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DOI:
10.1017/S0047279410000668

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Journal of Social Policy / Volume 40 / Issue 03 / July 2011, pp 437 - 452
DOI: 10.1017/S0047279410000668, Published online: 25 August 2010

Jnl Soc. Pol. (2011), 40, 3, 437–452 © Cambridge University Press 2010
doi:10.1017/S0047279410000668

The 'Deserving' Rich? Inequality, Morality and Social Policy

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Abstract

There is a long tradition in social policy of discussing and critiquing the notion of 'deservingness' in relation to 'the poor'. This paper will apply such debates to 'the rich' to consider the grounds on which this group might be considered 'deserving'. The paper identifies three sets of arguments. The first set of arguments concerns the appropriateness of *rewarding* merit/hard work/effort/risk-taking etc. The second concerns more consequentialist/economic arguments about providing *incentives* for wealth creation. And the third considers the *character* and behaviour of the rich. As well as discussing the potential criteria for deservingness, the paper will also debate whether the *degree* of income and wealth gained by the rich is deserved. Finally, the paper will discuss the social policy implications, including taxation policies, which emerge from this debate.

Deservingness, policy discourse and policy development

While there has been considerable discussion about questions of deservingness in relation to people in poverty, there has been much less discussion of these questions in relation to the wealthy.[1] This is for a number of reasons, not least because poverty has received much more attention from social policy academics than wealth, poverty being seen as a social problem whereas wealth is generally not (Orton and Rowlingson, 2007a). There are exceptions to this general rule, of course. Townsend (1990), for example, raised concerns about inequality and the 'overclass', but questions of deservingness have largely been applied in relation to receipt of means-tested social assistance benefits. Titmuss (1958), however, pointed out that receipt of occupational and fiscal benefits could also be seen in a similar light to social welfare benefits and so lead to the question of whether or not people deserve them. Le Grand (1982) highlighted the point that the wealthy receive many tax-funded services, such as health, education, transport, etc., and so, once again, we might question deservingness in this context. We might also, of course, consider whether or not some people deserve very high earnings or high unearned income. The purpose of this paper is therefore to extend and test the application of the notion of desert to the problem of 'riches'.

The arguments for doing this are threefold. First, if the principle of desert is to inform the development of social policy (and we would not necessarily argue that it should), then it follows that it should be applied to all members of society. This is particularly important at a time when the alleged undeserving status of some of those in receipt of social welfare is being used to justify an extension and intensification of surveillance and disciplinary practices (Henman and Marston, 2008), whilst, at the other end of the income scale, the results of a policy of self-regulation have become apparent and increasingly difficult to justify. Second, social policies inevitably involve the wealthy, particularly in relation to taxation policy, and some principles of fairness and justice are needed to guide these policies. Third, there are growing calls for the gap between rich and poor to be seen as a social problem in its own right, distinct from poverty (Orton and Rowlingson, 2007a; Wilkinson and Pickett, 2009). These calls suggest we should be focusing attention as much at 'the rich' as at 'the poor'.

While this paper focuses largely on the UK, it also draws on international literature and evidence, as the issues are of global significance. For example, the International Labour Organisation (2008) pointed out that, between the early 1990s and mid 2000s, income inequality grew in two thirds of the countries for which data exist. The same report also pointed out that the gap between the earnings of executive managers and average workers grew dramatically in the 2000s in a number of countries, including the US, Australia, Germany, Hong Kong (China), the Netherlands and South Africa.

Identifying criteria of deservingness

Previous attempts to identify deservingness criteria (mostly in relation to poverty) have tended to follow one of three approaches: first, to identify how social policies have realised notions of deservingness; second, to identify public opinion on questions of deservingness; and, third, to identify criteria from 'first principles'.

With regard to the first approach, DeSwaan's (1988) historical analysis of welfare states identified three criteria that seem to have been used for making judgements about deservingness. These are: 'disability', which equates to incapacity to work and so relates to notions of (lack of) control over, or responsibility for, one's situation; 'proximity' refers to people being within a particular boundary (a geographical boundary or an identity-based boundary, such as belonging to a particular group) that qualifies them for support; and 'docility', which relates to whether those in need behave in a passive, grateful, decent manner or are seen as aggressive, ungrateful and impudent. Cook (1979) also identified a similar set of criteria: level of need, locus of responsibility, gratefulness and pleasantness. Locus of responsibility was found to be the key criterion for making judgements in Cook's research and also in Will's (1993) American study. Having reviewed a range of studies in different countries, Van Oorschott (2000) proposes five key criteria on deservingness as follows: control/responsibility, level of need, identity/proximity, attitude of those in need and reciprocity.

The second approach to identifying criteria of deservingness involves analysis of public opinion (e.g. Orton and Rowlingson 2007b; Taylor-Gooby and Martin, 2008). Van Oorschot's (2000) analysis of Dutch public opinion data analysed four criteria of deservingness: control, reciprocity, need and social risk. It shows, in line with previous research, that the most important criterion when people make judgements about deservingness is control/responsibility, followed by identity and then reciprocity.

While most of the research in this field has concerned poverty, there has been some research on attitudes to the rich. Dean with Melrose (1999) drew on data from in-depth interviews to suggest that people did not tend to make judgements about the rich in the same way that they did about people in poverty. By contrast, people had a prurient fascination with 'the spectacle of riches'. More recent focus group research by Bamfield and Horton (2009) also found that people tended to assume that the rich had worked hard to achieve their status, and even if the rich had achieved their position through inheritance, there was a view that they were entitled to keep their wealth rather than have it taken away from them.

Although this research suggests that the rich might be seen as more deserving than the poor, this does not mean that people supported the *extent* of differential rewards between the rich and poor. This is clear, for example, from data on attitudes to earnings from different occupations. While there is support for differential salaries, Bromley (2003) points out that some high-earning occupations are seen as being overpaid. For example, the general public in 1999 thought that company directors might deserve to earn about six times as much as an unskilled worker, rather than the 12 times that was perceived to exist and the 43 times ratio that actually existed (Hills, 2004). These findings suggest that people feel that certain jobs do merit higher rewards, but nowhere near as high as currently exist.

So the question is not simply one of whether some differential reward is deserved but who deserves it, and why and, crucially, *how much more* they deserve.

A final approach to identifying criteria for deservingness is through an examination of 'first principles'. A range of theories of distributive justice can be used to consider whether or not a particular distribution of resources is fair (Rawls, 1971; Roemer, 1998; Fitzpatrick, 2008). There is a huge literature on this and even an outline of these positions is beyond the scope of this paper, but Scott *et al.* (2001), drawing on Deutsch (1985), identified four key criteria. *Equality* is seen as a key presumptive principle of fairness, meaning that people should receive an equal share of any resources, unless there are particular reasons to deviate from that. One reason for such deviation, often mentioned in distributive justice theories, is to reward particular contributions. The principle of *merit* is therefore acknowledged as a potential reason to deviate from equality. Another potential reason to deviate from equality is if some people *need* greater resources. A final principle mentioned by Scott *et al.* (2001) is *efficiency* or aggregate benefit/wealth maximisation. Thus, it is seen as a good thing if a society can become much wealthier, but if this benefits some people more than others then there will be a trade-off between equality and efficiency.

Scott *et al.* (2001) carried out experimental research to test people's preferences for either equality or efficiency where there was a trade-off. For the majority, preferences for equality or efficiency were heavily mediated by assumptions about merit. Miller (1992) reported on a similar set of studies, particularly those where people made trade-offs between equality and merit (which he refers to as desert) and identified three possible reasons for differences in beliefs about distributive justice: self-interest, adaptive beliefs (i.e. adapting to current circumstances and so believing them to be fair) and perceptions about the character of the group.

The three approaches discussed in this section (policy analysis, public opinion and first principles) suggest three broad criteria by which the rich might be judged deserving or undeserving. Firstly, we might *reward* merit/hard work/effort. These arguments relate to 'merit' from the distributive justice literature, and notions of 'control/responsibility' and reciprocity/contribution from the policy and public opinion literature. Second, we might see higher incomes as a necessary *incentive* to encourage people to create wealth which will then trickle down to benefit others. Third, we might consider the *character* or behaviour of the wealthy. If the rich are considered to be greedy or feckless with their money and contemptuous of other people, then they may be seen as less deserving, and support for policies around restricting bonuses and increasing taxation may be greater.

The next sections of this paper consider each of these arguments and related empirical evidence where relevant.

Rewarding merit/hard work

The first set of arguments here suggests that rich people may be seen as deserving if they are considered to be 'responsible' for their situation, by working hard and taking the opportunity to do well. But much of the wealth of many rich people is actually due to inheritance and other forms of unearned wealth. For example, various studies have analysed the values of the estates of fathers and sons. Harbury and Hitchens (1979) found that 67 per cent of the variance in a son's estate was explained by the variance in a father's estate. Theoretical models by Wilhelm

(1996) and empirical work by Menchik (1979) also support the conclusion that inheritance is a major source of inequality. And other studies (e.g. Atkinson, 1971) have also found that a pure life-cycle model (that is, with no bequests) is unable to explain the upper tail of the wealth distribution. Hence, bequests appear to increase inequality and represent, what Lansley (2006) has called, a 'cycle of privilege'.

Wealth is not the only type of capital that people may inherit from parents. Parents also transfer human, social and cultural capital to their children. In the mid 1990s, Johnson and Reed (1996) reached the conclusion that the best way to become rich was not so much through individual effort and hard work but to choose your parents wisely. In other words, they found that a key factor in determining where children end up in the income distribution is the economic standing of their parents. Other studies have also confirmed that children from less advantaged backgrounds have poorer outcomes as adults (Hobcraft, 1998; CASE and HM Treasury, 1999). Thus 'brute luck' (in terms of whether a child is born to a rich or poor family) plays a major role in determining socio-economic life chances.

Inherited wealth is not the only form of unearned wealth. People who own property, land and/or shares may see the value of these assets increase (or indeed, decrease) through no effort of their own, but simply due to national and international shifts in the housing market and the stock market.

Of course, some people do derive their wealth through paid work, and the main argument here is that people deserve/merit more than others if they work harder. This is because hard work is seen as a positive social good and therefore deserves a positive reward. However, there are problems with putting this concept into practice. How can we define and measure 'hard work'? Is it the nature of the work or the amount of time spent doing it or the degree of 'effort' put in? What if one person has to put in twice as much effort/time as another to get the same result? Is it therefore the output/productivity or the input/effort that we should be rewarding? How can we measure an individual's productivity if they are part of a team which all contribute to the output? While there may be widespread support for the general principle that hard work should be rewarded, it is not straightforward to put this principle into practice.

Evidence of the hours worked by different occupations (Begum, 2004) shows that people in management and senior professional occupations in 2003 were most likely, of all occupations, to be working more than 45 hours per week (19 per cent), but such long hours were also fairly common in the skilled trades occupations (17 per cent) and among process plant and machine operatives (15 per cent). There were, therefore, relatively minor differences between these occupations in terms of hours worked, but there were major differences in terms of average weekly earnings: from £748 per week for management and senior professionals to £412 per week for skilled trades and £374 for the process plant and machine operatives. The management and senior professionals were therefore receiving more than double the salary, on average, of the machine operatives but not, it seems, working double the hours (Begum, 2004). There is also a question mark about the intensification of the hours worked. Someone on a production line has to maintain a constant level of work while on that line. Managers and senior professionals, however, will have more flexibility to take breaks and vary the pace of their work. Such workers may have a long-hours culture, but there is not necessarily any evidence that this leads to higher productivity (Kodz *et al.*, 2003).

There may be a difficulty in clearly defining 'hard work' or 'individual productivity', but both empirical and philosophical studies suggest that there is strong support among the public and a strong case in logic for this principle. Research shows in practice, however, that there is currently very little link between top pay and company performance. Ramsay (2005), for example, cites evidence from a survey by Kepler Associates, a UK management consultancy company, which actually found an *inverse* relationship between pay and performance. They found that bosses in poorly performing companies were paid an average of £175,000 per year *more* than those in the top performing companies. Other evidence confirms the lack of a link between pay and performance. For example, CEOs' earnings were boosted massively in the late 1990s due to the increasing value of share options (Income Data Services, 2006, 2009a, 2009b). This was not due to an increase in individual productivity but a combination of low interest rates and general stock market speculation. Those at the top of the private sector today earn far more than their peers in the past and yet it seems unlikely that this is because today's chief executives are so much more hard working or productive than those in the past. The difference is due to the very different economic and political climate within which they now work as a result of economic liberalisation and deregulation. Indeed, we might have expected pay at the top to have declined recently given widespread profit warnings and plunging share prices, but in February 2009 non-executive directors in the FTSE 100 companies won an average 6.3 per cent pay *rise* in the previous year (Income Data Services, 2009a, 2009b).

If the goal is truly to increase productivity levels, then some economists have suggested that we should invest more in the welfare state (through benefits, education and health services, for example) as this might increase productivity more than higher wages at the top. Studies are not conclusive, but there is evidence that countries with stronger welfare states and lower levels of inequality actually have higher levels of productivity (Corry and Glyn, 1994).

As well as rewarding hard work, productivity and so on, arguments within this field also touch on the principle of rewarding 'important' or 'skilled' work. But what counts as an 'important' or 'skilled' job? Caring for older people, people with disabilities or children is very important and includes significant responsibilities, and yet these are among the lowest-paid occupations. And, indeed, many people provide this caring work for no pay at all. With regard to *skills or talents*, yet again we need to question what kinds of skills we wish to reward: caring skills, physical skills, mental skills, people skills? In recent years, sporting and entertainment skills have been rewarded more and more generously, with footballers, TV stars and minor celebrities receiving increasingly higher salaries. For example, Jonathan Ross reportedly earned £6 million from the BBC in 2007/8 (National Audit Office, 2009). A survey conducted by *The Independent* in 2006 found that the basic wage for Premiership footballers was over £600,000 per year (although top footballers such as John Terry and Steven Gerrard are earning around £10 million per year). Wages in division 2 were 'only' £50,000 per year (*The Independent*, 2006).

In a similar vein, rewards may be given to compensate for the degree of *unpleasantness or danger/risk* in a job. But evidence suggests that the most physically dangerous jobs are manual jobs, particularly in the Construction industry, which has the largest number of fatal injuries of the main industry groups, with 72 in 2007/8 (Health and Safety Executive, 2009a), and the highest rate of major injury of any main industry group (599.2 per 100,000 employees in 2007/08). And while managers and senior professionals may complain of executive stress, those people doing health and social care work actually suffer most occupational stress (Health and Safety Executive, 2009b). It is also well-established that it is people lowest down any occupational hierarchy who suffer the most negative stress (Marmot, 2004). Managers and senior professionals also sometimes claim that their jobs are risky, but the inclusion of 'golden parachute' clauses into contracts usually takes any real risk out of the picture. For example, the 'Phoenix Four' appeared to be the saviours of Rover Group when they bought the ailing company for £10 in 2000. Five years later, however, Rover went into administration, 6,500 workers were made redundant, and the Phoenix Four walked away with around £40 million (*The Guardian*, 2009a). This appears to be an example of 'rewards for failure' rather than success.

The other side of the coin from an unpleasant or difficult/dangerous job is the extent to which a job is enjoyable, challenging, stimulating and fun. Jobs with a high degree of autonomy and flexibility as well as some creative challenge, linked to personal interest, fit within this category and should perhaps be paid less than other jobs due to the intrinsic rewards which may compensate for lower extrinsic rewards. It is highly likely that many professional jobs provide a higher degree of intrinsic reward than other forms of work.

Public support for 'merit' and 'equal opportunities' does appear to be strong (Hills, 2004), but we argue that this is much more complex in practice than people often think. And even if it were possible to agree on what kinds of merit should be rewarded by whom and by how much, we should also remember the warning from Young (1958) that the resulting 'meritocracy' may not live up to the apparent ideal many people consider it to be. Those at the top would feel completely entitled to their higher rewards and more able to condemn those at the bottom for being undeserving. The gap between rich and poor would be likely to widen still further given the apparently more just basis upon which resources are distributed.

Incentivising wealth creation

The second set of arguments around deservingness criteria is also related to the idea of rewarding merit, but comes from a slightly different perspective. These arguments suggest that people need *incentives* to work hard (rather than just rewards for having done so). Without such incentives, it is argued, people would not work hard and this would be detrimental to all because, it is claimed, the wealth created by such hard workers trickles down to the benefit of all. Each of these arguments will now be considered in turn.

First of all, would top earners work less hard if they were paid less? Do they need financial incentives? While monetary rewards certainly play a part in motivating people, there are a variety of other reasons why people work: intrinsic enjoyment, social aspects, status and so on. It seems likely that once a certain threshold has been reached, extra earnings may still play a role but are not going to be as important as other factors. Therefore, for those above this threshold, it might be better to substitute monetary incentives with other incentives, such as improved working environments, enhanced terms and conditions, a greater personal sense of being valued and a better work–life balance.

There is certainly very little evidence that higher earnings provide incentives to work harder. Ramsay (2005) points out that Japanese CEOs earn less than a fifth of their US peers and have higher marginal tax rates, but there is no evidence that Japanese CEOs work less hard or less profitably than American ones. In 2001, a US CEO was paid 31 times an average worker. It was 25 times in the UK, 15 times in France, 13 in Sweden, 11 in Germany and 10 in Japan (Ramsay, 2005).

Despite this evidence, concern about damaging incentives to work surfaced recently in March 2009 when the UK government announced a new 50 per cent income tax rate for earnings above £150,000, which will affect about 1 per cent of the population (from 2010). This has, however, already been heavily criticised as claims are made that it would: drive talent from the City and the Premier League; discourage entrepreneurs; actually result in a loss in revenue, as efforts are doubled to avoid tax; and represents an unnecessary intervention in the working of the market (Brewer and Browne, 2009; *The Guardian*, 2009b; *Sunday Times*, 2009). The main place mentioned as a potential destination for disgruntled city financiers was Switzerland as it is one of the few countries in Europe with lower tax rates for such earners. But, according to research for Channel Four News, fewer Britons applied for permits to work in the Swiss financial services sector in 2009 than in 2008 (*The Guardian*, 2010b) so the exodus had not yet begun. In fact, there seems to be little international movement in the top job market. Isles (2003) found that 86 per cent of FTSE 250 CEOs came from the UK, and that most businesses did not recruit from overseas.

So incentives play a role, but it may be a limited one. It is vitally important, however, that any incentives are the right incentives. This has been a subject of major debate following the credit crunch, with a Treasury Select Committee report (2009a) blaming bonuses for encouraging short-term risk-taking for quick profit above more long-term goals. Mervyn King, the Bank of England Governor, argued in front of the Treasury Select Committee that city bonuses were, 'a form of compensation that rewarded gamblers if they won the gamble but there was no loss if you lost it' (*The Guardian*, 2009c). The Treasury Select Committee (2009b: 3) agreed with him in their conclusion that: 'bonus-driven remuneration structures encouraged reckless and excessive risk-taking and that the design of bonus schemes was not aligned with the interests of shareholders and the long-term sustainability of the banks'.

The rationale for providing greater incentives for people at the top is that they will then create wealth that will 'trickle down' to those at the bottom. However, the evidence on the changing distribution of income and wealth suggests that there has been a 'trickle-up' rather than a trickle-down in recent decades (National Equality Panel, 2010; Hills *et al.*, 2009). And Lansley (2006) and Irvin (2008) argue that many of those at the top have not created new wealth but have merely transferred existing wealth from others. The privatisations from the 1980s onwards transferred wealth from the state/nation as a whole to particular individuals within the country. The deregulation of markets and easier access to credit also enabled individuals to acquire a company (often through a hostile takeover) and then asset-strip it, which was considered far more profitable than investing in or creating a new company. Private equity firms have, more recently, been at the vanguard of this gold rush. The development of complex financial 'products' such as derivatives has added another dimension to discussions of 'wealth' creation. As one 'city worker' quoted in Lansley (2006: 61) stated, 'when I first went into the City, I could not believe that anyone would want to pay me so much for creating nothing'. Another example given by Lansley (2006) of wealth transfer rather than creation was the decision by many companies in the 1990s to take pension contribution holidays which increased their short-term profits, pushed up their share prices, to the advantage of the top executives and share-holders, but ultimately led to crisis for many final salary pension schemes.

Wealth creation (and destruction) is not, we would argue, solely or even largely in the hands of the rich. All members of society participate in this, and the role of the state is crucial in providing the necessary foundation for wealth creation in terms of peace and stability as well as the laws and regulations in relation to business practice. The state also provides (to some extent at least) a healthy and educated workforce. The social aspects of wealth creation therefore need to be at least acknowledged, if not privileged, against the work of individual entrepreneurs (Simpson and Connor, 2011).

Character

The final set of arguments here draws on the notion that the rich may be considered (more) deserving if they behave responsibly and generously both in spirit and in practice, perhaps 'giving something back', e.g. through philanthropy and charitable work. Some of the rich are, indeed, involved in such activity. For example, Christopher Cooper-Hohn is at the top of the Sunday Times Giving List 2009 with recent donations of £462 million to AIDS/HIV, education and humanitarian causes. However, the top three causes receiving donations from 'million pound donors' are foundations, arts/cultural causes and higher education (Breeze, 2009). And overall the rich pay less to charity, as a proportion of their income, than those on low incomes (Banks and Tanner, 1997; Breeze, 2006).

It is here that there are some important similarities and differences between the application of the notion of desert to the poor and to the rich. An alleged 'culture of excess' at both ends of the economic scale can lead to disapproval. But the conspicuous consumption of the super-rich, spending fortunes on yachts, planes, parties and lavish holidays, are not subject to any kind of state-sponsored disciplinary regime. In sharp contrast, the alleged excesses of 'the poor' have been and continue to be subject to far greater disciplinary practices, where the onus has always been placed on individuals to demonstrate that they are worthy and therefore deserving of support (Simpson and Connor, 2011).

In contrast, with some notable exceptions, even when 'wrongdoings' have been identified amongst the rich, the response has appeared to be less than damning. Bamfield and Horton (2009) found that although people were similarly critical of tax avoidance by the rich as they were of benefit recipients turning down job offers, those at the top were not particularly blamed for tax avoidance as it was seen as the government's fault for not closing loopholes. Those at the bottom, however, tended to receive more of the blame for their own attitude and behaviour. These views were informed by a belief that people at the top were contributing more than those at the bottom and therefore deserved less criticism. Those at the top were also seen as trying to retain 'their' money, whereas those at the bottom were taking advantage of the generosity of 'others' (see also Cook, 1989).

However, possibly the most powerful argument against invoking 'character' as a criteria to be used when establishing the desert of individuals is that it neglects the societal or institutional explanations that may better explain the successes and failures of individuals. In this respect, the emphasis placed on character may only serve to divert attention from structural accounts of society and change.

What is the role of social policy here?

If a desert argument is to be developed, and the authors of the paper are not necessarily suggesting that it should, then at the very least the notion should apply to all members of society and not, as has been the case historically, be restricted to discussions of 'the poor'. In this regard, there has been and continues to be a clear role for social policy in relation to highlighting the hidden forms of welfare (including the fiscal privileges) enjoyed by the wealthy (Titmuss, 1958; Le Grand, 1982; Mann, 2001; Orton, 2008). We would also argue that social policy should engage in more explicit discussions, and challenge assumptions, regarding the sources of wealth in society. Whether it is the 'spontaneous' incomes of wealthy heirs, property owners or share-holders or the industrious efforts of entrepreneurs, there are unearned, socially created aspects of this wealth (Daunton, 2007).

In terms of a more specific set of policy responses, two broad policy levers are: taxation and original income/wealth policies. These are now discussed briefly here. Given the relatively 'undeserved' nature of wealth deriving from inheritance, it seems logical to have high rates of inheritance tax. However, this form of tax is very unpopular and appears to be on the decline in many developed countries, though the recession may put on hold or even reverse that decline. For example, the Labour government in the UK froze inheritance tax thresholds in 2010 but in October 2007, it had actually reduced inheritance tax – benefiting the top 5 per cent of wealth holders (Prabhakar *et al.*, 2008). Other forms of wealth tax reform might also be considered – e.g. in relation to Capital Gains Tax or higher council tax for those in the most expensive properties – but such sources of wealth seem to be further off the tax radar than income tax, perhaps due to the power of the wealthy to resist such reforms.

Resistance to increases in tax is strong, but the public shows some support for higher taxes on wealthy groups. For example, a poll undertaken on behalf of *The Times* showed that 57 per cent of those questioned stated that the 50 per cent tax on income for those earning over £150,000 was a positive measure (Populus, 2009). Further redistributive reforms to the income tax and national insurance systems, such as removing the cap on National Insurance Contributions for higher earners and making them payable on investment income, would also help redistribute income and close the gap in the public finances (Irvin *et al.*, 2009).

If higher tax rates for the highest incomes are dismissed on the grounds of the alleged fight or flight of the rich, one alternative is to limit the amount of income and wealth that individuals receive in the first place. The obvious refrain would be that this represents an intervention too far into the workings of the market. But, as highlighted in this paper, under closer scrutiny the reward and incentive arguments for such high rates of pay are spurious at best. What one seems to be left with is the value that 'the market' is willing to pay. However, top executive pay is not currently determined by the market. Remuneration committees, described by the Treasury Select Committee (2009b) as 'cosy clubs', decide on top executives' pay. Ramsay (2005) cites evidence from a *Guardian* survey that, in 2001, just 392 people sat on the remuneration committees of 98 of the largest UK companies. This small group belong to similar networks and groups. She argues that reciprocity rather than a real assessment of contribution or performance plays the major role in setting pay.

The Treasury Select Committee (2009b) has argued for a widening of the pool of people sitting on these committees. It could go much further in recommending companies to introduce voluntary ratios limiting earnings differentials. Some Japanese and European companies already do this (quoted in Lansley, 2006). Walker (2009) has made a number of recommendations in relation to corporate governance and remuneration in the banking sector, such as forcing banks to disclose how many employees earn more than £1m per year and giving non-executive directors more power to monitor pay deals.

There is also evidence that the market is not functioning freely in relation to access to the professions. The Panel on Fair Access to the Professions (2009) found that various barriers such as 'opportunity hoarding' prevent some of the most talented people from poorer backgrounds from entering professional jobs. They argued (2009: 5) that 'birth, not worth, has become more and more a determinant of people's life chances' and produced over 80 recommendations for government and the professions to improve equal opportunities in this area.

Reforms to improve equal opportunities may help people from poorer backgrounds get better-paid jobs, but this does not necessarily mean that those jobs deserve to be so much better paid. One possible reform to address this would be a maximum wage (Ramsay, 2005). The advantage of having some kind of maximum wage or required ratio for earnings would be that original income would be set in a fair way rather than relying on tax to redistribute from rich to poor. Once taxes are required to achieve social justice, issues of tax avoidance and evasion become difficult, and people can feel aggrieved that 'their' money is being taken and given to another group who may then be considered 'undeserving'. Such objections are more difficult to make if original income is fair. Although some will claim that a maximum wage is a step too far in terms of interfering with 'the market', this principle has been widely accepted in terms of the minimum wage, so it is difficult to reject the idea of a maximum wage on this principle alone.

Such proposals seem particularly timely and have received admittedly qualified support from what may appear surprising quarters. Higginson and Clough (2010) provide a guide on the ethics of executive remuneration for Christian investors, and support policies for limiting the gap between the pay of the highest and lowest paid in an organisation. In 2009, Barack Obama proposed limiting the pay (to $500,000) of employees within companies receiving state aid, such as AIG. And David Cameron, in 2010, proposed that no senior manager in the public sector should earn more than 20 times the lowest-paid person in their organisation (*The Guardian*, 2010b). It can be questioned why such measures should be limited to the public sector and efforts to curtail 'executives excesses' should not only be undertaken in order to make cuts across the pay scale more palatable. In this respect, measures to tackle original income and wealth policies could and should go further than maximum wage policies. For example, they could be linked to questions of organisational governance (Mitchell and Sikka, 2005) and more widely include provisions for a basic income (or citizen's income) and, indeed, a citizen's inheritance (as suggested by Ackerman and Alstott, 1999; and Nissan and Le Grand, 2000).

Conclusion

This paper has outlined a range of possible criteria for deservingness among the rich. For example, we might want to *reward* important, hard work, effort, productivity, skills and danger. But many of the rich gain their wealth through unearned sources and not through hard work and so on. Many of those who do achieve occupational success have benefited from the social and cultural capital of their family backgrounds. Even where some people rely purely on their own merit, there are debates about what constitutes important, hard work and productivity etc. And even if we could resolve these debates, there is still a question about the degree of differential reward that might be merited and the potential dangers of any resulting meritocracy.

Arguments around *incentives* and wealth creation were also discussed. Incentives are seen to be important, but these need to be the right incentives, and there seems little justification for incentivising those at the top more than those at the bottom because there is no evidence that those at the top create more of the wealth or that the resulting wealth trickles down to the benefit of those at the bottom. The social aspects of wealth creation also need to be recognised alongside the role of individuals here.

Arguments around *character* were considered last, and the rich might be considered less deserving than the poor on these grounds as they give less money to charity, proportionately, than the poor. There are also numerous examples of 'feckless' excessive spending among the rich and super-rich. But arguments about 'character' obscure societal explanations that may better explain the successes and failures of individuals.

It seems clear that there are no grounds for justifying the extent of inequality that currently exists today in the UK and in many other countries. At the very least, this discussion suggests that the introduction of more progressive forms of taxation upon both income and wealth alongside reforms of policies around original income and wealth can and should be based on clear principles of distributive justice which largely chime with what we know of public opinion on this issue.

Acknowledgement

We would like to thank the editors of this journal and two anonymous referees for their helpful comments on an earlier draft of this paper.

Note

1 There is very little discussion about who 'the wealthy' or 'the rich' are. This article does not have the space to discuss this, but Scott (1994) and Rowlingson (2008) provide some thoughts on this.

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