IAST Conference on Philosophy and the Social Sciences:

Inequality, Fairness and Markets

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Inequality, resources and social relations

There is a focus on resources in empirical analyses of inequality, whereas philosophical theories of justice are divided between those that focus on resources and opportunities on one hand, and those that focus on social relations, on the other hand. This paper proposes a model of society that embeds resources and social relations into a web of social interactions that determine how people flourish or struggle in life. This model suggests rethinking the analysis of inequalities and social justice, especially with the possibility of identifying trade-offs and synergies between the different components of the social web.

John Roemer, *Yale University*

How we do and could cooperate: A Kantian explanation

Standard game theory's theory of cooperation is based upon threatened punishment of non-cooperators in a repeated game, which induces a Nash equilibrium in which cooperation is observed. Thus, cooperation in games is explained as a non-cooperative equilibrium. Behavioral economics, on the other hand, explains cooperative behavior by inserting 'exotic' agruments into preferences (altruism, fairness, etc.), and again deducing cooperation as a Nash equilibrium in a game with non-standard preferences. In both variants, cooperation is envisaged as achievable as a Nash equilibrium.

I believe a more compelling approach is to model individuals as using a Kantian optimization protocol, but with standard, non-exotic preferences. The Kantian protocol inserts morality not into preferences, but into the optimization protocol, and these are distinctly different approaches, as I show. We deduce cooperation in one-shot games in Kantian equilibrium. Kantian optimization resolves both tragedies of the commons and the provision of public goods: Kantian equilibria, in both cases, are Pareto efficient, in contrast to Nash equilibrium. Furthermore, I characterize the class of 2 x 2 symmetric games in which Kantian optimizers will drive Nash optimizers to extinction, and conversely; both are non-empty classes.

Daniel Hausman, *University of Wisconsin*
Some Remarks on Equality in Health and Health Care
I argue that health inequalities should not be of special egalitarian concern, and that the inability of relational egalitarians to specify a sensible egalitarian objective with respect to the distribution of health is not a serious problem. Health inequalities are important only insofar as they indicate more general inequalities. Egalitarians should be at least as interested in health care as in health inequalities, because health care affects overall inequalities and because the provision of health care can itself be an expression of egalitarian values. Distributional egalitarianism, unlike relational egalitarianism, has a hard time accounting for many of the ethical considerations that should guide the allocation of health care. For different reasons, neither version of egalitarianism favors using markets to allocate health care, although both can tolerate markets as a compromise among competing values.

Gijs van Donselaar, *University of Amsterdam*
Priceless Demand: The Killer-Ape Menace
Praise for the free market has been sung in many keys, especially by libertarian political philosophers. Firstly, the market is supposed to be efficient; secondly, the market is supposed to be innovative; thirdly, the market is supposed to be just or fair. Here I will ask how these libertarian appraisals of the free market relate to each other. Along the way in answering this question we will find, or so I argue, that libertarianism needs a thorough reinterpretation, if not a reconstruction, if it is to hold its threads together.

Thomas Christiano, *University of Arizona/IAST* **and Simone Sepe,** *University of Arizona/IAST*
Fairness, Efficiency and Corporate Governance
In this paper we will explore the idea that fairness in relations between capital and labor may be an inherently important feature of a corporate governance structure and one that enhances the productivity of corporate firms. We will proceed first by articulating an intuitive ideal of fairness in individual transactions. Second we will articulate a central puzzle about fairness in voluntary transactions particularly as they occur under incomplete markets. Third we will develop a conception of the corporate form as a response to incomplete markets. And we will deepen this conception by showing how firm, corporate firm and a particular kind of corporate firm are good institutional responses to imperfect markets. Each of these forms enhances firm value. Finally we will argue that the institutional realization of norms of fairness between capital and labor in the corporate form may also contribute to firm value in addition to enhancing their intrinsic value. We provide an account of this and some empirical evidence for the relationship.