Inequality

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# Relational equality, mutual benefit and social insurance

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## Introduction

Consider a democratic nation state with a relatively open economy, regulated markets and a significant public sector (e.g. Canada, Germany, Italy or the United Kingdom). Is there an obligation on the state to seek to achieve equality among its citizens? And if so, where does that obligation come from? And equality of what?

A large literature at the intersection of economics and philosophy has answered these questions by proposing and defending a variety of principles of equality of opportunity. In an influential strand of this literature – the strand of 'luck egalitarianism' – equality of opportunity has been construed in terms of a distinction between those contingencies for which individuals are not responsible ('brute luck') and those for which they are ('option luck'). Luck egalitarianism requires that individuals are compensated for the effects of bad brute luck, but are held responsible for those of option luck (Dworkin, 1981; Arneson, 1989; Cohen, 1989; Roemer, 1996, 1998).

For many years, I have criticised this form of egalitarianism as incompatible with the practical functioning and moral underpinning of a market economy (Sugden, 2004). In my recent book *The Community of Advantage*, I justify the market as a mechanism that generates opportunities for individuals to achieve mutual benefit. I argue that a market economy cannot be expected to equalise opportunities among individuals or to reward merit; if it is to realise mutual benefit among citizens in general, it needs to be underwritten by social insurance schemes that provide partial compensation for both kinds of bad luck (Sugden, 2018). In this paper, I compare those arguments with Elizabeth Anderson's critique of luck egalitarianism and her advocacy of relational (or, her earlier term, democratic) equality (Anderson, 1999, 2010).

I find significant parallels between Anderson's arguments and mine. This might seem surprising, given that we have taken apparently opposite positions about the moral qualities of markets – she argues that markets rely on and propagate instrumental attitudes that can undermine people's recognition of intrinsic value (Anderson, 1993), whereas I (with Luigino Bruni) argue that the market has its own suite of virtues (Bruni and Sugden, 2013).[2] Crucially, however, Anderson and I share what I call a 'contractarian' – she would say 'contractualist' – perspective on political and economic philosophy.[3]

In this commentary, I focus on the justification of social insurance. By this, I mean schemes, instituted through collective political choice and financed by compulsory contributions or tax payments, that provide individuals with benefits such as income support and free or subsidised health and social care. Anderson and I justify social insurance on contractualist or contractarian grounds. I will reaffirm her and my critiques of luck egalitarianism and argue that our justifications of social insurance are complementary.

[1] I thank Elizabeth Anderson for supportive comments on an earlier version of this commentary.

[2] In 2014, Anderson and I were guests on a Radio 4 programme, discussing the topic 'competition'. The presenter expected a lively dispute about the morality or amorality of markets, but in fact we agreed with one another much more than we disagreed.

[3] The conventional distinction between 'contractualism' and 'contractarianism' is roughly aligned with the left and right of the political spectrum. I find it more useful to think in terms of a common theoretical strategy that can be developed in many different ways (Sugden, 2018, pp. 29–52).

 

## Luck egalitarianism

Luck egalitarians have often presented their work as a development of ideas in the theory of justice of Rawls (1971). According to their account, Rawls's crucial step was to move the focus of normative analysis from the outcomes that people experience (the focus of classical utilitarianism and neoclassical welfare economics) to the resource endowments that underlie people's opportunities for choice. Dworkin (1981) is said to have taken the next step by proposing a criterion of equality in people's multi-dimensional holdings of resources. The idea is to imagine an original position in which non-human resources are collectively owned, and individuals do not know their own natural abilities or health states. In Dworkin's story, the starting point is a meeting of shipwreck survivors on an uninhabited island. Each individual is assigned equal endowments of a unit of account, and the distribution of resources is determined by a Walrasian auction. To neutralise inequalities of personal characteristics, Dworkin's original position also has a market in which individuals can buy fair insurance, with full knowledge of all relevant probabilities. Personal characteristics are then revealed and all individuals are on their own in a neoclassical competitive market. Dworkin proposes that real-world social insurance schemes should be designed to simulate, as far as possible, the policies that would have been chosen in his original position.

Arneson (1989), Cohen (1989) and Roemer (1996, 1998) take Dworkin's approach a step further. They see Dworkin as having laid the foundations for a form of egalitarianism in which a principle of 'responsibility' is central. This principle is that individuals should be compensated for disadvantages if and only if those disadvantages are attributable to factors outside their control. All three writers use the phrase 'hold responsible for' as a synonym for 'do not compensate for'. Here are three statements of the principle:

- 'it is morally fitting to hold individuals responsible for the foreseeable consequences of their voluntary choices' (Arneson, 1989, p. 88);

- 'it is morally wrong to hold a person accountable for not doing something that it would have been unreasonable for a person in his circumstances to have done' (Roemer, 1998, p. 18);

- '[the purpose of egalitarianism] is to eliminate involuntary disadvantage, [i.e.] disadvantage for which the sufferer cannot be held responsible, since it does not appropriately reflect choices that he has made or is making or would make' (Cohen, 1989, p. 916).

Roemer (1998) offers the most fully developed model of how the principle of responsibility might be implemented in a social market economy. He invokes the principle in two forms. The *ex ante* form is a principle of 'starting-line equality', similar to that imagined by Dworkin. A fair society is a 'competition' in which everyone starts equal, but 'after it begins, individuals are on their own' (Roemer, 1998, p. 2). The *ex post* form is a principle of 'equal reward for equal effort': 'individuals who try equally hard should end up with equal outcomes' (Roemer, 1998, p. 15).[4] In Roemer's model, a perfectly informed 'planning agency' would be able to design a market economy that satisfied both principles. Roemer (1998, p. 29) suggests that the planners might get the information they need by running what would now be called randomised controlled trials.

Luck egalitarianism is, as Anderson (1999, p. 291) aptly describes it, a hybrid of capitalism and the welfare state. It is no coincidence that the literature of luck egalitarianism flourished in the Thatcher–Reagan era of the 1980s. Choice and responsibility were then key ideas in what Cohen (1989, p. 933) called 'the arsenal of the anti-egalitarian right'. Luck egalitarians sought to neutralise those weapons by arguing that their proposals did not undermine choice, responsibility or incentives, but merely taxed some people's undeserved good luck to compensate others for underserved misfortunes.

[4] This formulation hides an ambiguity: Roemer cannot mean that all forms of personal effort, irrespective of their usefulness to other people, yield equal rewards. I take him to mean that each person faces the same tariff of opportunities to translate effort into reward.

 

More recently, experimental economists have become interested in investigating the principles of distributive justice that people in fact endorse. In a typical experiment, two or more individuals separately engage in some productive activity that involves some combination of effort, ability and luck. Their production is then pooled into a 'social surplus', and someone chooses how to divide that surplus between the producers. The results of these experiments suggest that many people have some sympathy with luck egalitarianism: they are more willing to compensate inequalities that reflect differences in luck than ones that reflect differences in choices (Capellen et al., 2007, 2013).

## Anderson's relational critique

Anderson's critique of luck egalitarianism is grounded in a relational conception of egalitarian justice.

> 'The proper negative aim of egalitarian justice is not to eliminate the impact of brute luck from human affairs, but to end oppression, which by definition is socially imposed. Its proper positive aim is not to ensure that everyone gets what they morally deserve, but to create a community in which people stand in relations of equality to others.' (Anderson, 1999, pp. 288–289)

Relational equality is not equality in the distribution of anything – whether of welfare, resources or opportunities. It is a property of relations between people – the property of relating to one another as equals. In Anderson's contractualist account of justice, the most basic value is freedom: 'the fundamental aim of citizens in constructing a state is to secure everyone's freedom' (Anderson, 1999, p. 289). The link between freedom and equality is that, for Anderson, to be free is to be self-governing: '[e]quals are not dominated by others; they do not live at the mercy of others' wills. This means that they govern their lives by their own wills, which is freedom' (Anderson, 1999, p. 315).

A key concept in Anderson's theory is that of 'social conditions of freedom' (Anderson, 1999, pp. 314–15). These are properties of society that allow individuals to interact on terms of equality. They apply to all aspects of social life, including interactions that people enter voluntarily. Thus, if firms systematically discriminate between potential customers according to their gender or ethnicity, or if workplace relations involve harassment or bullying, social conditions of freedom are violated. If individuals who take responsibility for caring for their children or for ill or infirm relatives are financially dependent on another person's wages, then that dependence can be a condition of unfreedom (Anderson, 1999, pp. 297, 311–12). Income equality is not required for everyone to be able to participate as an equal in social life, although this does require that each person is able to achieve some minimum standard of living.

Anderson's objection to luck egalitarianism is that it fails to treat citizens with 'equal respect and concern' (Anderson, 1999, p. 295). This is most obvious in the case of people who, not having taken adequate precautions or bought adequate insurance, are the victims of bad option luck. According to the strict principles of luck egalitarianism, such people do not deserve any help. Of course, luck egalitarians, like everyone else, accept the necessity of some safety net, financed by taxation or compulsory insurance payments. What is at issue is how mandatory social insurance is justified. How, given the logic of their position, can luck egalitarians justify requiring individuals to insure themselves when they would choose not to do so? Anderson diagnoses paternalism here. She accepts that self-respecting people can recognise the value of laws (such as the requirement to use car seat belts) that protect them against foreseeable thoughtlessness, but '[w]hen the liberty being limited is significant, as in the case of mandatory participation in a social insurance scheme, citizens are owed a more dignified explanation than that Big Brother knows better than they do where their interests lie' (Anderson, 1999, pp. 301–02).

Anderson points to two further ways in which luck egalitarianism shows a lack of respect to citizens. First, when luck egalitarianism compensates for the effects of brute luck, individuals' claims in justice for compensation are typically based on the supposed inferior worth of their personal characteristics. It is particularly inappropriate that the state is certifying these judgements of inferiority: '[it is not] the state's business to pass judgement on the worth of the qualities of citizens that they exercise or display in their private affairs'. In an egalitarian theory, claims of justice should be based on the equality of the parties (Anderson, 1999, pp. 289, 305–06).

Second, the separation between brute luck and option luck requires 'demeaning and intrusive judgements of people's capacity to exercise responsibility' and 'effectively dictates to them the appropriate uses of their freedom' (Anderson, 1999, p. 289). As an example of this intrusiveness, consider the discussion by Roemer (1998, pp. 43–53) of a smoker who contracts a serious smoking-related illness. How far should the smoker be held responsible for this misfortune? In Roemer's analysis, the answer depends on the prevalence of smoking among people who share the smoker's 'circumstances', including such factors as social class, education, and parental smoking behaviour. The less this prevalence, the easier it would have been for this individual to choose not to smoke, and so they bear more responsibility.

As the obverse of the intrusiveness of the state's probing into personal responsibility, luck egalitarianism 'gives individuals an incentive to deny personal responsibility for their problems, and to represent their situation as one in which they were helpless before uncontrollable forces', fostering a passive 'victim's mentality' that Anderson clearly thinks unfitting for free citizens (Anderson, 1999, p. 311). In other words, a policy based on holding people responsible for option luck is undermining the virtue of responsibility as an attitude to one's own life.

## My mutual-benefit critique

Roemer's picture of a social market economy presided over by a benign and effective planning agency is reminiscent of the market socialism of the 1920s, 1930s and 1940s – the project of theorising how to incorporate markets, but not the profit motive, into a system of central planning. Hayek (1948) identified a fundamental flaw in this project. I argue that luck egalitarianism has a similar flaw.

The flaw is that of treating the Walrasian model of a competitive market as a stylised description, not merely of the state to which the competitive process tends to lead, but of that process itself. In equilibrium, market prices tell all agents everything they need to know in order to play their parts in bringing about the allocation of resources that characterises the equilibrium. However, those prices integrate items of knowledge that are distributed among the agents. The process that uncovers and integrates this knowledge is the market itself – a complex of interactions between agents, who all act on their own motivations according to their own knowledge. This process is not represented in the Walrasian model. The idea that inequalities of brute luck can be identified and neutralised before the market begins assumes that the planning agency already knows what in fact will be discovered only in the process of reaching equilibrium. But the motive power of that process is that individuals are rewarded for discovering ways of benefiting one another – offering to sell what others want to buy, or to buy what others want to sell. If this discovery process is to be incentivised, there can be no guarantee that equal efforts will yield equal rewards.

One facet of the problem of divided knowledge is represented by the story of 'Hayek Island' – my counterpart to Dworkin's shipwreck story (Sugden, 2004). My shipwreck survivors' problem is that, although otherwise equal, they start out with different beliefs about how, in their new environment, effort can transform natural resources into consumable goods. Which beliefs are true and which are false will be discovered only through experience and experiment: actual effort must precede the knowledge that would be needed to design Dworkinian insurance policies. Unavoidably, the discovery process rewards the undeserved luck of the people whose beliefs turn out to be true.

Another facet of the problem – in economic theory, the phenomenon of 'pecuniary externalities' – is intrinsic to markets (Sugden, 2018, pp. 180–89). In a competitive economy, the set of opportunities available to each individual is defined by their own endowments and by market prices. As viewed by the individual, this 'opportunity set' is a given; they are free to choose any one of its elements. But those market prices depend on the choices that other people are simultaneously making from their opportunity sets. If we are to know each individual's lifetime opportunity set before they make any choices from it, we must be able to predict the choices that individuals (in the aggregate) will in fact make over their future lives. In a real economy, people have to make many decisions – for example, about the careers they follow – that are effectively bets on other people's unknown future choices. I conclude that equality of opportunity, in the luck egalitarian sense, cannot serve as a standard of economic justice in a society that relies on markets.

The fiction of the planner has a moral flaw too. Notice how luck egalitarians use the concept of 'holding a person responsible' for the consequences of their decisions. We are told that it is 'morally fitting' to hold a person responsible for something that was within their control, and 'morally wrong' to hold them responsible for something that was not. But who is acting morally or immorally here? It is as if Arneson, Cohen and Roemer are imagining someone – let us use the term 'Just Distributor' – who controls the distribution of goods in society and whose duty it is to draw up accounts of individuals' merits and to hand out corresponding rewards.[5] We are being asked to treat this fiction as a model of social justice – to accept that society has a collective duty to organise itself so as to simulate the decisions of a Just Distributor.

If the Just Distributor is supposed to represent society as a moral entity, the implication is that individuals are accountable to society for their everyday economic decisions. To my eyes, this is an unattractive conception of responsibility. Certainly, the concepts of freedom, opportunity and responsibility are closely related. The starting point for any opportunity-based moral theory is the claim that, in some sense, it is good for an individual to have more opportunity rather than less. This claim is not self-evident, particularly if one recognises that individuals' choices do not always reveal stable and consistent preferences. However, as I argue in *The Community of Advantage*, it can be justified to people who conceive of themselves as responsible agents – that is, individuals who identify with their past choices, whether or not these choices were what they now desire them to have been, and with their future choices, even if they do not yet know what these will be (Sugden, 2018, pp. 83–106). But responsibility in this sense is not accountability to society; it is the kind of responsibility that Anderson contrasts to the mentality of victimhood.

If one gives up the model of the Just Distributor, undeserved inequalities may be morally arbitrary, but they do not necessarily correspond with moral wrongs. It is a truism that life is unfair, but this does not entail a collective obligation to compensate for life's unfairness. If the source of unfairness is the inequality of the natural distribution of talents, luck egalitarianism rests on the premise that a society's stock of natural talents – or, at least, the benefits that those talents can create – is a common asset. Rawls (1971, pp. 101–02) famously claims exactly that, but we must remember that he is proposing a theory of justice for a society that, by assumption, is a 'closed system isolated from other societies' (Rawls, 1971, p. 8). He also takes as given that 'everyone's well-being depends upon a scheme of cooperation without which no one could have a satisfactory life' (Rawls, 1971, p. 15). If it really were true that the membership of society was fixed and that no one could have a satisfactory life unless everyone agreed to a common set of rules, then natural talents would indeed be a resource that could be put to use only with everyone's consent. But that is not the world in which we live.

## Justifying social insurance

I have said that everyone accepts the moral necessity of some form of safety net, and that the problem for luck egalitarians is to justify social insurance in a way that is compatible with the principles to which they are committed. Anderson's advocacy of relational equality and my mutual-benefit account of the market face the same challenge. I now consider some general constraints on the kinds of social insurance that she and I can hope to justify, and on the kinds of justification we can use.

### Partial insurance

Hayek's argument tells us that experiences of brute bad luck are an inescapable feature of the market as a discovery process. A social insurance scheme that provided full compensation for brute bad luck would

[5] The same idea is implicit in the experimental programme that I describe at the end of the 'Luck egalitarianism' section (see Sugden and Wang, 2020).

disable essential market mechanisms. Thus, like a commercial insurance policy with excesses, social insurance can provide only partial compensation for undeserved misfortune.

### Unconditional guarantees, compulsory contributions

Anderson and I have rejected the principle that the benefits of social insurance should be denied to those who suffer bad option luck. The implication is that all law-abiding citizens, at every point in time and irrespective of their previous decisions, should have an unconditional guarantee of the opportunity to achieve some minimum standard of living. Clearly, the content of this guarantee must be limited, so as to protect the state against what Anderson (1999, p. 289) calls 'bankruptcy at the hands of the imprudent'. Because the right to claim against the insurance scheme is inalienable, contributions must be compulsory.

### Collective willing

As a contractualist, Anderson (1999, p. 314) requires that egalitarian principles must be 'possible objects of collective willing'. If those principles are to justify a social insurance scheme, they must be capable of supplying sufficient reasons for citizens acting together to underwrite it. Similarly, my justification of the market as a system of mutual benefit is made from a 'contractarian perspective'. A contractarian recommendation is addressed to some set of individuals, viewed as potential parties to an agreement about how to achieve mutual benefit (Sugden, 2018, pp. 29–52). Thus, a contractarian justification of a social insurance scheme must show each of its participants that the scheme works to their benefit. There is a crucial divergence here from the kind of justification that is used by luck egalitarians. Being a possible object of collective willing or a mutually beneficial potential agreement is not the same thing as a distributive pattern that is morally desirable in what Anderson (2010, pp. 21–22) has called a 'third-person' sense, or as judged from what I have called a 'view from nowhere' (Sugden, 2018, pp. 17–28).

### Political boundaries and economic boundaries

A fundamental problem for a contractualist or contractarian justification of social insurance is that, in the world as it is, social insurance schemes are internal to nation states, but economic cooperation is not. As I argue in *The Community of Advantage*, a contractarian theory of cooperation can justify obligations between participants in voluntary interactions – essentially, all individuals' obligations, conditional on choosing to enter to such an interaction, to play their expected parts in the participants' realisation of mutual benefit, as long as other participants do so too. If market transactions are entered voluntarily, this obligation – the 'principle of mutual benefit' – applies to markets just as to other aspects of civil life, and is not limited to transactions between political fellow citizens (Sugden, 2018, pp. 256–81). Participants in market transactions can express 'market virtue' by interacting as social equals, jointly intending their mutual benefit (Bruni and Sugden, 2008, 2013). This view supports a moral conception of a market as a community of economic cooperators – an economic analogue of Anderson's political conception of a democratic community. The difficulty is that economic communities do not coincide with the political communities in which social insurance must operate. Consider Jo, a well-paid commercial lawyer who lives in London and likes to take holidays at a Thai beach resort. Jo may have more significant mutually beneficial interaction with Charoen, the waiter at a beachside restaurant in Krabi, than with Jamie, who works in a McDonald's in Middlesbrough. Nevertheless, Jo has a social insurance obligation to Jamie and not to Charoen. A justification of social insurance must be addressed to individuals as members of a *political* community.

## Two justifications of social insurance

Anderson's justification of social insurance is fundamentally political rather than economic. It is based on her conception of a democratic state as a means by which people collectively secure their freedoms. Here are two of her summaries of what is guaranteed by the principles of democratic equality:

> 'Democratic equality guarantees all law-abiding citizens effective access to the social conditions of their freedom at all times. It justifies the distributions required to secure this guarantee by appealing to the obligations of citizens in a democratic state.'
> (Anderson, 1999, p. 289)

> 'Negatively, people are entitled to whatever capabilities are necessary to enable them to avoid or escape entanglement in oppressive social relationships. Positively, they are entitled to the capabilities necessary for functioning as an equal citizen in a democratic state.' (Anderson, 1999, p. 316)

Anderson's concept of capability is taken from Sen (1985), but with the crucial difference that democratic equality does not require capabilities to be equalised across individuals. What is guaranteed is that the capabilities of all individuals are sufficient to allow each person to interact with others on terms of equality. Included in this guarantee is the capability to achieve a minimum standard of living (Anderson, 1999, pp. 317–18). Because what all individuals are being guaranteed is defined in terms of their relations with their fellow citizens, this minimum standard is a social minimum, not a mere subsistence. Thus, Anderson's proposal includes a scheme of partial social insurance with unconditional guarantees and compulsory contributions. By justifying this scheme in terms of citizens' political obligations, she avoids the problem of a mismatch between political and economic communities. Is it a possible object of collective willing? Anderson's answer, I think, has to be that this form of social insurance is an essential component of a democratic state. If that is right, social insurance can be an object of collective willing for people who attach sufficient value to living in a democracy.

My justification of social insurance, in contrast, is grounded in economics. As a thought experiment, and as a dramatisation of an argument developed more fully in *The Community of Advantage* (Sugden, 2018, pp. 174–204), I offer another island story. Imagine a small and economically isolated island community. Its main economic activities are subsistence farming and fishing, but there is a small trade in artisan-produced goods. The standard of living is poor, but there is approximate equality of opportunity in Roemer's sense: everyone has broadly similar opportunities to transform effort into consumption goods. One day, the island is discovered by traders who operate from a distant country with a large population and a developed market economy. The islanders must make a collective choice about whether to allow overseas trade, integrating the two economies into a single market for goods (but, I assume, not for labour).

An economist might advise the islanders that economic integration would almost certainly increase their total income, but would make its distribution less equal. A large majority of islanders could expect to experience increases in personal income, but there would be decreases for some. Who would lose out initially might be reasonably predictable (for example, artisans facing competition from more productive overseas suppliers), but longer-run effects would be uncertain. Viewed in a contractarian perspective, the problem is to find a policy package that can be recommended to every islander as a mutually beneficial agreement. In considering the terms of a possible agreement, a prudent islander would want some insurance against economic loss, and would also assess the psychological stability of those terms – their capacity to sustain people's continuing willingness to honour them (Rawls, 1971, pp. 16, 177, 453–62). If an islander expects the policy of economic integration to deliver them a continuing stream of benefits over time, it is in their interests that other islanders continue to support this policy. This would be most likely if, at every future point in time, each islander could expect the continuation of the policy to create an increasing stream of individual benefits. What is required, then, is a tax-financed social insurance scheme that guarantees every islander an opportunity to receive some share of the increases in island income that will be generated by trade.

A scheme of this kind provides partial insurance for brute bad luck. Access to the benefits of the scheme is not conditional on a person's earlier decisions. Contributions are compulsory. What is guaranteed is more than subsistence; it is a share in the wealth created by other people's market interactions. The scheme can be an object of collective willing for people who expect market mechanisms to be wealth-creating in the aggregate, who know that those mechanisms may cause unpredictable and undeserved losses for some of them, and who recognise their common interest in maintaining political support for policy packages from which they can expect to benefit. The scheme is justified by a combination of political and economic reasons that are compatible with the non-alignment of economic and political communities.

The island story illustrates a general strategy for justifying national schemes of social insurance in open economies. In terms of my earlier example, Jo's special obligation to Jamie has two sources. First, they are co-participants in an insurance scheme. If Jo suffers bad (brute or option) luck, Jamie and not Charoen will incur a share in an obligation to help. Second, Jo has a special interest in the political sustainability of the UK's social market economy, and that depends more on Jamie's attitudes than on Charoen's.

## Social insurance versus universal basic income

The benefits that an individual can draw from a social insurance scheme are conditional on specific contingencies, such as illness, disability, caring responsibilities, involuntary unemployment, low wage rates and survival into old age. The guarantees provided by social insurance can be unconditional in the sense that they do not depend on backward-looking judgements about a claimant's responsibility for contingencies that have been insured against; but conditionality on contingencies is intrinsic to the concept of insurance. Further, the receipt of benefits may be conditional on a person's current actions. For example, it may be a condition for the receipt of unemployment benefit or for the supplementation of low wages that the recipient stands ready to take up adequately paid work if it is offered.

A different way of creating a safety net is through a scheme of universal basic income. Such a scheme provides entirely unconditional benefits. If one thinks about the relationship between the state and the recipients of benefit, universal basic income treats everyone with equal respect and without any potentially intrusive enquiries into the validity of insurance claims. Clearly, there are important practical issues about the financial cost of providing adequate levels of benefit on an unconditional basis. But, leaving those issues aside, one can ask whether universal basic income is compatible with the principles of a contractual or contractarian approach.

This question was at the heart of a famous exchange between Philippe Van Parijs – an early advocate of unconditional basic income – and John Rawls. Rawls (1988) argued that leisure should be treated as one of the 'primary goods' whose distribution is a matter of social justice. If individuals choose not to work, they should be deemed to have received resources equal in value to a basic wage and so to have no further claim on society: 'those who surf all day off Malibu must find a way to support themselves'. The response given by Van Parijs (1991) was to defend the Malibu surfer's right to receive a basic income without having to work for it.[6] I think the contractarian justification of social insurance supports Rawls's position.

The fundamental contractarian thought is that a well-ordered society is a network of cooperation for mutual benefit. A contractarian can defend a competitive market as a system of general rules within which people are free to seek mutual benefit. However, those rules alone do not guarantee that everyone can expect to benefit from the workings of the market. If a market system is to continue to command general support, there must be some credible guarantee that most people will benefit in the long run. This requires an institutionally stable scheme of redistribution or social insurance.

If such a scheme is to be stable, then it must command the support of people who, because they are relatively rich, are net contributors. This support is most likely to be forthcoming if the scheme can be understood as an integral part of an economic system based on mutual advantage. Everyone needs to understand that, as Arrow (1984, p. 188) once wrote, 'the owners of scarce personal assets do not have substantial private use of these assets; it is only their value in a large system which makes these assets valuable.' The skills of the rich and talented would have only a tiny fraction of their current value without the network of economic cooperation in which they are put to use. Social insurance is a way of ensuring that everyone who is willing to participate in this venture can share in the surplus it creates. But anyone who wants to enjoy these benefits must be willing to share in the costs, not surf all day off Malibu.

[6] The premise for Van Parijs's argument is that each individual has an unconditional entitlement to a share of unearned rents. In a recent paper, Anderson (2016) expresses some support for this principle, but argues that a financially feasible universal basic income would be too low to protect middle-class people against downward mobility in the case of old age or sickness.

## Conclusion

Anderson’s relational justification of social insurance and my mutual-benefit justification have a similar contractualist or contractarian structure: they work from the several points of view of potential participants in cooperative ventures rather than the synoptic point of view of a moral spectator. Anderson’s starting point is a conception of political cooperation between moral equals; mine is a conception of economic cooperation between moral equals. Both forms of cooperation are fundamental for a free society. I believe that these justifications are complementary.

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