Should companies reduce income inequality?:
Maybe

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1. Introduction

• Income inequality needs to be reduced? – Yes
• Should income inequality be reduced within companies? – Yes
• Should companies reduce it? - Maybe
2. Why does income inequality need to be reduced?

- Ethics, economics, politics, society, institutions; it is not at all clear what economic inequality and political inequality are, and also ethics and these other issues are not separable.

- Egalitarian perspectives
  - If income is an important indicator of resources, opportunities, status, esteem, income inequality needs to be reduced
  - Some misconceptions about sameness and diversity, or physical or other talents

- Consequentialist
  - Utilitarian, happiness
  - Social welfare based
  - Unemployment, growth, saving, investment, aggregate demand poverty (absolute and relative)
  - Supply and incentives – supply of what? Incentives for what? Demand versus supply; innovations
  - Physical and mental health
  - Society and trust, conflict between class, race, gender
  - Crime, violence, white collar crime,
  - Politics, money and corruption, and democracy - authoritarianism
  - Environment
2. Why does income inequality need to be reduced? Cont.

- Desert – relates also to the causes of inequality
  - Just deserts – contribution, reward, input, output
  - Motivations, ability – problematic, vague, depends on what?
  - Buchanan on effort, choice, luck and birth – also problematic
    - Effort on what? Choice of what? “Value” creation. Rent extraction. Laws versus ethics; unequal justice. Scratching each other’s back, “loyalty”, how is evaluation done within institutions?
    - Not independent – effort-success (genes)-more effort – birth, parental guidance, social relations, choices, effort, success
    - Cannot separate individuals from group contributions. Trying to claim own contribution – some are better at that
  - Uncertainty – problem with insurable risk about luck
  - Power, relation and systemic
2. Why does income inequality need to be reduced? Cont.

• Freedom and Rights
  • Free choice? Voluntary choice? Rights respected?
  • Positive and negative rights and freedoms? Example of property rights and food
  • Do market freedoms enhance freedom?
  • The state restricts freedom or enhances it?
  • Conflict between different rights and freedoms, between different people

• Effect on moral values of people (different from consequentialism in the usual sense)
  • Greed, avarice, selfishness, corruption of power, using others, loss of self-awareness or feelings of worthlessness, narcissism, self-delusion – what one is, versus what one has – money, power
  • Resentment, envy, exclusion, demeaning, blame, aspirations, loss of self respect, dignity
  • Warping of incentives and motives, judge everything with money, quantity, quality? Often doesn’t work in its own terms, loss of self-reported happiness, even forgetting morals and ethics
  • Psychological distance and lack of compassion for others, for anything but oneself, no self at all but a hedonic self-centered automaton
3. Companies

- Inequality needs to be reduced within companies
  - CEOs and financiers are among the highly paid, that needs to be addressed
  - No evidence on contribution to society and pay – much contrary evidence
  - Pay each other, keep hierarchy running
  - Even if they hold more “responsible” positions, says nothing about how much should be reward to it
  - Confusions about marginal productivity theory
  - Confusions about competition and efficiency and survival and evolution, enough fancy economic theory and evolutionary games to show that - smart for one and dumb for all
  - For many people, spend lot of time working: improvement in life and companies, not just income, but also democracy, decision-making
  - Why are large companies needed? Scale economies? Power? Large companies have higher CEO pay. But why have large companies?
  - But between company inequality is not addressed, as well as other determinants But can’t hurt.

- Should companies be tasked with reducing inequality? Maybe
  - Judging from two of the two participants of this discussion, not at all! The role of vested interests, implicit or explicit; knowledge power!
  - But Enderle and others like Amis, Bapuji, look at it differently; from a societal and ethical perspective. But I wonder if firms take what they say into account.
  - I don’t study firms as organizations, and don’t study business ethics, but urge others to do as a reasonably impartial observer, although bias is very hard to avoid.
  - Governments need to constrain them, but only if they can freed from their undue influence
  - But I know enough to know that it is not clear what maximizing value is even if that is the intended goal – rationality and uncertainty.