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The debate over what an egalitarian philosophy should seek to equalize -- welfare or resources? -- was sharpened by a famous pair of articles published in 1981 by Ronald Dworkin. Dworkin's analysis provoked interest among economists, in part because he used a hypothetical insurance market to determine levels of compensation. This paper examines Dworkin's position, which captures the resourcist intuition that it is right to compensate individuals who, through no fault of their own, enter society with poor resource endowments. This position becomes more complicated when inalienable traits, such as talent, are included in the jurisdiction of an equality-of-resource theory. Roemer's examination of these complications leads to the conclusion that:

> There is no acceptable conception of resource egalitarianism that does not reduce to recommending equality of welfares. Thus the dichotomy between welfare egalitarianism and resource egalitarianism is misconceived at a level of abstraction appropriate for establishing a first-best standard of egalitarianism. (156)

DWORKIN: EQUALITY OF RESOURCES

Following Dworkin's discussion..., the point of equality-of-resources theories is to give everyone an equal share of what is scarce in society, but then to insist that people pay the true social costs required to satisfy their preferences. Thus people are considered responsible for their preferences, as it were, but not responsible for their resource endowment. Society should indemnify people to the extent of guaranteeing each an equal endowment of resources but after that, the true social cost of one's demand for a good, which is measured by its value at market-clearing prices, should be borne by the person. (157)

Resources are either transferable -- e.g., money and food -- or nontransferable -- e.g., talent, or a biochemical constitution (such as endorphin levels) which may affect one's ability to derive utility from other resources. The scope of egalitarian concerns is assumed, to start with, to cover both kinds of resources. Because it is impossible to reallocate the talent or (probably) the biochemistry components of a social pie, it is necessary to specify a mechanism that allocates transferable resources so as to compensate people with inferior bundles of nontransferable resources.

Dworkin considered two mechanisms for equalizing resources. One is the "equal division of property" mechanism which equally divides the property rights to the total package of transferable and nontransferable goods in a society. In this case, each person owns a partial share of the labor power of every person, a share that is valued at the wage rate that each person earns at equilibrium. Allocations are thus both envy-free, in the sense that no agent will prefer the resource bundle of another agent to his own, and Pareto optimal. Dworkin objects to this mechanism on the grounds that it leads to "slavery of the talented." For instance, a person who is born with a socially valuable talent has a certain labor capacity, ninety-nine percent of which is owned by others than him or herself. Because of this shared possession of resources, the individual is forced to pay off his or her debt by performing this highly valued skill, whether or not the person prefers some other less valued activity, such as writing indifferent poetry.

Dworkin's alternative approach proposes an insurance mechanism for allocating resources. He supports this approach for three reasons: it avoids the slavery of the talented problem, it removes concern over the appropriateness of allocating rights to one's labor, and it is presumed to make the less talented better off. In a hypothetical insurance market individuals start from a position behind a veil of ignorance and insure themselves against the possibility of drawing an impoverished bundle of talents. Insurance purchases are based on knowledge of individual preferences and insurance costs. Premiums represent equilibrium prices that are determined by the demand for insurance and society's productive capacity or total supply of income. Although no society could actually implement such an insurance market, insurance premiums represent a guide to the shape of just income distributions. Progressive taxes could be used to achieve the postinsurance incomes that would have occurred had people been able to insure themselves against bad luck draws of talent. Dworkin stops short of recommending such a tax because he believes that decisions made behind a veil of ignorance cannot provide ethical justification for the implementation of policy.

PROBLEMS WITH DWORKIN'S PROPOSALS

Under the equal division model people who are more productive than average will suffer, as they are made to trade much of their productive labor for part of the slackers' labor, while those who are less productive will gain, for the inverse reason. Although everyone's initial endowment is of equal value, the less productive workers also benefit from being able to "buy" leisure at a much lower rate, equal to their own productivity; while the more productive workers lose more if they want to cut back their hours of work. This outcome is clear if we consider that:

> A highly talented person is exactly like a person with an involuntary expensive taste: the only kind of leisure he likes to consume is expensive leisure, his own. His leisure is expensive because it has an alternative use which is highly valued by society. The utilitarian objective function of the insurance problem will require, for reasons of productive efficiency, that the talented work longer hours than the untalented, which thereby relegates the talented to lower welfare... (165)

Under Dworkin's alternative insurance mechanism it turns out to be possible for individuals who are less talented to wind up actually being worse off in a case where the set of nonalianable resources includes factors that directly affect utility. as an example, consider a two-good world with two persons, Andrea and Bob. Behind a veil of ignorance these individuals may agree to own equal shares of all resources -- including a resource we will call "the capacity to enjoy corn." Suppose that, due to a higher level of endorphins, Andrea is better able to enjoy corn than

Bob. When each assumes his or her identity in society, each will buy back the other half of their own capacity for enjoyment in exchange for some amount of corn. Bob, the happiness-impaired member of the duo, has much less capacity for enjoyment; his capacity is a scarcer good than Andrea's and should command a higher price per unit. Bob is thus buying fewer units of enjoyment capacity from Andrea, but at a higher price per unit than vice versa. Depending on how much higher the per unit price is, Bob could end up paying more corn for his meager capabilities than Andrea pays for her grander but cheaper (per unit) abilities. In this case Bob would end up with less than half of the corn. The resource egalitarian is thus faced with an inconsistency: compensation for differences in nontransferable resources can lead to inegalitarian distributions of transferable resources.

> One might object: What kind of insurance is this that can penalize the person who ends up with the low "talent"? The answer is: expected-utility-maximizing insurance. Dworkin...does not propose this kind of insurance (which economists consider to be rational insurance), but rather a minimal floor insurance policy where a person insures himself not to maximize expected utility, but to guarantee some minimal income. (175)

EQUALITY OF RESOURCES IMPLIES EQUALITY OF WELFARE

Dworkin did not spell out the details of his minimal income guarantee, leaving open the question: "Is there a way of defining an insurance mechanism which would implement equality of resources, not behave perversely and inconsistently as described above, and still preserve Dworkin's division between resources eqalitarianism and welfare egalitarianism?" (175-6) That question is answered in the negative: the only way to fulfill the requirements of resource egalitarianism is to allocate resources specifically so as to equalize welfare. [The proof for this conclusion is to be found in Roemer, 1986, "Equality of Resources Implies Equality of Welfare."[1]]

A deeper problem is that the difference between preferences and resources becomes very hazy once resources are taken to include innate capacities. If it turns out that the preferences over which we are thought to be responsible are actually resources that we cannot control, then, again, there is no coherent distinction between resource and welfare egalitarianism. This problem can be illustrated with Dworkin's suggestion that, under equality of resources persons are entitled to the returns from their ambitions, but not from their endowments. But what is ambition? If ambition levels are determined by some biological propensity, then this propensity must, logically, be treated as a resource, rather than as a preference.

The theoretician is saved from the requirement of having to apply such difficult conclusions by the reality that it is impossible to obtain much of the information on which they would be based; e.g., accurate, quantifiable data, comparable across individuals, regarding talents, tastes, and levels of pleasure or utility. Nevertheless, it is still worthwhile to refine further our understanding of where to draw the line between those resources for which an individual is and is not responsible.

Notes

1. John Roemer, "Equality of Resource Implies Equality of Talent," *Quarterly Journal of Economics* 101 (4) (November 1986), 751-784