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Distributive Justice and Social Policy

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Distributive Justice and Social Policy:
Some aspects on Rawls and income distribution

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Summary

The article adapts the Rawlsian idea of decision-making behind the veil of ignorance in the realm of income transfer systems. As rational decision-makers we would plan a society where the incidence of poverty is low, differences in the level of living between life cycles are small, income differences between the rich and poor are modest, income mobility from poverty to non-poverty is high, and where the living standard of the poor is decent.

The results show that income mobility is not greater in those countries which have wide income differences, nor is the situation of the poor any better in countries with huge income disparities than that of the poor in other countries. Cross-national comparisons indicate that high poverty rates are not associated with more rapid income mobility and higher standards for the poor.

Key words

Justice, income distribution, poverty

Introduction

Everyone probably agrees that justice should be one of the most central principles of institutions responsible for distributing societal resources. Justice in redistribution is a matter of finding the right balance between duties and entitlements, of having the proper ratio between benefits and burdens. We can quite safely assume that there is general public agreement on this as well. What soon splits the consensus is putting the principle of just distribution into practice. What should be distributed? To whom? How much? Even a quick glance at politics – the Primus motor of distribution of common resources – shows that all sorts of distributional demands are being backed up by calls for justice. Justice is in everyone's bag of tricks. (See also Goodin 1988 and 1993; Arthur and Shaw 1991; Campbell 1990; LeGrand1991; Miller 1976; Nussbaum and Sen 1993; Smidtz and Goodin 1998)

One way to guarantee impartial and just distribution is to follow the rule, "He who slices the pie chooses last." This principle has worked successfully in small-scale apportioning, from dividing ice cream at children's parties to splitting a moose carcass among hunting partners. It is assumed that since the one who does the slicing must choose her/his portion last, s/he will try to divide the pie as equitably as possible.

This method can generally be used with success whenever the goal is to divide goods or benefits into equal portions but in most societal issues, however, distributive equality is not a pragmatic solution: it might be more justifiable to give more to some, less to others. In such cases, the method may be used in a somewhat modified version, of which John Rawls's *A Theory of Justice* (1972) offers an example. For the present paper there are three different notions in Rawls’s concept of justice that are relevant: 1) the original distribution of primary goods behind 'the veil of ignorance'; 2) the requirement that the institutions or positions that produce inequality are open to all; 3) the difference principle that allows for inequalities under specific conditions.

(1) According to Rawls's proposition, a maximally just society would be one planned by rational and mutually self-interested people ignorant of their own future status in that society. The decisions about how and on what basis societal goods should be

distributed would thus be made in this hypothetical societal planning situation 'behind the veil of ignorance,' which would also conceal what personal qualities (e.g. talents) each of the planners would possess in the society to come. This would guarantee that no rational planner in the original position would propose or accept unreasonable differences in citizens' benefits, knowing that s/he might be the one who gets the last slice of the pie. For example, no rational person in the original position would be likely to accept that all society's income goes to only one person or to the wealthiest stratum (as this would most probably be someone else than the choice- maker her/himself). This principle is an adaptation of the "cake slicer" principle, aimed at blocking solutions that would place the planners in the worst possible lot.

(2) Rawls's second condition of justice involves openness of positions and institutions that create inequality. Whatever differences rational decision-makers behind a veil of ignorance would allow in the society being planned, they would also be very likely to want to incorporate in it mechanisms which would enable individuals to rise above any initial disadvantaged positions. Difference-producing institutions would be accessible to everyone; society would be a society of open opportunities.[1] No one would be doomed to the same miserable position for life and everybody should have the possibility to compete on equal terms, i.e. there would be a fair equality of opportunities.

(3) A third basic condition of justice set by Rawls is the so-called difference principle, according to which societal inequalities are allowed, providing that they also profit the disadvantaged. Income differences, for example, are acceptable on the condition that they cause people to work harder, and because of this hard work, national wealth is increased more rapidly and the increase will gradually diffuse also to the worse-offs. Thus inequalities generate growth and improve the circumstances of the poor. Likewise, it would be fair to give seemingly unreasonable wages to a doctor working in a poor country, as long as this encourages the doctor to work harder and thus improve the lot of his extremely poor patients. Because of the aim of maximising the situation of the worst-offs in society the difference principle is sometimes also called the maximin principle.

[1] There are problems involved in the demand for equal opportunity. Should children in disadvantaged circumstances be provided with better educational services than those in better initial circumstances? Should so-

The purpose of this article is to present preliminary considerations of how Rawls's ideas might be adapted to empirical comparison of social policy systems in different countries. In the spirit of Rawls's idea of decision-making processes behind the veil of ignorance, we can imagine a situation in which we are allowed to choose the country in which we want to live, but we cannot choose the particular circumstances in which we will be living. We can assume that we, as rational beings, want to guarantee our chances for a maximally satisfactory life in a society that, in Rawlsian terms, promises justice as fairness. As we don't know either in which phase of the life cycle (infancy, adulthood, old age etc.) we would be placed in the country, we would probably inspect conditions of life in all those phases of life. As rational planners behind the veil of ignorance we would not accept such a distribution of income where all income is given to the highest stratum while the others are getting nothing, neither would we accept that all income is gathered by people in a certain phase of the life cycle, e.g., by the middle-aged, whereas the young and the elderly are left in poverty. To put this at a more concrete level, we would probably plan a society where the incidence of poverty is low, differences in the level of living between life cycles are small, income differences between the rich and poor are modest, income mobility from poverty to non-poverty is high, and where the living standard of the poor is as high as possible.

Before we proceed further some words of warning are warranted. I am aware, to be sure, that the Rawlsian approach to justice is only one among many (see e.g., Nozick 1974; Miller 1976; Macintyre 1981; Walzer 1983; Sen 1992; Cambell 1988; Roemer 1996), and that Rawls does not reflect in much detail on the central issue of how socio-political benefits and burdens should be divided in order for justice to be served. The 'justice as fairness' principle Rawls advocates does not give much pragmatic guidance. Neither is the maximin principle unambiguous: how could we e.g., know when the lot of the most miserable members of society is maximised? What is the counter factual situation, which the present situation should be compared with? What is the time span studied? I am also quite aware that my comparisons do not represent all countries equally, as much depends on the indicators chosen and the value systems behind them. Moreover, cross-national comparisons as those in this article can be blamed for solely using quantities that are reasonably easy to measure, such as incomes and

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called positive discrimination be used to compensate for the discrimination some groups, e. g . racial minorities, income-based poverty, whereas such essential factors in life as happiness and love that make our lives worth living do not easily lend themselves to comparative analysis (however, for interesting analyses, see Veenhoven 1999) – and it is sufficient to stress that these indicators do not necessarily coincide with the material standards. The reason is a simple one: the state can to some extent transfer incomes and other forms of material well-being from one group to another or from one life phase to later phases, but the state cannot guarantee a happy and satisfied life.

Furthermore, my treatment probably does not follow the Rawlsian ideas in their full richness. A full account is probably totally impossible or it would be the stuff of a book, or rather, the stuff of many books, that can take into consideration different aspects of Rawls as well as different problems attached to international comparisons of the performance of social policies, problems like the comparability of data, intervening contextual factors contaminating our results etc. Therefore, the subsequent comparisons must be seen more as a heuristic device to try to seek possibilities to evaluate highly theoretical philosophical issues in international comparisons of social policies.

While conscious of these limitations, I have tried to select social policy indicators from the three life cycle stages – childhood, adulthood and old age – following the Rawlsian idea of overlapping consensus (Rawls 1995), i.e., people coming from different cultures and varying circumstances could accept them as a fair “rules of the game”. Since our indicators correspond to those dimensions of human development that the United Nations (e.g. 1998) apply, we can assume that the subsequent comparisons have at least some indicative cross-national importance and display in what directions we should possibly proceed.

To assess welfare in adulthood, a set of indicators on income distribution will be used. As stated above, Rawls does not consider inequality to be unfair as long as all people have equal opportunity to use the mechanisms that produce it. In the absence of such equal opportunities, there is no justice. To understand welfare broadly, we thus have to look at the degree and patterns of social mobility in different societies. Does parents'

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women, etc., might have experienced (see LeGrand 1991; Arthur and Shaw 1991)?

economic status ordain the children's status? To what extent is success determined by one's own hard work?

After childhood, individuals are in their old age again very vulnerable and dependent on the help of others. The success and justness of a nation's social welfare system can be measured primarily on how it is capable of supporting those in the most disadvantaged circumstances. In examining old age, a good initial measure is the incidence of poverty among the elderly, which should be eliminated by pension security. As indicated above, income differences can be considered fair on the assumption that the promise of higher earnings makes people more enterprising, which in turn adds to national wealth, which for its part benefits the poor: "the tide lifts all boats" (Schmidtz 1998). In international comparisons of poverty and inequality, this would allow us to accept higher poverty rates in countries in which the poor have a higher real standard of living than the poor in the other countries under comparison. In this case there is some kind of trickle-down effect that fulfils the difference principle: although poor in their own (rich) country, these poor are relatively well-off in comparison to other (poorer) countries with less poverty (see e.g. Atkinson 1998). With this in mind, not only poverty rates but also the median income levels of the poor in different countries have been included in the comparisons below (cf. Rainwater & Smeeding 1995; Bradbury & Jäntti 1999). If this kind of trickle-down theory is valid in international comparisons, we would expect to find a strong positive correlation between the poverty rates and the absolute income levels of the poor.

In the following comparisons, country names will be used as shorthand indicators of different social policy solutions. In other words, if we are e.g., arguing that Belgium performs well when it comes to the poverty rates among families with children we are simply saying that the Belgian institutions guaranteeing livelihood to families are comparatively speaking of good quality. Because of space considerations, we must unfortunately content ourselves with this little. It is the task for future research to try to open the black box of the country names and to unravel the impacts of institutions (see e.g., Forssen 1998; Kangas and Palme 1998; Korpi and Palme 1997; Bradbury and Jäntti 1999).

Data

Income data used in this study is derived from the Luxembourg Income Database (LIS) that contains commensurate information from over 20 countries (see Smeeding, O'Higgins and Rainwater 1990). Each country's data-set includes accurate information on 2,000 to 16,000 households' income and income formation, i.e., how much of their income consists of salaries, capital or business income and various kinds of received and paid redistributive sources. Also, for each household, information is available on the essential structural features, such as the type of household, age of provider, number of children, and numbers of wage earners or recipients of other income, as well as educational attainment, profession and social group of the provider. In practice, the LIS databank makes it possible to compare income distribution and poverty flexibly by using micro-level data that has been homogenised, “lissified”, to improve comparability.

Despite the efforts to make the different variables as uniform and commensurate as possible, the LIS data are by no means unproblematic. In some countries income data is based on registers, while data for other countries is obtained by surveys. Probably the most severe problem is the narrow meaning of “disposable income”. The way the concept is usually used (also here) does not take into consideration differences in costs of housing, health care, education, care of the elderly etc. In some countries all those areas are free or subsidised, whereas in other countries people must pay fully for services, and consequently, the results would to some extent be changed. Closer analyses show that the inclusion of social services in the picture of diposable income to some degree alter the picture but do not disqualify conclusions, i.e., the concept of “disposable income” is narrow but not necessarily misleading or totally erroneous (for a closer discussion, see Smeeding & al. 1993; Saunders 1994). In their analysis of the impact of social services, Smeeding & al. (1993, 255) conclude that the inclusion of non-cash benefits does not yield results that are markedly different from those obtained by previous LIS-research based on cash income. Moreover, purchasing power parities (PPP) are one way to try to overcome the problems attached to cross-national differences in price levels of goods and services. (pros and cons of PPP approach see Bradbury and Jäntti 1999, 77-80).

For the sake of simplicity and space considerations, we restricted ourselves to the most commonly-used definition of poverty, defining as poor those persons whose disposable income falls below 50% of the median equivalent income (using the OECD equivalence scale) of the population in any given area being investigated. By utilising these common methods we also share the advantages and disadvantages of such approaches (for a closer description, see Mitchell 1991; Saunders 1994; Kangas and Ritakallio 1998). In order to check the sensitivity of the results, we also run separate analyses for poverty lines of 40% and 60%. The level of poverty of course changed but the rank order of the countries was pretty much the same. Therefore, we report only results for the poverty line of 50% of the median income.

Material well-being in childhood

A study of poverty risks related to life cycles is sufficient to start from childhood. What kinds of material standards do different countries guarantee for families with children? What are the statistical risks of poverty in different countries? This kind of inspection is important for several reasons. First of all, poverty kills. Social inequalities are reflected in infant mortality rates: the higher the degree of poverty in a country, the higher the infant mortality (Wennemo 1994).

Poverty rates and median incomes for the poor displayed in Table 1 pertain to 1991. Since data for different countries are derived from different years (data for Australia, France, and Germany is from 1989; data for Canada, Finland, the Netherlands, Norway, the U.K. and the U.S.A. are for 1991, and data for Sweden is for 1992) by utilising real GDP per capita year to year percentage changes (OECD 1997a: 50) we devaluated national median incomes for the poor to correspond to the 1991 situation. Thereafter we transformed national currencies into US dollars by using both the exchange rates and purchasing power parities, PPPs (OECD 1997b: 162-163).

The poverty rates depicted in the table can be interpreted as the likelihood that someone to be born in a certain country in random circumstances will have to live her/his childhood in poverty. In our sample of countries, the average poverty rate is 10.3%, i.e., every tenth family with children is living in poverty. As can be seen in the table, there is some variation between countries. In the Nordic countries, less than five percent of families with children are below the poverty level, which in practice means that every twentieth child is living in a low-income family (poverty risk = 1/20). At the other end of the continuum, almost every fourth child in the U.S. is poor by income standard (poverty risk = 1/4). Thus, the relative poverty risk in the United States is five times higher than in the Scandinavian countries. Interestingly enough all the English-speaking nations display very high poverty rates for families with children, indicating that family policy measures in those countries are not so well-developed as in other countries.

Table 1. Poverty rate (%) among families with children in 1991 and the median income of poor families, in US dollars using exchange rates and purchasing power parities.

Country	Poverty rate %	Exchange rates		Purchasing Power Parities	
		US$	USA=1.00	US$	USA=1.00
Australia	14.0	3584	0.81	3359	0.76
Canada	14.7	5393	1.22	4791	1.08
Finland	2.9	7010	1.58	4485	1.01
France	8.1	4229	0.95	3654	0.82
Germany	5.4	5441	1.22	4301	0.97
Netherlands	6.7	5004	1.13	4201	0.94
Norway	4.8	7114	1.60	4789	1.08
Sweden	3.6	6820	1.53	4055	0.91
U.K.	18.8	4263	0.96	3794	0.85
U.S.A	24.0	4447	1.00	4447	1.00
Mean	10.3	5331	1.20	4188	0.94
St.deviation	6.8	1205	0.27	451	0.10
Correlation with the poverty rate	-	-.69	-	-.14	-

It can be argued, of course, that using national poverty rates that are derived from national income distributions and national poverty lines does a disservice to rich countries such as Canada and the United States. The income level at which a family is deemed poor in these wealthy nations might correspond to the medium, if not high, income level in a less well-to-do country. To take this into consideration, Table 1 also includes the median income level of families classified as poor. Moreover, the income levels of the poor in other countries are presented in relation to that of poor families in the United States.

There is also an additional reason to present absolute income levels for the poor in different countries. The general Rawlsian idea might be that proportional differences displayed in the poverty rates would be acceptable if they were connected with higher material standards displayed in the absolute income levels of the poor households. In other words, the difference principle would allow higher proportional poverty rates for a country if the real income level of the poor in that country would be higher than in the other countries. To fulfil this criterion, income levels of the poor should be higher in countries with high poverty rates, i.e., the correlation between poverty rates and absolute income levels of the poor should be clearly positive.

As can be seen in Table 1 the picture of the level of income depends on the method of converting national currencies into US dollars. As a rule, all other countries will lose in comparison to the U.S. if PPPs are used instead of exchange rates. PPP-transformations also squeeze cross-national differences: the standard deviation in exchange rate transformations is 1205, whereas it is as low as 451 in PPP-figures.

In some cases the PPP and exchange rate calculations give substantially and strikingly different results. For example, according to exchange rates the income of the poor in the Nordic countries is 1.5 times higher than that of the poor in the United States, whereas in PPP comparisons, poor American families perform much better in the international comparison and they have about the same income level as the Norwegian, Canadian, Finnish, and the German poor.

Obviously the exchange rate conversion tends to neglect high costs of living and exaggerate material well-being in the Scandinavian countries, while the PPPs tend to neglect the value of free public services and to exaggerate the level of living in countries with small public sectors and low taxes. Moreover, PPPs are based on an assumption on a certain consumption basket and the underlying assumption is that the utilisation of the basket is evenly distributed in society (see e.g. Bradbury and Jäntti 1999). In reality this is seldom true. The more uneven the income distribution, the more erroneous the basket procedure is to describe the situation of the worse-offs. Therefore, the true picture of purchasing power is probably found somewhere in between the two currency conversions.

In sum, if the rational soul were making its choice on the basis of Table 1, the rational pursuit of maximal security would draw it toward countries with low incidence of poverty and relatively high standard of living of the poor. According to the exchange rate figures, the answer is quite clear: In the Nordic countries, the likelihood of being poor is the lowest and the absolute income level of the poor is the highest. The situation is a bit different if our choice is based on PPP figures. The income level of the Nordic poor is no longer better than that of the Canadians or the Americans. However, other things being equal, the lower probability of being poor in the Scandinavian countries would again veer one towards these countries.

The correlation coefficients indicate that the Rawlsian difference principle is neither fulfilled in exchange rates comparisons (r=-.69) nor inspections basing on the PPPs (r=-.14). The results indicate that in international comparisons it is hard to justify high levels of poverty by referring to the difference principle.

Inequality and fair opportunity

The above and subsequent discussions on poverty are linked in broader terms to societal inequality and distribution of various societal goods. Rawls's purpose was to demonstrate the concept of social justice by the hypothetical original position in which rational people, ignorant of their own situation in the scheme of things to come, would determine the distribution of goods (for discussion on the interconnections of justice, morality, and rationality, see for example Gauthier 1990; Hardin 1988). Since a single planner does not know her/his own lot, the key assumption would be that allocation of goods behind the veil of ignorance would not produce huge inequalities. Again, it is interesting to contrast the factual situation against this hypothetical thought experiment. How much inequality has then been created by actors designing distribution without a justice-inducing veil of ignorance? In Table 2, data on income distribution is displayed. The measure is the so-called Gini coefficient (multiplied by 100). The Gini values range from 0 to 1, 0 indicating that all income is distributed completely equally between income receivers, and 1 indicating that the richest person collects all the income (see also OECD 1995; Gordon and Spicker 1999). The most intuitive interpretation of the

Gini coefficient is as follows: “If we choose two people at random from the income distribution, and express the difference between their incomes as a proportion of the average income, then this difference turns out to be (on average) twice the Gini coefficient: a coefficient of 0.3 means that the expected difference between two people chosen at random is 60 per cent (2*0.3) of the average income.” (Raskall and Matheson 1992: 11).

In the 1980's and the 1990's, the most equal income distributions are found in the Nordic countries; the Central European countries are mid-range, and the most unequal income distributions in the OECD countries are in Switzerland, Ireland and the United States. Even large differences in the developed countries of the West were reasonable in comparison to those in the former socialist countries, with the exception of the Czech Republic (see also Lauristin and Vihalemm 1997: 118)

Table 2. Income inequality in some countries in the 1980s and 1990s (gini coefficient*100).

Country	Mid-1980s	Early 1990s	Mid-1990s
Australia	29.5	31.0	31.7
Belgium	22.8	23.5	23.0
Canada	28.9	28.6	28.6
Czech Republic	-	20.8	-
Denmark	25.7	24.0	-
Finland	20.7	22.3	22.6
France	33.0	32.4	-
Germany	25.0	-	30.0
Hungary	-	28.9	35.2
Ireland	-	33.0	-
Israel	30.9	30.5	-
Italy	31.0	29.0	34.6
Luxembourg	23.8	23.9	23.5
Netherlands	28.2	27.2	31.0
Norway	23.4	23.4	24.2
Poland	-	29.1	32.4
Russia	-	44.0	47.0
Spain	-	30.9	-
Sweden	22.0	22.9	22.2
Switzerland	32.3	-	-
UK	30.4	34.0	34.6
USA	34.1	34.2	36.9
Source: LIS.			

In his classic study on poverty in York, Seebohm Rowntree (1981 [1901]) demonstrated that poverty is a life-cycle phenomenon. According to Rowntree, families with children often had to live in poverty. After the children had grown up, started to earn their own incomes and finally left their childhood home, parents in the so-called 'empty nest' stage experienced a higher level of material comfort, until the decreasing capacity to work in old age resulted in an ebbing of income and a new period of life under threat of poverty. Although the emphasis in this article is on the vulnerable stages of early childhood and old age, the period of financial comfort of childless adults is also interesting. Since the rational planners in the initial position would not know in which phase in the life-cycle they would be placed, we would expect that in the planned society conditions for well-being would not vary very much between phases in the life-cycle. Thus, from a Rawlsian perspective poverty strongly related to the life-cycle can be regarded as unjust. Therefore, it is important to take a short look at the economic well-being of those households living in the “empty-nest” phase of life and compare their economic well-being to the well-being of families with children, and the elderly. In Table 3 the poverty risks as well as absolute income levels of childless people in the age bracket of 45 to 65.

As a rule, in all countries the poverty risk among those in the “empty nest” phase is lower than among families with children (the only exception is Finland), and consequently the overall poverty risk is lower (mean for the ten countries is 4.8%) than among families with children (mean is 10.3%). Although the “empty nest” poverty rates in the United Kingdom, the United States and Canada are much lower than poverty rates among families with children, adult poverty is the most prevalent in these countries, and least common in Germany, the Netherlands, and in the Nordic countries.

Table 3. Poverty rate (%) among households in age groups 45 to 65 without children in 1991 and the median income of poor households, in US dollars using exchange rates and purchasing power parities.

Country	Poverty rate %	Exchange rates		Purchasing Power Parities	
		US$	USA=1.00	US$	USA=1.00
Australia	4.6	3878	0.94	3634	0.88
Canada	7.7	5882	1.43	5226	1.27
Finland	3.2	6578	1.60	4209	1.02
France	7.7	3974	0.96	3433	0.83
Germany	3.7	5420	1.32	4285	1.04
Netherlands	2.1	4686	1.14	3934	0.95
Norway	0.7	6633	1.61	4466	1.08
Sweden	2.1	5641	1.40	3422	0.83
U.K.	7.3	4162	1.01	3704	0.90
U.S.A	8.9	4120	1.00	4120	1.00
Mean	4.8	5097	1.24	4043	0.98
St.deviation	2.7	1016	0.25	522	0.13
Correlation with the poverty rate	-	-.59	-	.06	-

The results in the comparison of the absolute income level of the poor are again highly dependent on the currency transformations. According to exchange rates, the income level of the Scandinavian poor in this category is highest and about 1.4 to 1.6 times higher than that in the United States. Moreover, it seems to be that the higher the number of poor people in a country, the worse off they are in comparison to the poor in other countries. However, when using PPPs the difference in favour of the Nordic countries disappears and now the Canadian poor seem to be in the best position. Consequently, the negative correlation between the number of poor and the income level of the poor turns out to be slightly positive but nevertheless it is far from significant and fails to support the trickle-down theory.

Looking at Tables 2 and 3, rational choosers attempting to minimise their risk of landing in a position of low income (other things being equal) would choose one of the Nordic countries. Of course, minimising the risk would also make for a lower margin of profit: while the Nordic countries do not have dire poverty, neither do they have magnificent riches that may be found in some other countries. The choice of the country by a rational choosher would partly depend on their willingness to gamble and take risks.

They may want to bet that life as a median Swede would be like a Volvo station wagon: a bit clumsy to steer but absolutely safe and secure. Or they might play for higher stakes, choosing the United States in hopes of becoming Rockefeller Junior the Umpteenth – and consequently, taking the risk of being born as the fourth child of a single non-white mother. Here it is sufficient to add that in the United States about 60 percent of single-parent families live in poverty, whereas the corresponding figure is less than 5 percent in the Nordic countries (for a more detailed analyses on poverty risks for different family types, see Jäntti 1995; Ritakallio 1994; Forssen 1998).

It should be emphasised that inequality per se is not necessarily unjust or unfair (for a fuller discussion, see Saunders 1990: 81-83; Hedey & al. 1999). Much depends on the mechanisms that produce inequalities. Some people work harder, educate themselves, take better use of their resources etc. Therefore, it is justifiable that some people deserve more than others do. That is why Rawls is nowhere near as enthusiastic a proponent of greater equality in the distribution of societal goods as the Scandinavian public opinion is[1]. According to Rawls's concept of justice, inequality is acceptable under certain conditions. First, it is acceptable if based on factors that do not differentiate between people. Even large income differences are permissible if the institutions producing such differences are equally accessible to all. If income differences are based, say, on educational attainment, and education is available to everyone, wage differences may be seen as justified. Equal opportunity guarantees justice (see also Marshall 1997: 178-197). Thus, justice is a virtue of an open society. In order to get a clear idea of poverty, it is therefore not enough to look at cross-sectional data, but longitudinal data on poor families need to be investigated as well. What opportunities are there to rise from a disadvantaged position to a better one?

[1] Attitudes to inequalities are culturally determined, of course. In some cultures, inequality is seen as a minor problem, and in others, the ethos of equality is a dominant force. Graubard (1986) noted that Scandinavians have 'a passion for equality.' In a cross-national attitude study, Svallfors (1997) found this to be true for Sweden and Norway where 54% and 60%, respectively agreed with the statement that it is the responsibility of the government to reduce income differences. A similar passion exists in Finland as well: as much as 70% of the Finns think that the most important task of the government is to narrow down income differentials (ISEA 1995). The corresponding figures for the ”liberal” countries such as Australia (43%), Canada (48%), New Zealand (53%), and the USA (38%) are lower.

One way to measure openness of a society is to investigate generational income mobility, i.e., the degree to which parents' levels of income determine children's incomes. A strong correlation would indicate that societal institutions are not particularly open. Home background is a discriminating factor. Therefore, Rawls's condition of openness is not met, and inequality is unjust. This condition is particularly pertinent in comparisons between countries with equal income distribution and countries with unequal income distribution. If income mobility is higher in the United States with its higher inequality than in the European countries with lower levels of inequality, the high degree of inequality in the States revealed by cross-sectional analysis could be forgiven in assessing the overall justness of the society. Correspondingly, if the European equality displayed by the cross-sectional analysis is a permanent phenomenon and linked to a closed system of mobility, we are dealing with injustice despite the low level of poverty at the cross-sectional level of analysis.

The problem in examining generational income mobility is that long-term successive data on parents' and children's incomes are scarce. Consequently, there have been very few studies on the subject. Aaberge et al. (1996) and Björklund and Jäntti (1996) utilised national longitudinal data sets available for their study of 'inherited' income levels in the Nordic Countries and the United States. Briefly put, the essential finding in both of these studies was that in all the countries studied, children's incomes correlated with the parents' incomes. Childhood background everywhere has a deciding influence, so none of the countries studied are completely open societies, though some are more so than others. It appears that the Nordic countries are somewhat more open than the United States. In Sweden and Finland, for example, family background explains a significantly smaller share of income distribution than it does in the United States (Jäntti1995: 45).

Because of widely available data, it is easier to investigate income mobility within generations than that between generations. Unfortuately, the LIS database is cross-sectional and it is unsuitable for longitudinal analyses of poverty. However, there are some longitudinal databases and some empirical studies done on the basis of those data.

OECD (1996) has published data on the opportunities of workers in the lowest income groups to better their position and move up to higher income groups. The figure in the first column in Table 4 (calculated from OECD 1996: 89-90) gives the percentage of low earners out of all income earners. As much as 27.5 percent of all wage earners in the United States were classified as low-paid, whereas the corresponding figures in Sweden and Denmark were only about five percent. Italy (10 percent), France (11 percent), and Finland had somewhat lower numbers of poor income earners (16.1 percent) than Germany (18.7 percent) or the United Kingdom (17.7 percent). The next three columns tell the 1991 situations of those classified as poor in 1986. The second column indicates how large a percentage of those classified as poor in 1986 continued to be poor also in 1991. The higher the percentage, the more trapped the poor were in their poverty. In Sweden and Denmark, about one tenth of the income earners were such long-term poor, whereas in the United States they amounted to as much as 56 percent. The third column pertains to the proportion of those 1986 poor who had managed to obtain income corresponding to 65 to 95 percent of the national median income. Finally, the last column shows the percentages of those who had succeeded in climbing to the median income level or above it. These proportions of the "successful ones" were the largest in Denmark (35 percent) and Sweden (34 percent) followed by Finland (29 percent) and Germany (24 percent). According to these short-term mobility data the Scandinavian countries appear to be somewhat more open societies that other countries included in the comparison. A low degree of inequality and a comparatively speaking easy mobility (although not open) from one position to another seems to be more typical of the Nordic countries, while the United States display a higher degree of inequality but not a greater degree of fluidity as is generally supposed (see also Björklund and Freeman, 1997). The results are fully in line with the findings of an extensive study by Goodin & al. (1999) who in their three-country study demonstrated that the mobility away from poverty is greater in the Netherlands than in Germany and in Germany greater than in the United States.

Table 4. Incidence of low-pay and earnings mobility (from 1986 to 1991) of low-paid workers.

Country	Incidence of low pay in 1986, % of employees	Situation in 1991		
		Income -65% of median	Income 65-95% of median	Income over 95% of median
Denmark	6.5	8	57	35
Finland	16.1	36	35	29
France	11.0	32	48	20
Germany	18.7	26	50	24
Italy	10.0	22	58	20
Sweden	5.0	16	50	34
U.K.	17.7	39	40	21
U.S.A	27.5	56	28	16

Another, or a complementary way of looking at to what extent different societies fulfil the Rawlsian criterion of the openness of positions responsible for (income) differences would be to look at class mobility. Basically the story told by comparative studies of class mobility in industrial societies is the same as the story of income mobility. In all societies, there is a more or less persistent pattern of unequal class mobility, and the pattern is not much altered throughout the twentieth century (Erikson and Goldthorpe 1992; Marshall 1997). The fluidity rates appear to be somewhat higher in Sweden than in the other European societies and the fluidity rates in Australia and the United States are no higher compared to the European ones (Erikson 1990; Erikson and Goldthorpe 1992: 336-337, 373; for Sweden see also Jonsson 1993). The results indicate that the talk about Europe as a continent of sclerosis and closed mobility and possibility structures, is if not completely wrong, at least a slight exaggeration.

Old age and justice in pension schemes

Above, we have taken a cursory look at some of the inequalities people face at the beginning of their lives and during adulthood, assessing also their opportunities for getting ahead in life. Looking at the tail end of life, we are most interested in the degree to which the pension systems of different countries are capable of eliminating poverty in old age.

Table 5. Poverty rate (%) of the elderly (65+ years of age) in 1991 and the median income of the poor, in US dollars using exchange rates and purchasing power parities.

Country	Poverty rate %	Exchange rates		Purchasing Power Parities	
		US$	USA=1.00	US$	USA=1.00
Australia	6.1	3886	0.76	3642	0.71
Canada	1.8	6090	1.19	5410	1.06
Finland	3.3	7394	1.45	4731	0.93
France	6.5	3968	0.78	3428	0.67
Germany	4.9	4465	0.87	3529	0.69
Netherlands	2.3	4350	0.85	3652	0.72
Norway	0.5	6920	1.36	4659	0.91
Sweden	1.9	7557	1.48	4583	0.90
U.K.	11.0	4674	0.92	4161	0.82
U.S.A	13.8	5103	1.00	5103	1.00
Mean	5.2	5441	1.07	4290	0.84
St.deviation	4.1	1354	0.27	671	0.13
Correlation with the Poverty rate	-	-.49	-	-.03	-

Table 5 is constructed analogically with Tables 2 and 3. The overall message from Table 5 is the same as from the previous ones: the correlation coefficient is negative both when it comes to exchange rate or PPP conversions. Thus, the relationship between the amplitude of poverty and the absolute income level of the poor does not lend support to the difference principle.

The poverty of the elderly is most common in the United States and Great Britain. Moreover, a comparison of Tables 2, 3, and 5 also indicates that in these two countries (and to some extent also in Australia) poverty is closely tied to life-cycles. Interestingly enough, the Canadian poverty rate that was among the highest in the other age categories is one of the lowest among the elderly. The pension policies in Canada as well as in the Netherlands and the Nordic countries have been quite successful in improving old people's living conditions in relation to those of the population in the active labour force (see also Kangas and Palme 1998). According to exchange rates the situation in the Nordic countries seems to be lucrative: the income level of poor Nordic pensioners is high compared to the other countries, but again the PPP transformations will eat up the Scandinavian lead and then poor Canadians have the highest income levels.

The connection between the level of the basic pension security and the poverty rate of the elderly can be taken more or less for granted. The better basic security the pension system offers, the fewer old people will live in poverty (see for example Korpi and Palme 1997). From the point of view of Rawls's notions – particularly the difference principle – the most interesting aspects are the connections between employment-related pensions, inequalities of income distribution, and poverty rates. The difference principle could be interpreted so that income-related pension schemes, which by their nature uphold income differences, are acceptable only if they also somehow improve the circumstances of the very poorest elderly. Indeed, employment-related pensions seem to follow Rawls's difference principle to some degree. In those countries with the best legislated earnings-graded pensions, old people have lowest poverty rates, and the income distribution is most egalitarian. A kind of paradox of redistribution seems to be operating here: the systems that appear on the surface to be designed as most egalitarian (e.g., have needs-based or flat-rate pensions) do not always result in the most egalitarian outcomes. This is because various income-related additional schemes counteract the original egalitarian aims included in the legislated schemes. So, paradoxically, the surface inequality of the wage-related pension schemes produces the most equal outcome (see Jäntti, Kangas and Ritakallio 1996; Korpi and Palme 1997).

In practice, the difference principle has technically been included in the pension systems of certain countries. In Sweden, for example, both work pensions and basic pensions are determined using the same computational entity, the base amount (*basbelopp*). In the event that strong occupational sectors want to raise their own wage-related pensions, they have to raise the *basbelopp* as well, which automatically raises also the income levels of those receiving only basic social security. To some extent, Rawls's difference principle seems to be validated here but not necessarily in other comparisons included in this article.

Rawls's concept of distributive justice in cross-national comparisons

The purpose of the above was to present some preliminary sketches of how John Rawls's ideas about justice could be approached via cross-national comparisons of social policies, or -- looking at it the other way around – how Rawls's theory could be utilised in cross-national comparisons of social policy models. The central theme was a thought experiment in which rational choosers are allowed to choose a country where they wish to be born and live, but – following Rawls's idea of choices being made behind a veil of ignorance – they do not possess knowledge of their social position in the country chosen. To aid in the choice, some selected information from three stages of life – childhood, adulthood and old age – in the prospective countries were given. Tangentially, the article also examined how income distribution in various countries agrees with Rawls's difference principle, according to which inequality is acceptable only if it improves the circumstances of society's least fortunate.

Looking at the imaginary choices behind the veil of ignorance as in this thought experiment, it seems that the Scandinavian and Central European countries place very well in an international context. Poverty levels are low, life changes are rather equally distributed across different life cycles, and by international standards, income mobility is high.

Of course, it is possible to criticise the approach for lack of neutrality: the choice of indicators makes the story a magnificent performance, especially of the Scandinavian welfare states; the writer may personally favour some of the countries[2]; and the countries have not been elected behind a true veil of ignorance; judgements are based on simplified and unreliable national data; international comparisons are impossible to make; there are lots of contextual problems attached to international comparisons presented and so on. All this is absolutely true!

However, it is sufficient to pinpoint that the purpose of the article was not to organise a beauty contest for welfare states. Rather, the results should be interpreted to indicate some directions in which we probably should proceed when we try to incorporate deliberations of justice with empirical evidence on the distribution of societal rewards.

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[2] The paper was initially written when the author was a visiting professor at the Swedish Institute for Social Research in Stockholm and was paid by the Swedish government. Further, the paper was finished when the author was a visiting scholar at Social Policy Research Center, University of New South Wales, Sydney.

Our results show that income mobility is not greater under circumstances (in the countries) with wide income differences, nor is the situation of the poor any better in countries with huge income disparities than that of the poor in other countries. The conditions of the difference principle thus are not met in this case. As a matter of fact, cross-national comparisons indicate that the wider the income differences, and the higher the poverty rates, the worse is the lot of the disadvantaged. Moreover, our results indicate that the higher the incidence of poverty, the bigger the danger that the poor are permanently trapped in their bad positions. Thus, the Rawlsian demand for openness of positions producing inequalities is not met, neither does the maximin principle work. In practice, this means that the lot of the worse-offs is not necessarily improved by letting income differences to expand and allowing the number of the poor to expand. It is a task for future research to try to develop better databases, to dig deeper into details, to open the black box of the country names and to unravel to what extent poverty rates are explained by the impacts of social policies or by other intervening variables (see e.g., Kangas and Palme 1998; Korpi and Palme 1997).

Further, rather than to sort out which countries are good, which are bad, and which are simply ugly, the paper tried to initiate a discussion on how to combine philosophical ruminations with comparative empirical research of social policy. Generally, philosophical discussions on justice have been dry runs in the sense that practical issues have been taken into account fairly seldom (however, there are also interesting exceptions, e.g., Goodin et al.1999; LeGrand 1991; Rothstein 1998, and various works of Amartya Sen). Grand ideas and slogans far divorced from practical issues have been at the forefront, and when practical questions have been touched upon, it has been done too easily and without precise information on the functioning of socio-political systems, the logic of the operations, and the paradoxes of redistribution. Correspondingly, among other social sciences, not much interest has been shown in the philosophical dimensions of socio-political distribution issues. By combining these two approaches, our love of wisdom will surely be rewarded.

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