Some interesting statistics:

- The most careful studies suggest that the top 10 percent of households, with average income of about $200,000, received 42 percent of all pretax money income in the late 1990s. The top 1 percent of households, averaging $800,000 of income, received 15 percent of all pretax money income.

- In the longer view, the path of income inequality over the twentieth century is marked by two main events: a sharp fall in inequality around the outbreak of World War II and an extended rise in inequality that began in the mid-1970s and accelerated in the 1980s. Income inequality today is about as large as it was in the 1920s.

- Source: The Concise Encyclopedia of Economics: Distribution of Income
Possible Factors in Income Inequality:

- **Family structure.** Over time, the two-parent, one-earner family was increasingly replaced by low-income single-parent families and higher-income two-parent, two-earner families. A part of the top quintile’s increased share of income reflects the fact that the average family or household in the top quintile contains almost three times as many workers as the average family or household in the bottom quintile.

- **Trade and technology.** Trade and technology increasingly shifted demand away from less-educated and less-skilled workers toward workers with higher education or particular skills. The result was a growing earnings gap between more- and less-educated/skilled workers.

- **Expanded markets.** With improved communications and transportation, people increasingly functioned in national, rather than local, markets. In these broader markets, persons with unique talents could command particularly high salaries.

- **Immigration.** In 2002, immigrants who had entered the country since 1980 constituted nearly 11 percent of the labor force. A relatively high proportion of these immigrants had low levels of education and increased the number of workers competing for low-paid work.

- **CEO & Executive Salaries.** One other factor that explains the particularly high incomes of the highest-paid people is that between 1982 and 2004, the ratio of pay of chief executive officers to pay of the average worker rose from 42:1 to 301:1, and pay of other high-level managers, lawyers, and people in other fields rose substantially also.
However, while household income remains unchanged over last year, the U. S. Census Bureau found big differences by the gender of workers. Among people who worked year-round and full-time in 2009, men earned a median of $47,100 and women $36,300 or 77 cents for every dollar earned by men. So clearly there is still an income disparity based on gender. But per the graphic, the gap is closing and many experts predict that sometime between 2030-2040, average income levels should be the same.
Gender and Income:

Real Median Earnings of Total Workers and Full-Time, Year-Round Workers by Sex: 1960 to 2009

Earnings in thousands (2009 dollars)

- Males, full-time year-round
  - $34,000
  - $36,300
  - $36,300
- Females, full-time year-round
  - $28,500
  - $26,000
- All male workers
  - $47,100
- All female workers
  - $11,600

Recession

Note: Income rounded to the nearest 100.
Another variable that creates income disparity is race. As the graph below shows, Asians continued to have the highest average household income that stayed flat during the recession years in 2008 and 2009. The Hispanic race continues to increase their income levels, and are almost $6,000 above the much larger “black” racial group.
Race and Income

Median family income, 1990-2008

Source: Center for American Progress
The official poverty rate in 2009 was 14.3 percent—up from 13.2 percent in 2008. This was the highest poverty rate since 1994 but was 8.1 percentage points lower than the poverty rate in 1959. 43.6 million people were in poverty, up from 39.8 million in 2008—the third consecutive annual increase in the number of people in poverty. Poverty increased the most for children under the age of 18 (from 19.0 percent and 14.1 million in 2008 to 20.7 percent and 15.5 million in 2009). Children comprised 35.5 percent of people in poverty but only 24.5 percent of the total population. (U.S. Census Bureau, 2010)
JUSTICE, CHARITY AND EFFICIENCY:

- **Justice** – generally defined as “the giving of what is due.”
- **Charity** – giving “what is above and beyond the requirements of justice”
- **Efficiency** – in terms of an economic system is “that it produces a maximum amount of desired goods and services.”

  (p.284)
Political and Economic Theories:

- Libertarianism: “a political theory about both the importance of liberty in human life and the role of government.” – e.g. Robert Nozick (p.288) Emphasis is placed on negative rights – freedom from harm.

- Capitalism: “an economic system in which individuals or business corporations (not the government or community or state) own and control much or most of the country’s capital.” (p.288)

- Socialism: an economic system, a political movement and a social theory. It holds that government should own and control most of a nation’s resources. (p.289) Emphasis is placed on positive rights – sometimes referred to as “welfare rights” – e.g. the right to employment, shelter, food, health care, etc.

- Liberalism: modern & classic – stress placed not only on liberty & freedom from coercion and oppression but also on “the primacy of justice.” – e.g. John Rawls – includes both positive and negative rights.

- Communitarianism – emphasis is placed on membership in communities and recognizes that justice will be defined in and by those communities – influenced by tradition and culture.
Method is to derive a theory of justice beginning with a thought experiment

Two assumptions:

- that the resulting community will be as diverse as the one we currently live in
- that it is not only natural but rational to be self-interested and that this need not impede (though it often does) the development of a just economic & political system
The Problem:

- It is rational to be self-interested, but knowing one’s own interests conflicts with the ability to generalize when it comes to justice: We ask, “What is just for me?”

Rawls’ Solution:

- The “Veil of Ignorance” also referred to as the “Original Position”
- We are asked to imagine that we know nothing about our particular interests – in fact, we know nothing about any of the details of our life including our own age, race, class or gender.
- This thought experiment makes use of self-interest in that it is spread to become interest in everyone since one could be anyone
Rawls’ Theory of Justice: Two Principles

- **First Principle:**
  - “Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all.”
RAWLS’ THEORY OF JUSTICE: TWO PRINCIPLES

- **Second Principle:**
  - Social and economic inequalities are to be arranged so that they are:
    - to the greatest benefit of the least advantaged...
    - and...
    - attached to offices and positions open to all under conditions of fair equality of opportunity.
Rawls’ Theory of Justice as Fairness:

- Rawls presents a theory of **distributive justice** by which the measurement of the justness of a system is based on the **end-state** distribution of wealth at any given current time (called, **current time-slice principles**).

- Any system with a just and fair end-state is therefore just.

- The theory accepts some inequalities as long as they are justifiable in terms of general welfare of the population.
Libertarianism: Robert Nozick

- Rejects Rawls’ proposal as inherently unjust and misleading.
- Defends a theory of justice based on methods of acquisition and entitlement.
1. “Distributive justice” is misleading

…”it seems to imply that there is some central authority who "distributes" to individuals shares of wealth and income that pre-exist the distribution, as if they had appeared like "manna from heaven." Of course this is not really the way such shares come into existence, or come to be "distributed," at all; in fact they come to be, and come to be held by the individuals who hold them, only through the scattered efforts and transactions of these innumerable individuals themselves....”
2. End-state systems would require constant redistributions of wealth & thus constitute inherent injustice.

Attempts to enforce a particular distributional pattern or structure over time will necessarily involve intolerable levels of coercion, forbidding individuals from using the fruits of their talents, abilities, and labor as they see fit. As Nozick puts it, "the socialist society would have to forbid capitalist acts between consenting adults." This is not merely a regrettable side-effect of the quest to attain a just distribution of wealth; it is a positive injustice, for it violates the principle of self-ownership."
Robert Nozick’s Critique of Rawls

3. End-State systems are “ahistorical” in that they look only at the “current time slice” and ignore issues of entitlement and transfer.

- Rawls’ system takes no account of how one acquired their wealth nor does it recognize the worth of an individual’s efforts and labor. It ignores history which is critical to the issue of just holdings – how a person comes to hold wealth is relevant.
1. the principle of justice in *acquisition*

- the appropriation of natural resources that no one has ever owned before. The best-known such principle, some version of which Nozick seems to endorse, is the one enshrined in Locke's theory of property, according to which a person (being a self-owner) owns his labor, and by "mixing his labor" with a previously unowned part of the natural world (e.g. by whittling a stick found in a forest into a spear) thereby comes to own it.
2. The principle of justice in *transfer*,

- governing the manner in which one might justly come to own something previously owned by another. Here Nozick endorses the principle that a transfer of holdings is just if and only if it is voluntary, a principle that would seem to follow from respect for a person's right to use the fruits of the exercise of his self-owned talents, abilities, and labor as he sees fit.
3. The principle of justice in *rectification*,

- governing the proper means of setting right past injustices in acquisition and transfer. “I do not know of a thorough or theoretically sophisticated treatment of such issues. (Ideally) the principle of rectification presumably will make use of its best estimate of subjunctive information about what would have occurred ... if the injustice had not taken place.” (p.303)
Highest Paid Athletes 2011: What Athletes Are Making The Most Money In Sports?

By Adam Wells, (Featured Columnist) on April 21, 2011

- The money leaders in the four major sports are Alex Rodriguez (MLB), Kobe Bryant (NBA), Peyton Manning (NFL) and Vincent Lecavalier & Roberto Luongo tied for the NHL lead.

- The two highest earning athletes were Rodriguez and Manny Pacquiao. Both men earned an estimated $32 million for the year.

- Pacquiao is certainly worth his paycheck. His last two fights have did an estimated 1.7 million pay-per-view buys, including over 1 million for his last fight against Antonio Margarito.

- Rodriguez's performance has declined to the point where that huge contract he signed with the Yankees is going to look really, really bad in a couple of years. But he has had a good start to this season, so maybe he will be well worth the $32 million that he is making.
A Test: Professional Athletes & Salaries

Both Rodriguez and Pacquiano will earn $32 million in base salary this year.

What would Rawls say about the justice of their salaries?

What would Nozick say about the justice of their salaries?
SAN FRANCISCO (KABC) -- Executives at Transocean, the offshore drilling contractor at the center of last year's Gulf oil spill, are donating bonuses they got for the company's safety record last year. The bonuses are worth more than $250,000 dollars and will go to a fund for the victims' families.

The company justified the bonuses by calling 2010 an "exemplary" year for safety. That's despite the oil rig explosion a year ago that killed 11 workers and spilled millions of gallons of oil in the Gulf of Mexico.

The company disclosed the bonuses in a regulatory filing a few days ago, which set off intense criticism. The company's CEO said it was never the executives' intent to diminish the effect the tragedy had on the victims.
"Transocean's safety-bonus buffoonery: Give Transocean this: It never runs out of ways to make itself look shabby."

Posted by Colin Barr, April 6, 2011 5:49 am

The Swiss-based oil driller tried to clean up a major public relations mess, announcing Tuesday that its five top execs will give back a fraction of the bonuses they undeservingly received for last year. Transocean put the fool in April Fool's Day last week by awarding the five $898,282 in bonuses in recognition of the "best year in safety performance in our company's history."

...Yes, CEO Steven Newman (right) and his top four flunkies will give around a quarter of their 2010 bonuses – more than $250,000 – to a charity the firm formed last year to compensate the families of the accident victims. Just in case you missed the generous spirit behind this gesture, the company specifies that the execs chose to relinquish the safety portion of their bonuses "voluntarily."

...Better late than never. One thing the Transocean execs didn't manage to do was to give back their entire bonuses, which seems to be the course the board set by withholding bonuses in 2009, a year in which four people were killed in accidents at Transocean.

But then, consider how this all feels for Newman and his pals. By relinquishing their unsafety bonuses the Transocean Five stand to cut -- slash? -- their 2010 pay from a respectable $19.6 million to an unthinkable, wage-slaving, poverty-inducing $19.3 million. Haven't these guys given enough?
A Test: Transocean Execs Giving Up % of Safety Bonuses

- Would either Rawls or Nozick justify not only the $19.3 million that the Transocean Execs earned but also their $898,282 in bonuses?

- Do they have an obligation to return part of their bonuses to the victims of the Macondo accident?

- Was the amount donated back sufficient to rectify the damage done by Transocean?