

ON LIMITING THE DOMAIN OF INEQUALITY*

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THE most difficult issues of political economy are those where goals of efficiency, freedom of choice, and equality conflict. It is hard enough to propose an intellectually defensible compromise among them, even harder to find a politically viable compromise. These are ancient issues. The agenda of economics and politics have always featured policies whose effects on economic inequality and on efficiency in resource allocation are hopelessly intertwined. But it is only in the last five years that they have regained the center of attention of American economists, with whom stabilization, full employment, and growth took the highest priority for the preceding three decades.

When a distinguished colleague in political science asked me about ten years ago why economists did not talk about the distribution of income any more, I followed my *pro forma* denial of his factual premise by replying that the potential gains to the poor from full employment and growth were much larger, and much less socially and politically divisive, than those from redistribution. One reason that distribution has returned to the forefront of professional and public attention is that great progress was made in the postwar period, and especially in the 1960's, toward solving the problems of full employment and growth.

It is natural that debate should now focus on intrinsically harder issues of the composition and distribution of the national product, and it is also natural, though disappointing, to find people with short memories questioning whether full employment and growth ever were problems worth worrying about. There are of course other reasons for the recent shift of emphasis, notably the belated commitment of the society to racial equality and the diffuse concern for social justice that is one feature of the cultural revolution of the young.

American attitudes toward economic inequality are complex. The egalitarian sentiments of contemporary college campuses are not necessarily shared by the not-so-silent majority. Our society, I believe, accepts and approves a large measure of inequality, even of inherited inequality. Americans commonly perceive differences of wealth and income as earned and

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regard the differential earnings of effort, skill, foresight, and enterprise as deserved. Even the prizes of sheer luck cause very little resentment. People are much more concerned with the legitimacy, legality, and fairness of large gains than with their sheer size.

But willingness to accept inequality in general is, I detect, tempered by a persistent and durable strain of what I shall call *specific egalitarianism*. This is the view that certain specific scarce commodities should be distributed less unequally than the ability to pay for them. Candidates for such sentiments include basic necessities of life, health, and citizenship. Our institutions and policies already modify market distributions in many cases, and the issues raised by specific egalitarianism are central to many proposals now before the country.

The trained instincts of most economists set them against these policies and proposals. To the extent that economists are egalitarians at all, they are general egalitarians. The reason is their belief that specific interventions, whether in the name of equality or not, introduce inefficiencies, and the more specific the intervention the more serious the inefficiency. Henry Simons eloquently articulated these instincts and proposed a clear-cut practical resolution of the conflict between efficiency and equality.¹

Simons' design is a very attractive one, deceptively so. He splits economic policy into two departments, one for equity and one for efficiency. Problems of equity and social justice are resolved at the most general level, in legislation for taxation of income and wealth. As for efficiency, the objective of government policy is to make markets work competitively. The government does not intervene in particular labor or product markets on behalf of distributive justice. Reformers interested in reducing, or increasing, economic inequality are referred to the Ways and Means Committee. They cannot seek these ends by fixing milk prices or minimum wages or oil imports or apartment rents or wheat acreage or subway fares—or, for that matter, by rent subsidies or food stamps. Simons says, "It is urgently necessary for us to quit confusing measures for regulating relative prices and wages with devices for diminishing inequality. One difference between competent economists and charlatans is that, at this point, the former sometimes discipline their sentimentality with a little reflection on the mechanics of an exchange economy."²

While concerned laymen who observe people with shabby housing or too little to eat instinctively want to provide them with decent housing and adequate food, economists instinctively want to provide them with more cash income. Then they can buy the housing and food if they want to, and if they choose not to, the presumption is that they have a better use for the

¹ Henry Simons, *Economic Policy for a Free Society* (1948).

² *Id.* at 83.

money. To those who complain about the unequal distribution of shelter or of food, our first response—and Simons'—is that they should look at the distribution of wealth and income. If the social critics approve that distribution, then they should accept its implications, including the unequal distribution of specific commodities. If they don't like it, then they should attack the generalized inequality rather than the specific inequality. Economists, especially some trained at the University of Chicago, think they can prove that, given the distribution of generalized purchasing power, competitive production and distribution of specific commodities will be optimal.

This answer rarely satisfies the intelligent egalitarian layman. He knows, partly because he has learned it from economists, that there are pragmatic limits on the redistributive use of taxation and cash transfers. These instruments are not as neutral in their allocative effects as Simons appeared to believe; they may seriously distort choices between work and leisure, selections of occupations and jobs, allocations of savings among competing investments, etc. We have yet to conjure into reality the economist's dream tax—the lump sum tax that no one can avoid or diminish by altering his own behavior.

Simons knew, no doubt, that progressive taxation was not neutral in its allocative effect, but he was writing in the days of small government and was not contemplating very heavy taxes. Nor does he seem to have contemplated what we now call negative taxes, although such transfers would have been a logical extension of his program.

Serious redistribution by tax and transfer will involve high tax rates, as the following simple calculation illustrates. Suppose the government gives every citizen a certain amount $\$m$ (a guaranteed minimum income) and collects by income tax enough to pay these grants and to finance government activities which cost $\$c$ per capita. Tax rates must be high enough to collect the fraction $(m + c)/\bar{y}$ of total income, where \bar{y} is average income per capita. If the guarantee level m is a quarter or a third of mean income, and especially if the government is purchasing for substantive use any significant fraction of national output, the necessary tax rates will be so high that incentive and allocational effects cannot be ignored.

The layman therefore wonders why we cannot arrange things so that certain crucial commodities are distributed less unequally than is general income—or, more precisely, less unequally than the market would distribute them given an unequal income distribution. The idea has great social appeal. The social conscience is more offended by severe inequality in nutrition and basic shelter, or in access to medical care or to legal assistance, than by inequality in automobiles, books, clothes, furniture, boats. Can we somehow remove the necessities of life and health from the prizes that serve as incentives for

economic activity, and instead let people strive and compete for non-essential luxuries and amenities?

This is essentially what the United States and other countries did in the second World War when the supplies of normal consumption goods were drastically limited by the drafts of resources for the war effort. The public was not taxed enough to accomplish this transfer of resources in the market, in large part because of fear of the disincentive effects of the high tax rates that would have been necessary. Prices and wages were controlled to repress, and postpone, the latent inflation. At the controlled prices there was chronic excess demand for consumption goods, and market distribution of these goods was supplanted by a more egalitarian distribution via official and unofficial rationing. Incentives to work, beyond sheer patriotism, were maintained by the prospect that incomes, though inconvertible into consumption at the time, would become convertible later, after the end of the war.

Specific egalitarianism takes a number of different forms, with a number of different motivations and rationalizations. There are some commodities where strict equality of distribution is deemed a crucially important objective, so important that society cannot permit an individual even voluntarily to transfer his share to someone else. These "commodities" include civil rights and privileges—and their converse, civil obligations—where equality among citizens is basic to the political constitution. The vote is a prime example, the military draft possibly another. The category includes also biological or social necessities which are scarce in aggregate supply, so scarce that if they are unequally distributed, some citizens must be consuming below a tolerable minimum. Examples include essential foods in wartime, and probably medical care here and now. In these cases there is a strong paternalistic element in the state's insistence that the individual may not, even voluntarily, transfer his ration to someone else.

At the other end of the spectrum there are commodities of ample supply, or at least of potentially ample supply, where the egalitarian objective is, so to speak, one-sided, not a strictly equal distribution but an assured universal minimum. Ample aggregate supply means that if everyone received only the tolerable minimum, there would be a surplus. Food and possibly housing are examples in the United States today.

In every case a crucial issue is the elasticity of supply, in the short run and the long run, of the commodity in question. When the scarce commodity is in fixed supply, then arrangements for distributing it equally, or on any other non-market criterion, can be made without worrying about efficiency. This is also the case in which social concern about specific inequality makes the most sense.

In wartime Britain tea was in short and inelastic supply; there was no way by which selling it to the highest bidder could increase the imports; and

it made sense to worry specifically about the fairness of the distribution of tea. In peacetime United States there is social concern about inequality of access to medical care: luxury medical care for the rich uses resources that could be saving the lives or life chances of the poor. Specific redistribution makes sense if medical care, like tea in wartime Britain, is in inelastic supply. It makes less sense if additional medical care can be obtained by drawing resources from other uses. To that degree the medical deprivations of the poor can be laid to rich consumers of automobiles, boats, and higher education as fairly as to rich over-consumers of the services of physicians and hospitals.

The state has at its disposal a number of instruments for modifying or supplanting the market distribution of a commodity. By market distribution, I mean the distribution among consumers that would result from the expenditure of their money incomes after taxes and cash transfer payments, in the absence of any interventions to set prices or allocations. The concept is clear for privately produced goods and services. But some "commodities" of interest are produced and dispensed by the state; indeed some are rights or privileges rather than goods and services in the usual sense. In the case of state-controlled commodities, I shall use the term market distribution to refer to the result of auctioning the supply to the highest bidders.

One instrument is to forbid the delivery of the commodity to consumers without the surrender of *ration tickets*, of which the government controls the allocation. Ration tickets may be either *personal* or *transferable*. A second instrument is the *commodity voucher* or *stamp*, of which the government likewise controls the allocation. The consumer can use the voucher or stamp only for a specific commodity or class of commodities. The government redeems in cash the vouchers presented by a supplier. Like ration tickets, vouchers can be either personal or transferable. Finally, although ration tickets are usually necessary but not sufficient to purchase a rationed good, it is possible for ration tickets to serve also as vouchers. I shall find it convenient to use these terms in a figurative sense, that is, to apply them to a number of situations which can be described as if there are ration coupons and vouchers even though such pieces of paper do not or need not literally exist.

I propose now to discuss a number of illustrative cases of specific egalitarianism, actual or proposed.

WARTIME RATIONING

The rationing of scarce necessities of life in time of war or its aftermath is, as noted above, a common example of specific egalitarianism. It is worth further brief discussion, because it illustrates some of the issues and problems that arise in contemporary manifestations of specific egalitarianism.

One common system was specific rationing. Ration tickets for a single commodity, sugar or orange juice or tea or meat or gasoline, were distributed equally or in relation to some criteria of need. They were not transferable, either for money or for other ration coupons. The rationale was a combination of egalitarianism and paternalism. Rich children should not have all the orange juice, and no family should bargain away its children's vitamins even if the parents want to do so. Of course, even though ration tickets themselves are not transferable, it is difficult to prevent informal or black market exchanges and sales of the commodities themselves, except when the commodities are highly perishable or personal.

Once delivery of a commodity is effectively forbidden except in exchange for ration tickets, the government has at least indirect control of the money price. Left to the market, the price will be set so that the available supply will be equal to ration-limited demand. This could be as low as zero if the ration coupons cover no more than the available supply. If the government sets a positive price, then it will induce some consumers to leave coupons unused; the real value of remaining coupons will correspondingly increase. Conversely, if coupon values are set too high then a positive money price will arise in order to squeeze out excess consumers.

If equality is really the aim, if consumption is to be strictly independent of unequal money income, then a positive money price must not be allowed to squeeze anyone out. Indeed, ration tickets must double as vouchers, with the government paying the suppliers by redeeming the ration-vouchers with money.

If the supply is inelastic, as was typically the case in wartime, the terms of redemption are purely a distributive matter, as between the general taxpayers and the suppliers of the scarce commodity. But if the supply is responsive, then the government's payment will be one of the determinants of the future supply.

Another model is the negotiable ration ticket. Ration coupons are equally distributed, and the scarce commodity cannot be purchased without one. But coupons can be transferred. The rich and eager can consume an above average share of the commodity, but only by transferring purchasing power over other goods to the poor and indifferent. Equality of specific consumption is not maintained, but those who wish more than their share must find and compensate someone willing to get along with less. The same effect could be achieved by giving everyone a lump sum dollar grant and levying a tax on the consumption of the commodity, just enough to pay for the grant. The advantage of the ration mechanism is that the market makes what would be a difficult calculation for the tax collector. The equity of the system is that high consumers of the scarce commodity, rather than general taxpayers, are made to subsidize the poor and other low consumers.

The transferable ration system does not give the right signals when supply is elastic. It does not make sense to levy an excise tax on an essential commodity in short supply. The way out is for the government, in effect, to buy the supply at its supply price and to distribute it by ration-vouchers at a lower money price or free.

VOTING

There are some rights and privileges, and some duties, which the society desires to distribute precisely equally among its members, or among a subgroup of its members. The distribution is supposed to be wholly independent of income and wealth. Furthermore the distribution is supposed to be independent of individual preferences; society would not approve an individual's voluntary assignment of his share to someone else even if the assignee were of equal or lower income.

Perhaps the clearest example is the vote in a democratic polity. The modern democratic ethic excludes property qualifications, obvious or disguised, for the suffrage. Votes are not transferable; buying or selling them is illegal, and the secret ballot makes such contracts unenforceable. In some countries, indeed, citizens are penalized simply for not voting. Any good second year graduate student in economics could write a short examination paper proving that voluntary transactions in votes would increase the welfare of the sellers as well as the buyers. But the legitimacy of the political process rests on the prohibition of such transactions. A vote market would concentrate political power in the rich, and especially in those who owe their wealth to government privilege.

The instrument used for equal distribution of the vote could be described, in the terms previously introduced, as a non-transferable combined ration ticket and voucher. Obviously an egalitarian distribution can be enforced without any loss of efficiency. The aggregate supply of votes is intrinsically inelastic. Allowing a free market in votes could not augment the power of the electorate as a whole; it would serve only to redistribute it differently.

THE DRAFT

Military service is a duty rather than a right, but the same issues arise with respect to its distribution. In some nations it is regarded as a non-negotiable obligation of citizenship, just as the vote is a non-negotiable right. This conception applies in some countries even in peacetime. But the notion that the obligation should not be distributed among citizens on the basis of income and wealth is of course strongest in wartime, when it becomes a matter of distributing risks of death and injury. The national conscience was scandalized, at the time and in retrospect, by the civil war spectacle of rich

fathers' purchasing substitutes for their drafted sons. The power of the purse saved the life of one boy in exchange for the death of another. Subsequent draft laws in this country have excluded this kind of transaction.

Nevertheless many of the criteria of selective service are highly correlated with economic status. The correlation is difficult to avoid so long as selections must be made, so long as the number of persons needed in the armed services is smaller than the physically eligible population. That is one reason why the draft today is so much more difficult and socially divisive a problem than it was in the second World War. Although equality of exposure could be achieved in current circumstances by short enlistments, too rapid a turnover would make it impossible for the armed services to accomplish their missions.

In these circumstances a lottery, with no deferments, is the only egalitarian device available. Forbidding the exchange of a vulnerable draft number for a safe number is conceptually equivalent to prohibiting the sale of votes or of ration tickets—once again a paternalistic insistence on an egalitarian distribution takes precedence over the standard economist's presumption that a voluntary exchange increases the welfare of both parties.

A further condition of a strictly egalitarian solution is hardly ever squarely faced. The possibility that poor young men may risk their lives for money can be wholly avoided only by prohibiting volunteering or by setting soldiers' pay well below effective civilian alternatives.

A volunteer army is subject to the same objections on egalitarian grounds as a free market in negotiable military obligations. It is just a more civilized and less obvious way of doing the same thing, that is, allocating military service to those eligible young men who place the least monetary value on their safety and on alternative uses of their time. There is one important difference, however. With a volunteer army, the general taxpayer must provide the funds necessary to draw into military service the number of soldiers needed. With a free market in draft obligations, much of this burden is picked up by the draftees who are buying substitutes, or by their families. The general taxpayer bears only the costs of the official soldiers' pay, which in a draft system is of course below the market supply price. Young men who escape the obligation are, in effect, taxed to pay the young men who take it on. It is certainly not obvious that the volunteer army solution, whatever its other merits, is the more equitable of these two arrangements.

As for efficiency on the supply side, it is not clear whether the size of the armed forces should be regarded as a fixed demand for manpower independent of its cost. If so, then there is no problem of resource allocation, only a problem of equitable distribution, and nothing is lost by an egalitarian draft. It may be argued, on the other hand, that voters, the Congress, the President, and the Pentagon would and should attune their foreign policies

and military technologies to the costs of military manpower, and that the draft biases their decisions toward using more military personnel than they would if defense budgets reflected the true marginal costs. The volunteer army solution would correct this distortion. In principle it could also be corrected within the framework of the opposite solution, a stochastic draft with volunteering prohibited, but with military pay set at the conjectural supply price of the size army the government wants.

RIGHTS TO BEAR CHILDREN

Contemporary worries about the prospects of overpopulation have led to spreading conviction that society will eventually have to control population growth by rationing births. The Zero Population Growth movement, popular on campuses, wants every mother to be limited to two children. We can imagine that medical technology will some day permit social control of periods of fertility.

I am not interested in discussing here whether worries about overpopulation are justified or whether, even if they are, society should in fact regulate births. What is relevant to my subject is how such regulation would be carried out. Should each and every mother be limited to two children or less? Or should each woman be issued two—or two and a fraction tickets, whatever is consistent with zero population growth—and be allowed to transfer whole or fractional tickets to other women? Or should the government fix an annual quota of births and auction the tickets to the highest bidders?

The first system is the most egalitarian, but excludes many voluntary transfers of "birth rights" that would in principle increase the utility of all parties concerned. The second system allows such transfers, but also opens up the possibility that rights to have children will be concentrated in the rich. At least the poor and others who give up their rights will be well compensated. This is not the case under the third system, the auction, where the rich can still buy up the rights but to the benefit of the general taxpayer rather than of would-be mothers who lose out in the auction.

EDUCATION

The American system of elementary and secondary education is one of non-transferable ration vouchers, along with a paternalistically motivated compulsory requirement for minimum consumption. Every child is entitled to free schooling. His "ticket" cannot be transferred to anyone else; there is no direct way in which one parent, by accepting less schooling for his child, can provide more for another. A child may use his "voucher" only in the public schools. If he does not use it, he must buy an approved substitute

version of the same commodity. His voucher is no good for that purpose, but neither is he limited by his ration. His parent may purchase for him as much education, beyond the minimum requirement, as he chooses.

In recent years support has been growing for what I shall call an extended voucher system, under which the education voucher is usable in any approved school of the parent's choice, not just in public schools. I note in passing that the advocates of the extended voucher system find it possible to reconcile some paternalism with their libertarian principles. They do not propose to abandon compulsory education and to compensate non-consumers of public education in money.

One of the effects of the present arrangement is to require high income parents who wish their children to have more or better education than the public schools provide to pay not only the extra costs but also part of the expenses of educating the children of the less affluent. In this respect the present system is a measure of specific egalitarianism. The proposed reform would shift the burden now borne by those who opt out of the public system to the society at large in higher taxes, or to the lower-income consumers of public education in lower quality.

Reducing the cost of luxury education would no doubt increase the demand for it, and draw teachers and other resources into it, partly from the public schools, partly but more slowly from the rest of the economy. Whatever its other merits, principally in encouraging greater competition and innovation in the supply of education, the extended voucher proposal would increase the inequality of education. This effect could be largely avoided by restricting the use of the vouchers to those private schools that hold other charges on the parents to zero or within prescribed limits.

Another difficulty with the extended voucher proposal arises from the externalities of the educational process—that is, the contributions to the education of students made by other students. The relationships here are complex and uncertain, and excessive heterogeneity in schools and classrooms may be as unproductive as excessive homogeneity. But the evidence seems to be that some racial, social, and intellectual heterogeneity is productive. A major problem of American education today is that public schools, reflecting and in turn influencing residential patterns, are becoming increasingly homogenous. The proposed extension of the voucher system might well accentuate this trend, by making it cheaper for parents to group their children homogeneously in private schools.

This possibility raises the question of how much selectivity in admission and retention private schools eligible for parentally disposed funds would be allowed to practice. So long as schooling is compulsory, there must be some schools that cannot be selective. Are public schools to become the residual depository for all students that publicly financed private schools cannot or

will not cope with? To some degree, this is already true, and private and parochial schools gain reputations for intellectual achievement, discipline, and good behavior, simply by pushing difficult and risky cases back to the public schools. Perhaps beneficiary schools should be required to admit all applicants—or in case of oversubscription to select among them in an unbiased way—and to dismiss or suspend students only by the same rules as apply to the public schools.

MEDICAL CARE

There are not many commodities in prosperous peacetime America that are scarce in the sense in which some necessities of life were scarce in wartime, but this could be said of medical care. The available supplies of physicians, hospitals, and other personnel and facilities are still low relative to the needs of the population. Even if the supplies were equally distributed, the medical needs unmet at the margin would evidently be far from trivial. This fact is, of course, the basic reason for social concern about the inequality of access to medical care. If people differed only in the attention they received with respect to cosmetic or orthodontic problems, or the number of psychoanalyses they enjoyed, or the hotel-like amenities provided to new mothers, inequality of medical care would not be a big issue. What is disturbing to many observers is the suspicion that chances of death and disability are unequally distributed, that some people consume for trivial purposes resources that could be crucial to the health of others.

In the case of medical care, equality would mean that the treatment of an individual depends only on his medical condition and symptoms, not on his ability or willingness to pay. Everyone would be compelled to have the same medical insurance policy, and no one could obtain medical care except on the terms prescribed in the common policy. This would be, in principle, a non-transferable ration-voucher system, as defined above in other illustrations. But ration-vouchers for medical care would be complicated contingent claims, and stating their value in services so as to balance demand and supply would be extremely difficult.

If medical care were delivered through a ration-voucher system, the government would in effect be purchasing *all* the services of physicians, hospitals, and other suppliers. The prices paid would have to be set so as to draw new resources into the medical industry. Past experience suggests, however, that the mechanism of supply response to price is slow and imperfect, and there may well be more effective ways to get new doctors, medical schools, hospitals, and clinics than simply to add to the rents of the present practitioners.

The system just sketched is compatible with a great deal of decentralization and free choice, but there is no getting around the fact that it is socialized medicine. It is hard to see how there can be equality of medical care

otherwise. Although this prospect may shock many people today, including many at the University of Chicago, it would not have shocked Henry Simons. In 1934 he wrote, in connection with his proposal for a rigorously thorough and progressive income tax, as follows: "On the expenditure side, we may look forward confidently to continued augmenting of the 'free income' of the masses, in the form of commodities and services made available by government, either without charge or with considerable modification of prevailing price controls. There are remarkable opportunities for extending the range of socialized consumption (medical services, recreation, education, music, drama, etc.). . . ."³

The system toward which the country is moving is quite different. More and more medical vouchers are being provided, through Medicare, Medicaid, and perhaps in the not too distant future, universal health insurance. But no formal rationing is being imposed. Inequality is reduced as the medical care of the poor is brought up to a minimum standard, but the rich can buy medical care in higher quantity and quality. The addition of voucher demands to the unrestricted private market drives prices up. If the government fixes the money value of its vouchers too low, doctors shift their attention to other patients. If the government tries to regulate all fees, not just those charged voucher patients, the result is informal rationing and queuing, with considerable inefficiency, inequity, and annoyance. There will be no good solution short of the day when resources for medical care are so abundant that a hypochondriac can consume them for low priority purposes, if that way of spending money suits his taste, without depriving someone else of vital care.

FOOD STAMPS

The society's propensity to give assistance to the poor in kind rather than in cash is most clearly evidenced by the political popularity of food stamps and housing subsidies. These are what I earlier called one-sided egalitarian measures. The intent is to increase the consumption of these necessities of life by the poorly nourished and poorly housed, not to reduce the luxury amounts going to heavy consumers. Indeed these commodities are not, in aggregate, scarce in the sense that medical care is in short supply. Food supplies can easily and quickly be expanded in response to new demand, and present supplies are ample, if equally distributed, for meeting socially accepted standards of nutrition. There is no reason that gourmets and gourmands in particular, rather than high-income people in general, should pay for raising the food consumption of the poor.

Paternalism is presumably the motive for assisting poor people with food

³ *Id.* at 68.

vouchers rather than generalized purchasing power. But the actual and proposed systems do not live up to the rationale, which would imply compulsory nutrition in the manner of compulsory education. Given the fungibility of stamps and foods, the plans do not even insure adequate diets for their beneficiaries. And, although based on the premise that adequate income is no guarantee of adequate nutrition, income-conditioned food vouchers do nothing to insure adequate nutrition for those whose incomes make them ineligible. In short, food vouchers are just an inferior currency, and taxpayers' funds would be better spent in general income assistance. It is quite true that society has an obligation to protect children whose parents cannot be trusted to nourish them. But this obligation is independent of the size and source of the parents' income.

SUBSIDIZED HOUSING

Paternalism once again is a major reason for society's willingness to subsidize the housing rather than the incomes of the poor. No doubt the neighborhood effects of poor housing, including the fact that it is a particularly visible manifestation of poverty, help to explain the appeal of subsidized housing. A paternalistic policy of housing vouchers is far more likely to be successful than food vouchers, because housing services are much less transferable and fungible.

Engineering a less unequal distribution of housing services is, however, particularly difficult because the services are generated by a specific housing stock inherited from the past. No doubt the resources invested in the current stock are more than enough to meet minimal standards for the whole population. But the high degree of inequality of density and quality built into the present stock limits the possibilities of equalizing its use in the short run. Likewise, expansion of the supply of housing services can occur only as fast as the stock can be augmented. It would take a long time for the market by itself to adapt the supply of housing to a significantly less unequal distribution of general income and wealth.

Present policies are neither fair nor effective. The income tests for housing subsidies are not very severe compared to the tests imposed for current and proposed cash assistance programs. Housing subsidies would be very expensive if everyone who could meet the income tests actually received them. But the subsidies are available only for an accidentally or arbitrarily selected few. The result is that some low income taxpayers are subsidizing the rents of families with equal or higher incomes. One reason that the spread of subsidized low-rent housing is slow is that, with minor exceptions, subsidies are connected only with designated new construction. Perhaps the concentration on new construction reflects the ambivalence of motivation for

the programs, which are designed to make cities look better as well as to help low-income families. If the latter purpose is to be sought with housing vouchers, it would make sense to use them to improve the allocation of existing as well as new structures. A disadvantage of the present approach is that it publicly tags the residents of subsidized projects as recipients of public assistance.

I personally see little convincing justification in the long run for specific egalitarianism in housing. There are numerous reasons for preferring a system in which everyone can and does buy decent housing to his taste in the same market. But it does not follow that the supply of housing can be left to the market as now organized and regulated. There are too many cases of racial discrimination, too many ways in which zoning ordinances, building codes, and land taxes favor low-density housing, too many restrictive practices in the home-building industry, too many government subsidies to affluent home-owners, etc. Poor people ought to be given dollars—or housing vouchers if that is preferred—that they can spend for housing anywhere. But at the same time governments do have an obligation to see that these dollars and vouchers have some value.

In conclusion, I believe that Simons and the mainstream of the economics tradition have been right to insist that general taxation, positive and negative, is the best way to moderate the inequalities of income and wealth generated by a competitive market economy. I have no doubt that a cash negative income tax would be, dollar for dollar, the most effective anti-poverty and pro-equality program that could be adopted at this time. At the other end of the economic spectrum, the urgency of reform of income and estate taxation was scarcely diminished by the tax legislation of 1969. The interests opposed to egalitarian reform of the tax-and-transfer system are formidable. The cause could use some enthusiastic and intelligent support, and it deserves more energy and attention than most youthful egalitarians in our midst have been giving it. Still more fundamental, and certainly more difficult, are policies to diminish the distribution of income before taxes and transfers. These include removal of those barriers to competition, whether private or governmental in origin, which protect some positions of high wealth and income. They include efforts to diminish inequalities of endowment of human capital and of opportunity to accumulate it.

These approaches to the problem of economic inequality deserve priority, but they do not entitle us to dismiss out of hand every proposal for specific egalitarianism or to acquiesce in a market distribution of every scarce commodity. It does make sense in some cases to adopt non-market egalitarian distributions of commodities essential to life and citizenship. It makes sense when the scarcity of the commodity cannot be overcome by drawing re-

sources from the general economy. Difficult practical cases arise when, as in the cases of medical care and housing, supply is inelastic in the short run but responsive to increased demand in the long run. In some instances, notably education and medical care, a specific egalitarian distribution today may be essential for improving the distribution of human capital and earning capacity tomorrow.