Published on *Adam Smith Institute* (http://www.adamsmith.org)

23 Things We're Telling You About Capitalism XX [1]

Written by **Tim Worstall** [2] | Tuesday 4 June 2013

For our twentieth outing we're told that equality of opportunity isn't enough: we must also have a deliberate and planned levelling of outcome in order to produce a truly just society. Chang manages to reach this position by confusing inequality with insufficiency: something not unknown over there to the left of us. But I'm afraid that this is an incorrect conclusion for the two things really are very different indeed.

Fortunately Chang is agreeable to the idea that entirely equal rewards for very different efforts doesn't actually work. There has to be, unlike Maoist China, some connection between the work put in and the relative rewards taken out. Which is true: but that's not quite right even there. For the truth is that we shouldn't really be caring at all about the efforts that is being put in. We are not Puritans, we do not think that work for its own sake is good. Indeed, I myself am very much an Anti-Puritan in this sense. I care not a tittle nor a jot how much work someone puts in to make their money: they're going to get some of mine according to the value that they produce for me. And that's also how it should be on the macro scale, in the entire economy. If, just as an example, Eddie Izzard finds it takes mere moments to think up a joke which has millions laughing for hours then good luck to him. It's not the effort put in that matters, it's the value he's created that does. Ditto with, say, the miner digging up tantalum to make our mobile phones. None of us gives a hoot whether it takes him 30 seconds or ten hours: the value is in the capacitors in the phones and that's what we're paying for.

That rewards should be commensurate with effort is a corollary of the fallacious labour theory of value. Rather than Adam Smith's much more correct theory of the value in consumption. With this correction we can move on. Now that we accept that it is the value produced for consumption by others which should determine income and reward, not the effort put into that production.

Where Chang does go wrong is in his insistence that true equality of opportunity isn't enough. He uses the example of a poor black child in South Africa: the schools are terrible, the teachers barely literate, in what sense can we say that he has equality of opportunity with his witer and richer fellow countrymen? He doesn't, of course. equality of opportunity would mean at least comparably good schools. Chang then compares this to the UK say, where a poor child won't have perhaps the same self-confidence as his richer contemporaries. Nor the same luxuries in his home life. All of which might well be true. Then comes the sleight of hand: this inequality of opportunity requires that parental incomes thus be equalised in some manner. Which is, I have to admit, an interesting use of the "it's all for the children" argument.

But it's an incorrect argument: equality of opportunity does not require equal incomes: it requires sufficient incomes. Sufficient to be clothed, fed, housed, warm and so on: sure, it needs all of those. But making sure that everyone has a sufficient income for their children to be provided with these necessary things is very different from insisting that incomes must be more equal. It might be a valid argument for some redistribution even, to ensure those sufficient incomes, but not for more equality of incomes as a specific goal. Imagine, just as a made up number, that it requires £5,000 a year to provide a child with a sufficiency of these things. If all children have that amount available for their care then we do have equality of opportunity in this education and life success sense: that other children have £40,000 a year lavished upon them does increase inequality but does not cause a reduction in opportunity.

That slide from having to reduce inequality to provide equality of opportunity just doesn't work I'm afraid. And given that we want reward to be tied to the value produced for others to consume, the evident and obvious truth that some do, with varying levels of effort, produce very much more value than others means that we're just entirely happy with inequality of reward: as long as we do have that equality of opportunity.

blog comments powered by Disqus [4]

Source URL: http://www.adamsmith.org/blog/economics/23-things-were-telling-you-about-capitalism-xx

Links:
[1] http://www.adamsmith.org/blog/economics/23-things-were-telling-you-about-capitalism-xx
[2] http://www.adamsmith.org/taxonomy/term/5778
[3] http://disqus.com/?ref_noscript
[4] http://disqus.com