

"Inequality in Income and Wealth: When Does it Become a Moral Issue, and Why?"

Prof. Dennis P. McCann
Alston Professor of Bible and Religion
Agnes Scott College
Decatur, GA, 30030

In modernized societies that seemingly value "Equality" above all other social ideals, nothing is more likely to rouse latent passions for social justice more effectively than statistics that document unequal income and wealth distribution (henceforth known, in shorthand, as "income inequality"). That women, on average, make so many cents or dollars an hour less than men, for example, is usually regarded as at least prima-facie evidence of social injustice. Similar reactions meet the publication of statistics reporting income and wealth differentials among various ethnic minority groups, or workers in various countries or regions of the world. The fact that such statistics almost invariably provoke moral indignation among so many of us, however, suggests that there may be significant tension, if not downright incompatibility, between our ethical ideals and the realities of modern economic life, particularly in market oriented economies. Granted, not all market economies necessarily generate income inequalities in precisely the same way. Comparative studies of the "Gini coefficient" statistics that measure inequality suggest that different societies may not only develop in different ways, but also that in some special cases (Taiwan and Korea) market oriented development may actually lead to a reduction in income inequalities.

Despite these apparent exceptions in the Asia Pacific region, the trends in the Americas as well as in Subsaharan Africa suggest that, all too often, increasing income inequality goes hand in hand with market oriented economic development. The intensification of this trend is especially perplexing in the USA. For if it is true that it is not simply a result of the fading triumph of "Reaganomics" in US social policy, but a structural consequence of the highly touted "knowledge-based society," then the widening gap in incomes is likely to be globalized, as the world economy increasingly becomes knowledge-based. That, at least, is a likely scenario, unless, of course, there are powerful ethical, religious, cultural and political constraints to counter this trend.

That Catholic social teaching (henceforth known as "CST") has been a major source of consciousness-raising over economic injustice worldwide is now generally recognized. The tradition's witness, however, has often been misunderstood by both its advocates as well as its critics. Those of us who seek to promote CST as a resource in business ethics and management education know only too well that the tradition's consistent protest against economic injustice has, for many, become a pretext for dismissing CST as "unrealistic" and "counterproductive," particularly in a business school curriculum. On the other hand, we all know zealous defenders of CST who seem determined to identify economic justice with uncompromisingly utopian visions of Equality that, in their impracticability, provide justification for the "realist's" disdain. The following remarks are meant to break the impasse between "realist" and "utopian" readings of CST, by

suggesting that both have misunderstood the tradition, and, ironically enough, have done so by both falling into the trap of economic thinking about equality and its relationship to justice and injustice.

In order to overcome this economic misunderstanding, I hope to bring to critical reflection a question implicit, but rarely developed fully, in CST: "Inequality of incomes and wealth: when does it become a moral issue, and why?" Posing the question in this way, I hope, will contribute not only to our understanding of distributive justice, but also of the ethics of wealth creation, which is, rightly, the central focus of this symposium. Asking "when" it becomes a moral issue means recognizing, consistent with the mainline of CST—particularly as seen in the vigorous defense of private property rights from Leo XIII through his most formidable successor John Paul II—that income inequality is not necessarily unjust. Neither the Graeco-Roman nor the Hebrew moral and religious traditions, upon which CST is founded, will support the idea that income inequality as such is unfair or immoral. If that is the case, then the proper question to ask is at what point income inequality becomes immoral. For surely CST's witness against economic injustice clearly assumes that at some point it truly is immoral.

The task that I have set for myself is to clarify CST's assumed distinction between moral and immoral forms of income inequality, and the reasoning behind it. The most promising discussion on this point, in my view, is still the NCCB's pastoral letter, "Economic Justice for All: Catholic Social Teaching and the US Economy." (1986) For as I hope to show here, the bishops' remarks on income inequality are directly linked with their positive understanding of justice as "participation." I will try to make explicit that link and suggest ways that it can become a criterion for evaluative discussions of income inequality.

"Justice as participation," of course, may seem like a hopelessly nebulous concept, at best a qualitative notion that will take us increasingly further away from the rigors of standard economic analysis. I will try to overcome this impression, and defend the relevance of the NCCB's perspective, by linking the pastoral letter's observations with the seminal thinking of a major contemporary economist, Amartya Sen. Sen's "capabilities approach" to defining "economic inequality" seems not only compatible with the bishops' perspective, but also well suited to developing CST on this point in ways that even "realists" must take seriously. I will conclude, then, by suggesting why and how such an approach can and should make an indispensable contribution to our discussion of the ethics of wealth-creation.

Revisiting "Economic Justice for All"

I will assume that the general contents of "Economic Justice for All: Catholic Social Teaching and the US Economy" (henceforth "EJA"), are familiar to all those participating in this discussion. Elsewhere I have written extensively on EJA, particularly on its implications for business ethics and the way it embodied a new process of moral consensus formation—new, at least in Catholic circles—that facilitates lay participation in the development of CST. Here, however I wish to focus specifically on EJA's ethical

perspective and economic doctrine. I wish to clarify what precisely EJA means by "inequality," and how it evaluates the morality or immorality of "inequality."

The term, "inequality," appears six times in the body of the text and twice in footnotes: Paragraph 21 cites "extreme inequality" as one of the "symptoms of more fundamental currents shaping U.S. economic life today ". Paragraph 74 evaluates "extreme inequality" as not only incompatible with "basic justice," but contrary to CST inasmuch as it is "a threat to the solidarity of the human community, for great disparities lead to deep social divisions and conflict." In Paragraph 116, as part of their exhortation to "Owners and Managers" of businesses, the bishops acknowledge "that the desire to maximize profits and reduce the costs of natural resources and labor has often tempted... transnational enterprises to behavior that increases inequality and decreases the stability of the international order." Further on, in a section addressing the concerns of developing nations, paragraph 252 highlights "'the scandal of the shocking inequality between the rich and the poor'" and calls for its elimination so that that the 'quality' of interdependence [can] be improved." Paragraph 362 proposes a number of areas for future research, including "the effects of increased inequality of incomes in society," so that the problems of poverty both in the USA and in developing nations can be addressed more effectively. Footnotes 27 and 45 also specifically refer to economic literature on income inequality, and suggest that the bishops are aware of and interested in debates about how economists measure poverty and inequality.

These initial observations suggest the complexity of EJA's perspective on inequality. "Economic inequality," in the bishops' descriptions, covers far more than what is available in statistics on the distribution of wealth and income, however central these may remain as measurable indices. Furthermore, in their view, CST's ethical framework "does not maintain that a flat, arithmetical equality of income and wealth is a demand of justice, but it does challenge economic arrangements that leave large numbers of people impoverished." (Par. 74). When an evaluation of "inequality" is offered, the term is usually qualified with a morally loaded modifier like "extreme" or "shocking."

The bishops provide some clues as to when, in their view, such modifiers are appropriate in their more focused remarks on "Economic Inequality" (Pars. 183-185) in the section of EJA devoted to "Poverty." They begin by citing the usual statistics on inequalities of wealth (where the "gap" between the top and bottom quintiles is most severe) and income, and note that the trend is toward increasing inequality. Nothing unusual here. But when they begin to clarify the basis of their moral concern, a new term is introduced:

These inequities are of particular concern because they reflect the uneven distribution of power in our society. They suggest that the level of *participation* in the political and social spheres is also very uneven. (Par. 184; italics added)

Economic inequalities become morally problematic not only because they may reflect "the uneven distribution of power" in society, but also because, as such, they adversely affect our capacity to participate in the political and social spheres. In the bishops' view, as we shall see, participation is both a normative as well as a descriptive concept. Since

"some degree of inequality not only is acceptable, but also may be considered desirable for economic and social reasons," the moral distinction between "acceptable" and unacceptable levels of inequality rests on "participation" as one of two "norms" or ethical criteria: "the priority of meeting *the basic needs of the poor* and the importance of increasing the level of *participation* by all members of society in the economic life of the nation." (Par. 185; italics added) The bishops point out that these two norms, taken together, "establish a strong presumption against extreme inequality of income and wealth as long as there are poor, hungry, and homeless people in our midst. They also suggest that extreme inequalities are detrimental to the development of social solidarity and community." (Ibid.) Judged in light of these norms, the description of the US economy that the bishops have accepted warrants their conclusion that, in fact, "the disparities of income and wealth in the United States [are] unacceptable." (Ibid.)

This conclusion, obviously, is not guaranteed by the charism of episcopal ordination! Nor is it the only conclusion, as EJA carefully points out, that could be argued on the basis of CST. Were one to give reasoned assent or dissent to this conclusion, one would, of course, have to investigate further either their factual description of the US economy, or their twofold ethical criteria, or both. For our purposes, nearly 15 years after EJA, their ethical criteria, particularly their perspective on justice as "participation," remain worthy of notice. For it is here that we can begin to appreciate the fruitfulness of their teaching for understanding the ethics of income inequality even today.

"Participation," it turns out, is just as rich a term in the bishops' usage as is "inequality." Taking their cue from the 1971 declaration of the universal Synod of Bishops in Rome the NCCB asserts that participation is a basic human right:

All people have a *right to participate* in the economic life of society. Basic justice demands that people be assured a *minimum level of participation* in the economy. It is wrong for a person or a group to be excluded unfairly or to be *unable to participate* or contribute to the economy. For example, people who are both able and willing, but cannot get a job are *deprived of the participation* that is so vital to human development....*Such participation* has a special significance in our tradition because we believe that it is a means by which we join in carrying forward God's creative activity. (Par. 15, italics added.)

Thus the right to participation is both theologically grounded and entailed by the requirements of "basic justice." It is as comprehensive as overcoming a sense of "exclusion"—what the bishops will later define as societal "marginalization" (Par. 77)—and as specific as getting a decent job. Much of what EJA has to say about the relationship of justice and participation is simply an expansion upon these remarks.

Though participation is linked most closely to basic justice and human rights, it is important to note that EJA's perspective on both of these is grounded in a comprehensive understanding of "Biblical justice," which the bishops discuss in the context of "Love and Solidarity." (Pars. 63-67). As a result, social participation must be understood as, ultimately, a reflection of the basic relationship that humanity shares in God's own

Trinitarian identity. Theologically speaking, participation, first of all, is thus a fact about God's own relational unity as "Father," "Son," and "Holy Spirit." And just as each of the three Persons participates equally in the Being of God, so each human being is called to participate in the Divine Life through the gift of God's love. (cf. Par. 64) Though such participation does not confer equality with God, it does define the ultimate equality or equal dignity of all human persons as "children of God." As children adopted into the household or "Kingdom" of God, all persons are now empowered to share equally in God's offer of fellowship or "solidarity." (Par. 67)

"Solidarity," as an ideal expression of the meaning of human community, thus is theologically grounded, and is not simply a brute fact about our human nature (i.e., a "fact" that can be clearly separated from "values" and be considered apart from them). "Love," or the invitation to participate in the household or "Kingdom" of God, in the social world therefore correlates with a notion of "Solidarity" understood primarily in terms of "the virtues of citizenship." Solidarity, in EJA's perspective, is "another name for this social friendship and civic commitment that make human moral and economic life possible." (Par. 66) This correlation is neither arbitrary nor opportunistic. It is not an easy accommodation to modern Leftist ideology, but is based on the central axis of CST and the church's theological appropriation of the ancient wisdom of Hellenistic philosophy:

What the Bible and Christian tradition teach, human wisdom confirms. Centuries before Christ, the Greeks and Romans spoke of the human person as a "social animal" made for friendship, community, and public life. These insights show that human beings achieve self-realization not in isolation, but in interaction with others. (Par. 65)

Just as the notion that the human person is a social animal is both descriptive and normative in the tradition of Hellenistic moral philosophy, so "participation" is both descriptive and normative in EJA's perspective. If it is a fact that the human person is a social animal, then empowering others for social participation is a matter of basic justice. If it is also a fact, as CST always assumes and sometimes clearly asserts, that the social nature of the human person is ultimately realized only in fellowship with the Triune God, then empowering others for social participation is clearly a religious imperative as well.

According to the logic of EJA, basic justice must be understood within the context of these facts. Basic justice stipulates "the 'minimum' levels of mutual care and respect that all persons owe to each other in an imperfect world." In order to clarify what is entailed in these minimum levels, EJA follows Catholic moral theology, particularly in the tradition of Aristotle and Aquinas, in distinguishing "three dimensions of basic justice: commutative justice, distributive justice, and social justice." Participation is the object of "social justice," which itself is more comprehensive of the other two dimensions, which govern, first, fairness in private transactions (commutative justice as justice in exchange relations) and, second, fairness in public allocations (distributive justice as justice in public welfare arrangements):

Social justice implies that persons have an obligation to be active and productive participants in the life of society and that society has a duty to enable them to participate in this way. (Par. 71)

Participation thus is both a moral obligation, and an individual right. Because it is both, we all have a moral duty to empower others for more effective social participation. Social justice thus refers comprehensively to the set of conditions, both personal and social, that make it possible for persons to fulfill their social obligations and exercise their individual rights:

[Social justice] stresses the duty of all who are able to help create the goods, services, and other nonmaterial or spiritual values necessary for the welfare of the whole community. In the words of Pius XI, "It is of the very essence of social justice to demand from each individual all that is necessary for the common good" The meaning of social justice also includes a duty to organize economic and social institutions so that people can contribute to society in ways that respect their freedom and the dignity of their labor. Work should enable the working person to become "more a human being," more capable of acting intelligently, freely, and in ways that lead to self-realization. (Pars. 71-72)

Participation, indeed, is the norm governing CST's distinctive interpretation of human rights. Human rights are defined within the bishops' complex perspective on basic justice and not vice-versa. Prior to the discussion of human rights, EJA defines the "common good," following Vatican II, as "the sum of those conditions of social life which allow social groups and their

individual members relatively thorough and ready access to their own

fulfillment". (Par. 79) Human rights, therefore, are among the conditions comprehended in the common good, and are instrumental in preserving and enhancing it. They are means to an end, and lest anyone be confused about that end, the bishops explicitly link them to participation:

These conditions include the right to fulfillment of material needs, a guarantee of fundamental freedoms, and the protection of relationships that are *essential to participation* in the life of society. (Par. 79; italics added)

Much more could be said about the implications, both theoretical and practical, of EJA's perspective on human rights. The point, here, however, is relatively narrow: to recognize how EJA reorients virtually all aspects of social justice, including discourse on the common good and human rights, to their theologically grounded ideal of participation.

Just how serious the bishops are about participation can be inferred from their description and moral evaluation of its opposite, marginalization:

These fundamental duties can be summarized this way: BASIC JUSTICE DEMANDS THE ESTABLISHMENT OF MINIMUM LEVELS OF

PARTICIPATION IN THE LIFE OF THE HUMAN COMMUNITY FOR ALL PERSONS. The ultimate injustice is for a person or group to be treated actively or abandoned passively as if they were nonmembers of the human race. To treat people this way is effectively to say they simply do not count as human beings. This can take many forms, all of which can be described as varieties of marginalization, or exclusion from social life. This exclusion can occur in the political sphere: restriction of free

speech, concentration of power in the hands of a few, or outright repression by the state. It can also take economic forms that are equally harmful. Within the United States, individuals, families, and local communities fall victim to a downward cycle of poverty generated by economic forces they are powerless to influence. The poor, the disabled, and the unemployed too often are simply left behind. This pattern is even more severe beyond our borders in the least-developed countries. Whole nations are prevented from fully participating in the international economic order because they lack the power to change their disadvantaged position. Many people within the less developed countries are excluded from sharing in the meager resources available in their homelands by unjust elites and unjust governments. These patterns of exclusion are created by free human beings. In this sense they can be called forms of social sin. Acquiescence in them or the failure to correct them when it is possible to do so is a sinful dereliction of Christian duty. (Par. 77)

Marginalization, as "exclusion from social life," thus can take many forms, economic as well as political. Its forms are also relative to specific social and cultural contexts, and thus may be analyzed and must be addressed in local, regional, national and international settings. Implicit in what the bishops say is that while overcoming marginalization and empowering people for participation is always and everywhere a priority for basic justice, there may be tensions, conflicts, and even fierce trade-offs involved in empowering people in one area for participation at the inadvertent expense of people elsewhere.

Enough has been said, however, to appreciate the theoretical link between EJA's normative view of basic justice as empowering people for social participation and their view of the ethics of income inequality. While there is no simple algorithm that will allow one to determine precisely when income inequality becomes unjust, the principle consistently represented by the NCCB seems now clear: income inequality becomes unjust if, and only if, it has the effect of marginalizing persons and communities, i.e., excluding them from or denying them access to appropriate levels of social participation. If it can reasonably be shown that certain persons and communities experience marginalization specifically because of existing patterns of income inequality, then those patterns of income inequality must be condemned as unjust. If marginalization exists, but it can reasonably be shown NOT to be caused by existing patterns of income inequality, then there is no reason to condemn those patterns as unjust.

Of course, EJA's ethical perspective is hardly exhausted by appeals to justice and participation. Love and solidarity, as we have already seen, are of paramount concern theologically. Existing patterns of income inequality, while not immoral when viewed in terms of basic justice, may yet be questionable as violations of love and solidarity. But once the moral argument shifts from considerations of justice to love, the consequences tend to become less and less imperative, at least as a matter for public policy or Christian social action. Since any significant social intervention to change existing patterns of income inequality is likely to involve the exercise of coercive authority, i.e., government regulation, appeals to love and solidarity are not likely to be seen as sufficiently compelling to justify coercion. Since appeals to love and solidarity normally imply a free response, strategies for challenging the patterns of income inequality that are just but unloving may be limited to voluntary and private solutions.

Love may suggest to an employer, for example, that she voluntarily reduce the disparities in wages among her firm's employees, perhaps in order to promote a greater sense of solidarity among them that may actually yield certain gains in productivity. But if such enlightened policies are suggested by love, but not mandated by basic justice, they must be freely embraced and not coercively imposed, even though they also tend to enhance social participation. Because empowering others for social participation is an open-ended process, it will necessarily reflect a continuum of ethical concerns including both love and justice. Perhaps the following diagram may help to understand this continuum:



Because our concern here is to determine when existing patterns of income inequality become unjust, the ethical argument has concentrated primarily on the right hand column. When one moves from the theoretical aspects of moral argument—our focus in this paper—to a consideration of practical strategies for overcoming unjust forms of income inequality, the focus tends to broaden out to include both columns, and thus a wide range of collaborative strategies involving both government regulation and private sector initiatives civil society. Indeed, part of the enduring contribution of EJA was to call attention to the possibilities for voluntary, collaborative approaches to economic empowerment, understood as overcoming marginalization and enhancing social participation. (Cf. Chapter IV: A New American Experiment: Partnership for the Public Good, Pars. 295-325)

If this interpretation of CST's ethical perspective on income inequality is accepted, certain conclusions can be drawn both theoretically and practically. Clarifying the distinction between what is an unjust pattern of income inequality, and one that meets the minimal test of "basic justice," is required by EJA's own insistence that not all forms of income inequality are unjust. That they find the current pattern of income inequality in the US morally "unacceptable" thus is not because they are opposed in principle to all forms of income inequality, but because in this instance the social analysis that they find credible warrants the conclusion that some groups and individuals, in fact, are excluded from social participation as a consequence of existing patterns of income inequality. This is the logic of their moral judgment, and, as reconstructed, it involves both a principle and a factual premiss, both of which can reasonably be challenged for any number of reasons.

Why is it useful to make this theoretical point? Is this anything more than technical hairsplitting? The practical problem that we started with, remember, is that our untutored passion for social justice may seem increasingly silly, if not self-serving, in a world where the benefits of economic development are likely to be realized only at the cost of disturbing increases in income inequality. If, contrary to EJA, basic justice demands that we oppose all increases in income inequality, then logically we should oppose economic development as such. For, as Kant once famously reminded us, "To will the end is to will the means to it also." If economic development inevitably exacerbates the injustice of income inequality, then we cannot resist income inequality without also resisting economic development. That EJA and CST generally refuse to endorse principled resistance to economic development as such, thus, is not the result of some failure of nerve. They cannot endorse such indiscriminate resistance because their principles, as we have seen, simply do not warrant it. If some patterns of income inequality are not unjust, but may actually be required in order to enhance the common good, then not only does CST not mandate principled resistance to market oriented economic development, but it also can, and perhaps, ought to point out the moral irresponsibility of such principled resistance!

The struggle over this issue among scholars committed to CST, as well as the controversies generated by EJA in both Catholic and nonCatholic circles, suggest that this point of clarification is worth making. Income inequality, as I have said, becomes unjust if, and only if, it has the effect of marginalizing persons and communities, i.e., excluding them from or denying them access to appropriate levels of social participation. Catholics, thus, in good conscience may examine the ethics of wealth-creation with an open mind, and with more to contribute than a warning that, however wealth is produced it must be distributed in such a way that it does not exacerbate existing patterns of income inequality. But this is largely an internal concern among serious students of CST. What is the public relevance of this clarification?

At the time that EJA was drafted, public moral argument in the USA about economic justice was still dominated by the debates between and about the relative philosophical perspectives of Nozick and Rawls. Nozick's Anarchy, State, and Utopia (1977) vigorously defended property rights within a libertarian perspective that supports the conclusion that economic inequalities are unjust, if and only if, income and wealth are a

result of illegal activities. Distributive justice in this perspective is reduced to procedural considerations. As long as the laws governing the marketplace are observed, there is no basis for claiming that the outcomes of economic activity are unjust. Rawls' Theory of Justice (1971), by contrast, argued for a concept of justice as "fairness" that did encourage ethicists to evaluate the justice of economic outcomes. Within a larger commitment to maximizing individual rights and liberties for all, Rawls argued for a "Difference Principle" that stipulates the following:

Social and economic inequalities are to meet two conditions: they must be (a) to the greatest expected benefit of the least advantaged; and (b) attached to offices and positions open to all under conditions of fair equality of opportunity. (1971: 83)

Economic inequalities are not unjust, so long as they meet these two conditions.

At first glance, comparing EJA's perspective with either of these may seem like comparing apples and oranges. EJA's correlation of justice and participation is theologically grounded, and as we have seen its theological presuppositions do make a substantive difference. EJA's perspective, however, may seem lacking in precision compared to either of these. It may seem easier to make an ethical evaluation of any concrete pattern of income inequality from either of these than from EJA's rich and complex understanding of what does and does not enhance social participation. Either of them could be used to argue the irrelevance of EJA's perspective, since both seem more clearly to warrant specific approaches to public policy than does the correlation of justice and participation. On the other hand, the lack of clearcut ideological orientation may be one of the latent strengths of EJA's, since the very richness of the concept of participation may enable us to respond to or help develop new approaches to economic justice.

This hope seems especially reasonable when one moves beyond the ideologically polarizing debates between Nozick and Rawls to a comparison between Amartya Sen's new approach to economic development and the perspective of EJA. For years Sen has been a leader among economists seeking to make a critical correlation between ethics and economics. While Sen acknowledges some sympathy with Rawls' attempt to go beyond utilitarianism as it is practiced in conventional welfare economics, he also challenges the adequacy of Rawls' expectation that "primary goods" should be the main object of moral concern in evaluating the ethics of "economic inequality." (1997:197-198) The gist of Sen's approach is to shift ethical as well as economic analysis from the distribution of "commodities" to the exercise of human "capabilities" (1987). Rawls, in Sen's view, still treats "primary goods" as commodities, and thus as subject to public policy planning motivated to enhance an equitable distribution of commodities. Thus Rawls' "Difference Principle" focuses on "the least advantaged" and, in Sen's view, identifies "least advantage... with having the lowest index value of 'primary goods'." By contrast, Sen proposes that "quality of life, rather than on income or wealth, or on psychological satisfaction" (1997: 198) should be the focus of moral concern:

"If the object is to concentrate on the individual's real opportunity to pursue her objectives, then account would have to be taken not only of the

primary goods the person holds, but also of the relevant personal characteristics that govern the *conversion* of primary goods into the person's ability to promote her ends." (Ibid.)

"Commodities," in short, are merely means for enabling the exercise of human "capabilities."

Sen and scholars—notably Martha Nussbaum—who have contributed to the development of his approach clearly understand "capabilities" within the framework of Aristotelian thinking about the human person as a social animal. (Ibid.) Though Sen's perspective is more emphatic in promoting personal choice than is CST's emphasis on the common good, both of these emphases can be seen as part of a spectrum focused normatively on freedom, or in the NCCB's term, "self-realization." (EJA, par. 65) What is distinctively Aristotelian about both perspectives, and the most promising point of convergence between them, is their common understanding of what EJA calls "participation" and Sen terms "functionings." Since we have already reviewed what EJA has to say about participation, here is Sen's description of "functionings":

The concept of 'functionings,' which has distinctly Aristotelian roots, reflects the various things a person may value doing or being. The valued functionings may vary from elementary ones, such as being adequately nourished and being free from avoidable disease, to very complex activities or personal states, such as being able to take part in the life of the community and having self-respect.

A person's 'capability' refers to the alternative combinations of functionings that are feasible for her to achieve. Capability is thus a kind of freedom: the substantive freedom to achieve alternative functioning combinations (or, less formally put, the freedom to achieve various lifestyles). (Sen, 1999: 75)

Sen's description of functionings is more formal and open-ended than EJA's description of social participation, for it is meant to make explicit the "space" in which substantive public debate can proceed over which "particular functionings...should be included in the list of important achievements and the corresponding capabilities." (Ibid.) EJA's theologically grounded perspective on social participation thus would be one proposal for consideration in a larger "evaluative exercise of this kind." (Ibid.)

Why a critical correlation between EJA's understanding of social participation and Sen's "capabilities approach" is useful for the development of CST can be seen from two considerations: (1) The capabilities approach creates the evaluative "space" in which EJA's perspective is not only intelligible to economists but also plausible, and possibly persuasive. (2) The capabilities approach, as Sen develops it, is not simply philosophical, but is quantifiable and, hence measurable, seemingly in a way that no perspective in moral philosophy has been since the extension of utilitarianism into neo-classical economics.

Summarizing the results of several other studies done by himself and his colleagues, Sen observes:

The amount or the extent of each functioning enjoyed by a person may be represented by a real number, and when this is done, a person's actual achievement can be seen as a *functioning vector*. The "capability set" would consist of the alternative functioning vectors that she can choose from. While the combination of a person's functionings reflects her actual *achievements*, the capability set represents the *freedom* to achieve: the alternative functioning combinations from which this person can choose. (Ibid.)

As with so many things, here the proof of the pudding is in the eating. In Development as Freedom, Sen pulls together arguments made in a number of publications and shows the promising ways in which the "capabilities approach" may be a more effective analytic tool than the conventional alternatives in welfare economics.

Because our concern is to understanding the ethics of income inequality, let me review briefly Sen's economic analysis of poverty as "capability deprivation." (1999: 87-110; cf. Sen, On Economic Inequality (Expanded edition with a substantial annexe by James E. Foster and Amartya Sen), 1997) His description of "capability deprivation" so closely coincides with EJA's ethical analysis of "marginalization" that it reinforces my sense of the convergence between the two perspectives. Capability deprivation is not reducible to income deprivation, though they are likely to be interrelated: "Inadequate income is a strong predisposing condition for an impoverished life." (Ibid.: 87) Nevertheless, it is important to distinguish them because: (1) The capabilities approach focuses on "deprivations that are *intrinsically* important (unlike low income, which is only *instrumentally* significant." (2) Low income is not the only factor determining capabilities. (3) "The impact of income on capabilities is contingent and conditional." (Ibid.: 87-8) As Sen goes on to demonstrate in detail, this third point is very important in tracing the patterns by which certain sociological variables, e.g., age, gender, education, occupational status, local culture and history, etc., affect the real poverty that people actually experience.

Sen's analysis tends not only to underscore EJA's correlation of justice with social participation and injustice with marginalization, it also allows us to map far more insightfully the economic dynamics of social exclusion:

For example, the difficulties that some groups of people experience in 'taking part in the life of the community' can be crucial for any study of 'social exclusion.' The need to take part in the life of a community may induce demands for modern equipment (televisions, videocassette recorders, automobiles, and so on) in a country where such facilities are more or less universal (unlike what would be needed in less affluent countries), and this imposes a strain on a relatively poor person in a rich country even when that person is at a much higher level income compared with people in less opulent countries. Indeed, the paradoxical phenomenon

of hunger in rich countries—even in the United States—has something to do with the competing demands of these expenses.

What the capability perspective does in poverty analysis is to enhance the understanding of the nature and causes of poverty and deprivation by shifting primary attention away from the *means* (and one particular means that is usually given exclusive attention, viz., income) to ends that people have reason to pursue, and correspondingly, to the *freedoms* to be able to satisfy these ends. (Ibid., 89-90)

Sen's analysis of "capabilities deprivation," in short, implicitly provides a justification for EJA's analysis of poverty as the complex phenomenon of societal marginalization, and broadens the range of empowerment strategies and tactics meant to help overcome poverty. Poverty understood as "capabilities deprivation" may actually be made worse by strategies narrowly focused on increasing incomes or narrowing "the gap" in income distribution statistics.

One telling example that Sen analyzes that tends to confirm EJA's understanding of poverty is the question of the specific deprivation experienced in unemployment and what to do about it. Like the NCCB, Sen prefers enhancing employment opportunities to increasing welfare benefits for the unemployed. When viewed in the perspective of "capabilities deprivation," the marginalization experienced by the unemployed may be a worse catastrophe than their loss of income. Such marginalization may be ignored, if not exacerbated, by simply increasing welfare benefits. (Ibid.: 94-95) Viewed in this light, the US economy's extraordinary recent success in job creation (even if at lower wage levels) may do more to support the poor's quality of life than the high levels of welfare benefits offered by Western European countries whose policies also favor dramatically high levels of unemployment. (Ibid.)

Indeed, the capabilities approach warrants Sen's challenge to the centrality of income inequality in ethical evaluations of economic justice. The question for Sen, somewhat similar to the question animating this paper, is "Inequality of What?" Within the capabilities approach, "economic inequality" is not synonymous with "income inequality" nor with "inequalities in income and wealth" when wealth is understood primarily in terms of marketable assets. Within the capabilities approach "economic inequality" must be understood comprehensively. While Sen is reluctant to provide an essential definition, he consistently offers descriptions that suggest multiple and measurable capability deprivations that are neither natural nor inevitable, but contingent upon societal arrangements that are subject to evaluation and change (1999: 92-94, 107-110). This, in my opinion, is also what EJA means by marginalization. Sen's economic analyses thus are likely to support EJA's perspective, precisely because they demonstrate the pragmatic value of these shared ethical criteria.

As I have formulated EJA's view of the morality of income inequality, "income inequality becomes unjust if, and only if, it has the effect of marginalizing persons and communities, i.e., excluding them from or denying them access to appropriate levels of social participation." Sen's "capabilities approach," in my view, shares the ethical assumptions—though not the theological presuppositions—governing EJA's correlation of justice and participation and, conversely, injustice and marginalization, and helps provide additional philosophical warrants for these. However encouraging this convergence may be for those committed to CST, even more important is the fact that Sen's economic analysis based on these shared assumptions provides us with an opportunity for developing CST in a way that could make it a more effective conversation partner in debates over the relationship of ethics and economics. CST, in my view, has always been abundant in moral insight, but perhaps deficient in economic logic. I hope, here, to have suggested a way of making up for that deficiency.

As the title of Sen's new book, Development as Freedom, suggests, his own agenda is comprehensive and transformative, and not narrowly focused on analyzing existing patterns of income inequality. The major focus of this conference is on the ethics of wealth-creation, just as Sen's constructive focus is on economic development in the fullest sense of the term. This brief excursus into the ethics of income inequality may contribute to our larger agenda by suggesting that wealth-creation or development must themselves be conceptualized as empowering social participation and/or enhancing human capabilities and functionings. Wealth, understood narrowly in terms of marketable assets, created at the expense of either of these is not really wealth, but is another form of impoverishment.