takes the spotlight away from) any attitudes beyond taste, or mere liking, for choosing a particular course of action.

This effect of a public discourse have been recognised by many social-thinkers. Jürgen Habermas is probably the one who have worked out the most complete social or moral theory based on the notion of inter-subjective and communicative rationality. If I understand his communicative theory (and more generally the discourse ethical theory) correctly (as I may well not do) it is based on the idea that there is an internal logic in all types of communication which gives rise to a norm of equal and universal participation. It is not very clear what this means. Perhaps the argument is that if we operate within an ideal speech situation, in which everyone is given equal time and opportunity to speak their case, everyone is listening carefully, no one has vested interests to protect and so on, there will be some sort of universal participation and “ideal role taking”. Our actual political debate, however, takes place under far from ideal conditions. But even if I am sceptical to the ideal notion of a communicative process, I do believe that even under second or third best conditions there are positive effects of having a public debate. The idea is simple: There are certain completely idiosyncratic

claims that cannot be put forward in a public debate; there are certain things one cannot (for pragmatic reasons) state in public. Hence, a public discourse will function as a laundering of preferences.<sup>20</sup> So, even if a public discourse does not generate consensus based on “ideal role taking”, it provides the participants incentives to show more concern for others, for justice, and for public interests (common good).<sup>21</sup>

The negative interpretation of the laundering effect of a public discussion is that it only opens up for a sophisticated use of *self serving concepts of justice*. Elster (1983) for example, argues there are certain things that cannot for pragmatic reasons be stated in public. But this, he adds, only mean that participants in a public discourse “have to pay lip service to the common good”.<sup>22</sup> In later works he has spelled out in more detail how people (can) use impartial arguments strategically to further self interest.<sup>23</sup> This is of course true. One must be extremely naive to believe that every impartial claim which is uttered in a political debate is sincere in the sense that the arguments are not used strategically to further self interest. If we study a political discourse from the perspective of the economic model then impartial arguments cannot be interpreted as anything but hypocritical. If, however, we disregard the perspective that self interest capture all the space, then there is a possibility that an argumentative process can make different evaluative standards visible and intelligible and hence that it can encourage rational

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20. See Robert Goodin (1986)

21. Ottar Mæstad (1995) (chapter 5) gives an insightful and critical evaluation of the “willingness to pay” procedure for making environmental decisions. He argues, much along the same lines as I am here, that decisions based on a political discourse are likely to produce more rational environmental dispositions than the “willingness to pay” approach will. The same point is made by Cass Sunstein (1991).

22. Elster (1983:19).

23. See for example his article in this issue.



judgements of the alternatives that are available.<sup>24</sup>

### Concluding remarks

Maybe I should have started were I ended. In one way (chronologically) it would make sense to start to discuss how institutions affect individual values, and how we should deal analytically with this possibility. And then, based on the concepts and ideas developed there, I could go on to argue that one reason for supporting public redistribution of income is that such a system is better suited for making moral decisions than a market system is: a public debate provides a more suitable forum for moral deliberation than the market place does. Thereafter I could show that irrespective of the values and motives that we end up with (even if they are completely selfish) there are instrumental reasons for having public redistribution of income.

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24. A problem with the theory of "communicative interaction" is that (as far as I know) there exists no theory of the "second best" developed around the idealised notion of Habermas's "ideal speech situation". A second best theory is clearly needed if want to say anything about policy design within the existing political system (see Elster 1983).