

Aristotle:

"Justice in this sense, then, is complete virtue; virtue, however, not unqualified but in relation to somebody else. Hence it is often regarded as the sovereign virtue, and 'neither evening nor morning star is such a wonder.'"

Nicomachean Ethics

Adam Smith:

"If [justice] is removed, the great, the immense fabric of human society, that fabric which to raise and support seems in this world if I may say so has the peculiar and darling care of Nature, must in a moment crumble into atoms."

The Theory of Moral Sentiments

Defining the Goal

John Rawls:

"Justice is the first virtue of social institutions, as truth is of systems of thought. A theory, however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust."

A Theory of Justice

Defining the Goal

- In many theories of justice, respect - both social and self respect - occupies a central role
- Rawls includes in his list of primary social goods the social basis of self-respect: 'those aspects of basic institutions that are normally essential if citizens are to have a lively sense of their own worth as moral persons and to be able to realize their highest order interests and advance their ends with self confidence.'
- Nussbaum lists as one of her ten core capabilities:
'"having the social bases of self-respect and nonhumiliation; being able to be treated as a dignified being whose worth is equal to that of others'

The Nature of Human Nature

- "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it."(p.11)
- This opening line to the Theory of Moral Sentiments may seem a surprising way to start for Smith. Especially when we contrast it with his famous statement from the Wealth of Nations:
- "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our necessities but of their advantages."
The Wealth Of Nations, Book I, Chapter II

The Nature of Human Nature

- People are self-interested actors engaged in a social project. For Smith, one can build economic interactions and even societies on self-interest but we are endowed with sympathy that enables better societies based more on co-operation
- Behavioural economics games such as the trust game t as well - people do not act simply sel shly but take actions re ecting reciprocity
- This comes together in our getting our rewards - status and respect - from our role in the productive process (the common social project). Hume: justice is in its nature, useful - it is the way we divide up the results from the common project in order to make it sustainable.

Technological Change

- How does technological change and growth fit with this?
- It ought to be something we welcome since by definition it brings greater resources per person. It also potentially frees us up to act more on our social nature.
- That point is made in various versions of Utopia. In Edward Bellamy's *Looking Backward* (1888), the year 2000 is a utopia where everyone has the same amount of resources and everyone works the same amount of time. In *Utopia* (1884) by Thomas More, the year 2500 is a utopia where everyone has the same amount of resources and everyone works the same amount of time.

Is This Time Different?

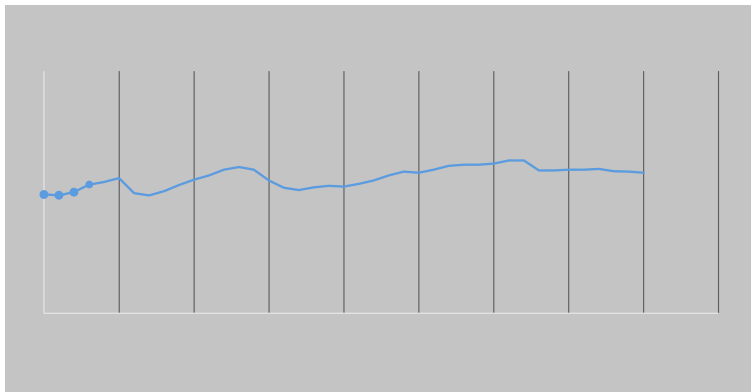
- The claim is that new technologies will mean the end of work.
- To the extent that we have tied our assignment of shares of the pie as well as respect to work, this would be a clear problem.
- Also, it is through the labour market that we have ultimately reassigned rents from past technological revolutions

Is This Time Different?

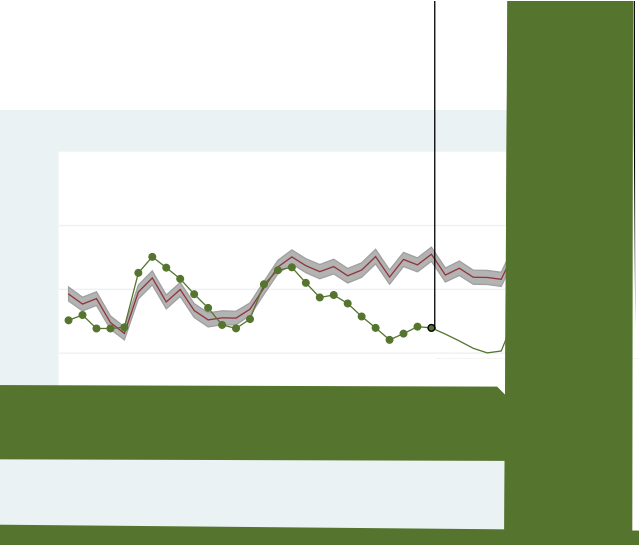
No

- The employment rate has not declined.

Employment Rate



Job Continuation Rate



Is This Time Different?

Yes

- The labour share of income has declined

Canada: Labour Share

Is This Time Different?

Yes

- The labour share of income has declined
- The new technology fits with the economics of superstars

Canada: Labour Share

Is This Time Different?

Yes

- The labour share of income has declined
- The new technology fits with the economics of superstars
- Inequality has increased sharply with the new technology - though not evenly across countries

Gini Coefficients

Is This Time Different?

- The answer may be yes but that doesn't mean the end of work
- Some

- There is growing evidence of the important role of rent sharing even in regular wage setting. Green, Morissette and Sand(2017) show spillovers from oil boom to other jobs and other provinces, implying a 15% increase in the mean wage in Cape Breton.
- This fits with evidence on the importance of between-firm wage differences for explaining overall wage dispersion and growth in inequality (Card, Heining and Kline(2014), Song et al(2016))

Responses: Tax the Rents

- Nozick *Anarchy, State, and Utopia*: redistribution almost always has elements of theft and violation of liberty
- If a distribution was obtained through just transfers starting from just initial holdings then it is just
- Not a doctrine to use on its own ('rst nations issues with 'just initial holdings' (Varian(1974)); how are externalities viewed; basing justice on the luck of initial holdings;)
- But we should operate with the core point that we should pay attention to both sides of redistribution: that taxation may violate legitimate expectations of people who have 'played by the rules' and infringes on their liberty.
- Focusing on rents is not an answer for Nozick but may be a response for the rest of us

Responses: Tax the Rents

High end incomes

- In

SmallIn

Resource Rents

- Resources could be part of Canada's solution but the associated rents have been squandered by provincial governments buying popularity
- Tax carbon

Responses: Tax the Rents

Labour

- Argued earlier that wages contain a significant element of rents distributed through bargaining
- Strengthening workers' hands at the bargaining table is effectively taxing and redistributing rents in one step.
- Has the advantage of government not having to try to figure out the size and location of rents
- Resources were redistributed to some extent through this route in the last boom (Green, Morissette and Sand(2017)). This helped Canada get through the troubles of other advanced economies in the 2000's and could be helpful in the future.
- Fits with arguments about delivering individuals both income and respect. Harder to take away than public transfer benefits.

Responses (Expenditures): Universal Basic Income

Downsides:

- Redistribution without paying attention to the fundamental issue of the desire for respect obtained through taking part in production. What matters is not just your share but how you acquired it.
- Long term inequality outcomes? Nozick and the Wilt Chamberlain example (back to the economics of superstars)

Responses (Expenditures): Social Wage

- Sen and Nussbaum: need to provide the bases of effective freedom through access to wide set of important functionings: health, security, feeling productive, self and social respect.
- Public provision of health and education and as an effective guarantor of basic resources and housing.
- Delivering these in kind reduces (though does not eliminate) the disincentive effects associated with income transfers.
- Be careful about assuming that delivering education can both provide this service and solve inequality.
- A focus on effective liberty and respect may imply specific attitudes toward provisions in this area, e.g., providing basic training at older ages is not economically efficient but may be just

Conclusion

- Define inclusive growth as giving primacy to moving toward a

- Pre-distribution through labour market policy may not be the