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Respect: Empirical Labour Economics and Distributive Justice

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Abstract

Empirical economists study outcomes, policies, and mechanisms of interest without ever referencing any particular account of what constitutes a just society. I argue that completely ignoring distributive justice is untenable and has implications for work in empirical economics. I make the argument in three steps. 1) Empirical economists typically proceed as if the Welfare Theorems hold as a rough approximation and, so, efficiency implications of policies are separable from the notion of justice being pursued. I argue that results from empirical labour economics over the last 20 years imply that efficiency and justice are not separable and that acting as if they are is not tenable. We implicitly endorse accounts of justice in choosing what we study, how we study it, and in even our efficiency targeted policy recommendations. 2) To achieve transparency, we need to be explicit about justice concerns. I argue we can do so without sacrificing neutrality if we focus on an element of justice that is common across different specific accounts of justice, and that providing the bases of respect to all is such an element. 3) I examine the implications of a respect principle perspective for existing and potential directions for research on human capital.

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1 Introduction

It seems uncontroversial to state that empirical labour economists pay little or no direct attention to accounts of distributive justice. We study the various outcomes, policies, and mechanisms of interest in relation to the labour market without ever referencing any particular account of what constitutes a just distribution of resources, rights, opportunities, obligations, etc.. In this essay, I will argue that the approach of completely ignoring distributive justice leads to a body of work that inadvertently favours specific notions of justice and that is overly narrow in the advice it provides for policy deliberations.

In a 2009 paper, Anthony Atkinson discusses how moral statements enter economics, separating economic analysis into a part that focuses on how the economy works and a part focused on how to evaluate outcomes of the functioning of the economy and the impacts of policies. I believe it is useful to further divide Atkinson's second, evaluation task into: 2a), a part that concerns evaluations of whether an economy is working efficiently and evaluations of what are perceived as efficiency related elements of policy evaluation; and 2b), a part that concerns welfare evaluations whether the functioning of the economy or the impacts of specific policies serve to increase the well-being of society according to some standard of well-being that I will broadly call justice. Atkinson's own discussion concerns part 2b, arguing that economists make evaluative statements such as a given policy "may increase welfare" either without any direct reference to what they mean by welfare or with either an implicit or explicit Utilitarian expression of the justice goals of society.(Atkinson (2009)) Atkinson cites multiple papers that take A Utilitarian stance and, of course, the rise of Marginal Willingness to Pay exercises that have become common at the ends of labour and public finance papers is a recent case in point.(Montpetit et al. (2024)) There are good reasons to question utilizing a Utilitarian stance on justice, and I will describe some of them in section 2, but my focus is on the "efficiency" related elements of our evaluations (parts 1 and 2a in this taxonomy).

I agree with Atkinson that many of our estimations and measurements generated as part of evaluating efficiency are of interest virtually regardless of the specific notion of justice that society chooses to pursue (he uses the example of estimating price elasticities of various kinds as necessary inputs to evaluating a French 2% tax on fish implemented in order to raise funds to help fishers). We can think of those analyses as in the interior of a set of possible entities to measure and to estimate. Choosing the boundaries of that set, however, embodies decisions that will favour one notion of justice over another. I will argue, further, that the choice of certain economic models to guide our analyses can embody stances on the appropriate notion of justice for society. Empirical economists tend not to engage with these

issues in a conscious way, with the result that our research implicitly favours some notions of justice over others. That reduces our usefulness as policy advisors to governments that want to consider a wider set of justice goals for society.

I believe our tendency not to talk about how our work intersects with discussions of justice arises because we operate with the intuition of the Welfare Theorems in the back of our minds: since (according to the theorems) efficiency and justice are separable, we can focus just on efficiency issues (parts 1 and 2a) without having to be concerned with justice. I will argue that separation does not hold up to scrutiny and that has implications for how empirical economists make decisions on what to measure, what to estimate, and what models to use. I believe we should be more intentional about what we study and what models we use, with the goal of presenting results that are, as much as possible, neutral with respect to different notions of distributive justice. I will make the argument in three steps.

Step 1: Distributive Justice Can't be Ignored I will begin by examining the claim I just mentioned: that the Welfare Theorems hold, at least as a rough approximation, and that we can examine issues related to the efficiency implications of policies or to the functioning of the labour market without reference to the notion of justice being pursued or the impact of the policy tools on justice. I will argue, instead, that results from empirical labour economics over the last 20 years imply that efficiency and justice are not separable and that in acting as if they are we are actually implicitly endorsing particular accounts of justice. We do that in choosing the boundaries of the set I mentioned earlier of topics we study, how we study them, and even the efficiency targeted policy recommendations we make. To re-iterate, this does not mean that a discussion of justice needs to accompany every measurement or estimation exercise. It means that we need to think more broadly (and more intentionally) about what to measure and estimate and what to include in our models.

There are several empirical literatures that would support the conclusion that efficiency and justice are not separable, but I will focus on two. The first is a body of work that shows that wages are intricately related to conceptions of fairness. People's notions of fairness and self-respect and, through them, their identities are wrapped up in their wage levels, their wages in relation to those of others, and in the way wages are set. That means that policies that affect the paths of wages over time alter how people see themselves and so, under most accounts of justice, alter the extent to which the society is just (with accounts differing in their evaluation based on answers to questions such as whether people should be compensated for becoming less happy and more envious when evaluating the outcome of the policy). That is, efficiency and justice are inter-twined and advancing a policy - even if it is implemented for efficiency related reasons - is implicitly taking a stance on justice. So, too,

is a decision on what to measure in relation to a policy. Minimum wages are a good example. If, as I will argue, they are focal points for perceptions of fairness then moving them can alter identities. For example, it could affect whether people feel envious of others. Not investigating those identity impacts means we are implicitly favouring standards of justice that place zero weight on envy.

The second literature consists of the very large set of papers that show that rents are an important element of wages. The possession of rents involves some element of luck almost by definition, and how to think about the proceeds of luck is a defining element that separates theories of justice from one another. Strongly egalitarian theories require the re-distribution of the proceeds of luck while Libertarian theories demand that they not be re-distributed, and still other theories view them as being available for re-distribution without their re-distribution being required. So, when we consider polices that affect the creation of and access to rents, we are taking a stance on a question of justice. More than that, different theories of how the labour market functions centre their accounts on different types of luck (luck at birth, inframarginal rents, and rents at the margin). That means that the labour market model we use to examine the data and as the basis for our explanations to policymakers also embodies a stance on justice that we typically do not acknowledge. It seems preferable, in the interests of transparency, that we make our stance on the notion of justice being pursued clear. It also seems useful to have an explicit account of justice to aid in deciding what to measure if the boundaries of our set of items to measure is related to justice.[1]

Step 2: What Justice? But if we are going to adopt some account of justice, what account should that be? Even expressing this question will cause concern and push-back from many economists. We tend to see our work as purposefully neutral, focused just on issues of efficiency and market completeness or measurement of other inputs to decision making such as the extent of inequality. The decision on the preferred justice goals for society lies not with us but with the political process, broadly defined. Moreover, to introduce justice explicitly into our work risks having our debates devolve into conflicts over values, which would not be productive. So, we are left in a quandary. If the arguments from the first step are correct then we can't avoid at least implicitly taking a stance on justice, but we want to maintain neutrality, letting society decide on its justice goals.

I believe that the solution to this quandary is to specify principles of justice that are very general and are part of almost any specific theory of justice - a sort of lowest common

[1]The relationship actually runs in both directions. Empirically rejecting restrictions associated with one model could help philosophers understand limits on the real world applicability of a theory of justice that fits with that model.

denominator of theories of justice. We could then use those principles to decide on what to measure, what models to use, and what policy proposals to put forward, knowing that what we are providing will be useful whatever specific account of justice society decides to adopt. If such principles exist, working with them would actually make our work more neutral. Instead of inadvertently favouring one account of justice in work where we don't talk about it at all, we would be purposefully providing a wider set of analyses that fit with a wider set of conceptions of what constitutes a just society.

I will argue in the second part of the paper that such a lowest common denominator of justice exists. Virtually all theories of justice have, at their core, a principle that we should provide everyone with the bases of self and social respect. I will argue that we can move from this principle to a specific list of actionable concepts that can guide measurement and theory. Included in this list are items that fit with what economists already study (such as sufficient resources to support individual autonomy) but also other items that lie outside our normal range of investigation (such as the value of community and the importance of the process of implementation of policies). To be clear, this is not a screed against how empirical labour economics is currently done. Far from it. Most if not all of what we currently study remains relevant and important if we consider a goal of providing the bases of self and social respect. But thinking explicitly about that goal both adds other areas of empirical investigation and can help in our decisions on which theoretical perspectives to adopt to guide our empirical work. This is the practical embodiment of the point that integrating a specific (very general) principle of justice into empirical labour economics can make the field broader and more neutral.

Step 3: Human Capital (An Example) Of course, a very general principle has the potential to be so vague as not to be useful, in spite of the claims I just made for it expanding our perspective. In the third part of the paper, I will examine how working with the respect principle can alter one of the most studied areas of empirical labour economics: human capital. I will argue that most of the empirical work on human capital remains important when we take explicit account of a principle of providing the bases of self and social respect for all. But that principle also points to the importance of shifting the weight we put on different questions about human capital, of developing new measures (especially related to respect), and of broadening the set of theoretical and empirical questions asked in relation to human capital policy.

2 Distributive Justice Can't Be Ignored

2.1 Wages and Fairness

There is growing evidence that wages and wage setting processes are strongly related to conceptions of fairness. On one side, the evidence comes from papers showing that wages are a key input determining workers' perceptions of whether they are being treated fairly by their firms. On the other side, perhaps because firms know that workers care about fairness and see wages as a signal of fairness, fairness considerations are built into wage setting processes. I will describe the literatures establishing each of these claims in turn, then move to discussing why this is important for thinking about the relevance of distributive justice.

2.1.1 Wages as a Signal of Fairness

One of the key pieces of evidence that the wage a worker is paid affects their fairness perceptions and that those perceptions have real impacts on economic outcomes comes from Alexandre Mas' study of bargaining between police unions and municipalities in New Jersey in the U.S. between 1978 and 1996.(Mas (2006)) In New Jersey at that time, if bargaining broke down between the two sides, they would move to final offer arbitration in which each side submitted their preferred wage and the arbitrator chose one. In this situation, it is rational for the union to submit the wage that they actually view as fair in the sense of properly balancing what they want with the legitimate concerns of the other side.[2] Asking for more than that would risk the arbitrator seeing their offer as unreasonably high and increase the probability the city's offer would be chosen. Asking for less means increasing the probability of winning but at a wage that the union doesn't really see as correct. So, they will submit the wage they see as fair, implying that in the cases where the arbitrator chose the city's (lower) wage, police officers would feel they were being paid an unfairly low wage. Mas showed that when that happened, police officers reduced their effort as measured by outcomes such as arrest rates. That is, workers care about fairness, as evidenced by their actions when they believe they are being treated unfairly, and the wage they are paid is a key focus of their fairness concerns.

Other papers establish that workers get their notion of what is a fair wage, in part, by looking at the wages of others. Evidence for this is found, for example, in Card et al.

[2]This fits with the Merriam-Webster definition of fairness as having to do with "impartial treatment: lack of favoritism for one side or the other," which connotes a notion of balance. https://www.merriam-webster.com/dictionary/fairness , July 11, 2025.

(2012), who examine worker responses to finding out about their relative pay. In this study, the authors sent an email to a subset of faculty and staff at the University of California, bringing to their attention the existence of a new website on which people could search for the salaries of any California state employees, including all faculty and staff at the University of California campuses. They showed that the people who received the notification were more likely to look at the website and that over 80% of those who did so said that they looked up their colleagues' salaries. For people with earnings low in the ranking for their unit within the university (people who would be seeing that they had relatively low salaries), the treatment of finding out about the new information reduced job satisfaction and increased their stated intentions to quit. Interestingly, for people with salaries above the median, there was no effect.

In a similar vein, Dube et al. (2019) examine the impact on quit behaviour of changes in relative wages. In this case, the authors examine the effects of a change in wages implemented by a large, national U.S. employer in the late 1990s in response to changes in the national minimum wage. The firm increased the wages for workers earning up to about 30% above the minimum wage, which, in itself, suggests a concern for maintaining what employees might see as fair relative wages in the presence of the minimum wage increase. But they go beyond this observation to take advantage of the fact that the firm introduced the increase in steps, with the same wage increase occurring within each step. The result was that two workers just on either side of a step increment received different wage raises. They show that the workers who fall behind in relative terms because of being on the wrong side of a step were more likely to quit after the wage policy change. Moreover, they demonstrate that the impact has to do entirely with the relative change in wages and that the effect is stronger for lower paid workers. Thus, as in the Card et al. (2012) paper, workers identify fairness with relative wages, are willing to act on perceived unfairness, and the responses are asymmetric, with lower paid workers responding more strongly.

2.1.2 Fairness and Wage Setting

The evidence so far implies workers have fairness concerns about wages, but there is also evidence that firms incorporate fairness considerations into their wage setting. Brochu et al. (2025) use Canadian data to examine the impact of minimum wages on the shape of the wage distribution. As in related papers (Cengiz et al. (2019), Gopalan et al. (2021)), they show that a minimum wage induces a spike at the minimum wage and spillovers on wages up to about $2.50 above the minimum wage. They break that effect down into components based on selection and on changes in firm wage setting for continuing workers. They work

with a flexible step function capturing possible effects around the minimum wage, allowing those effects to be different when the level of the minimum wage is different. Strikingly, they find that the effects do not vary with the level of the minimum wage. To show what this implies, figure 1 reproduces their figure 8. It shows the fitted wage density based on their estimates for males in the most populous province when the minimum wage is $6.75 (a value that is relevant in the middle of their sample period) - the solid line - and when it is $7.75 - the dashed line. To make the comparisons easier, they shifted the density for the $7.75 scenario to the left by $1 so that the minimum wage spikes are in the same place. That spike is slightly (though not statistically significantly higher) with the $7.75 minimum wage but, broadly speaking, the size of the spike and the shape of the spillovers are almost identical with the two different values of the minimum wage. If we focus on job stayers, (workers who work at the same firm before and after a minimum wage increase), the results show that the lower end of their wage distribution is anchored on the minimum wage - when the minimum wage moves, the relative wages of workers move with it.

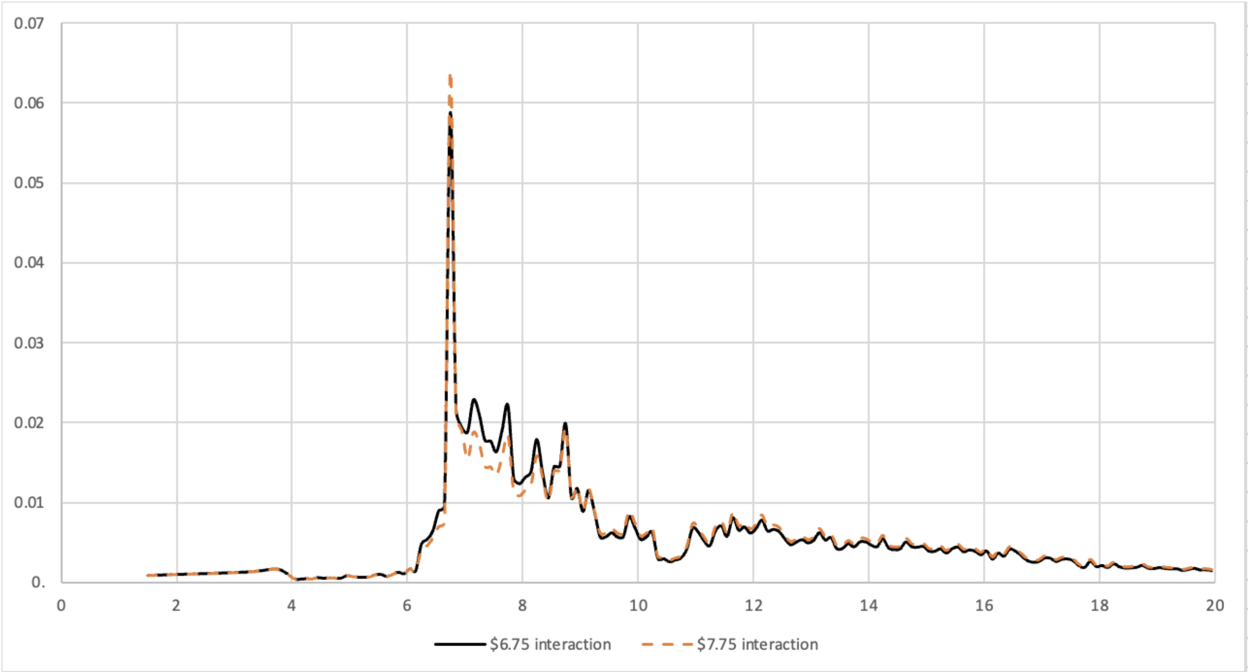

Figure 1: Fitted Hourly Wage Densities with $6.75 and $7.75 Minimum Wages (Brochu et al(2025))

Brochu et al. (2025) argue that these results do not match either simple neoclassical models or search and bargaining or monopsony models particularly well. Instead, they are consistent with models in which relative wages matter. A key model of this type is an efficiency wage model with fairness considerations.(Akerlof and Yellen (1990)) In that model, workers care about their wage relative to other workers, responding with lower effort

if they perceive their wage as being unfairly low in relative terms. A minimum wage increase would reduce or eliminate differentials and cause a reduction in effort for the formerly higher paid workers as a consequence. In this situation, profit maximizing firms will respond by raising wages of workers paid above the minimum wage in order to maintain relative wage differentials - which is the pattern seen in the Brochu et al. (2025) estimates. They also find some evidence that in situations where the minimum wage is raised from $m0$ to $m1$, workers paid near $m1$ prior to the increase are more likely to quit at the time of the increase. These would be precisely the workers who might feel a sense of unfairness most strongly since the differential they used to have relative to the lowest paid workers in the firm would be reduced to zero if firms did not respond by re-establishing the differential fast enough.

That firms set wages with an eye to fairness is not necessarily a revelation. Campbell III and Kamlani (1997) surveyed almost 200 compensation executives at major US companies to try to uncover their wage setting practices and why wage cutting is so uncommon.[3] The executives' top two responses were that they would be worried that a wage cut would lead to their best workers leaving and that it would cause a reduction in worker effort. Delving deeper, the authors found that the executives saw the feared fall in effort as stemming from worker perceptions about being treated unfairly. This fits with the advice set out in HR textbooks such as *The Big Book of HR* that firms set pay in a transparent way and pay attention of concerns about equity - making sure that pay differentials can be justified based on differential job responsibilities and required skills.(Mitchell and Gamlem (2011)) As Akerlof and Yellen (1990) state, the textbooks appear to view it as "self-evident that the most important aspect of a compensation system is its accordance with workers' conceptions of equity." (p. 46).[4]

The result that wages are related to fairness is part of the analysis in behavioural economics of the complex role that prices play in human interactions. In a famous article, Kahneman et al. (1986) conducted surveys in two Canadian cities, asking respondents whether they viewed price changes as fair in specific scenarios. They start the paper with an example

[3]Barattieri et al. (2014), for example, find that only 12% of wage changes that occur while a worker remains on a job involve nominal wage cuts.

[4]It is also theoretically consistent that workers hold a fairness norm against wage cuts and that firms respond to that norm in their wage setting in the context of an efficiency wage model.(Macleod (1998)) Since it is losing access to later period rents through higher wages that incentivizes workers to provide effort today, firms could cut wages today without affecting that incentive. But that would mean that workers in earlier periods would not view the promise of rent capture in the future as certain and the efficiency wage equilibrium would break down. As they state, a fairness norm against wage cuts overcomes this problem and allows the establishment of a sustainable equilibrium. It "is an equilibrium because firms believe wage cuts today will result in workers shirking in the future, in exactly the manner described in the survey evidence." p. 390 Somewhat relatedly, Carmichael and Macleod (2003) argue that norms of fairness related to sunk investments can permit the attainment of efficient equilibria when contracting is incomplete.

of asking people whether it is fair for a local hardware store to raise the price of their shovels right after a big snowstorm when there is a sudden jump in demand for the shovels. Over 80% of the survey takers respond that they view this as unfair. Assuming that the stores care about being perceived as unfair and its consequences for future shopping, this would reduce the likelihood they would use price increases to solve a market imbalance and, so, reduces the usefulness of the market mechanism to allocate the shovels efficiently.

Based on a whole range of such examples – some including questions about wage setting – the authors conclude that people partly judge the fairness of a market transaction by its price and judge the fairness of the price in relation to a "reference" price. That reference price, in turn, is determined by a combination of the going price in the broader market (presumably, in an echo of Hayek's arguments about the information content of prices, because the market price represents an equilibrium viewed as an acceptable balance by both sides of the market) and the history of the interaction. Thus, if there is a drop in demand for the good a firm is producing, it would be fair for it to offer a lower wage to new hires but not to cut the wages for workers already with the firm. For wages, we could add to those two reference wage determinants, Truman Bewley's observation based on interviews with business and union leaders in the US that workers use relative comparisons to the wages of their co-workers as a key reference in fairness determinations. The Card et al. (2012) and Dube et al. (2019) papers fit with the Bewley fairness standard while results in Jales and Yu (2025) showing that the wage distribution in the informal sector in Brazil has a substantial spike at the minimum wage fits with a reference based on a "going" wage. In that case, the going wage is the minimum wage, which forms a sort of fairness beacon that affects wage setting even among workers who, by definition, are not subject to the minimum wage.

2.1.3 Why It Matters that Wages are Related to Fairness

There are at least two direct reasons why we should pay attention to the fact that wages are related to fairness. The first is that it has implications for the functioning of markets and, through that, for economic outcomes. We saw that in the willingness of people to quit a job that they seemingly were not inclined to leave until they found out that their relative pay was lower (or was becoming lower) than they thought was fair. We can see it, as well, in the way that fairness considerations alter the way firms set wages to avoid perceptions of inequity. The second reason concerns policy and comes from the work of Samuel Bowles and Wendy Carlin.(Bowles and Carlin (2023), Bowles (2016)) Building on the behavioural economics literature, they argue that concern about fairness reflects the social side of human nature, that fairness looms large in many economic transactions (as we

have seen with wages), but that economic policy pays little or no attention to it. Instead, the standard policy paradigm is built around an exclusive focus on the self-interested side of our nature, seeking to incentivize people to take the right action – following the maxim that the surest route to a given outcome is to treat people as if they are self-interested knaves. Some of them may be saints, but that can't be counted on. But, Bowles and Carlin argue, always treating people as knaves may turn them into knaves, eroding the trust and social concern that is actually a basis for a well-functioning market. Instead, they put forward an approach that balances incentives and working with social norms to help build good citizens who will more often make good decisions without having to be paid to do so. Thus, the result that fairness is central to economic interactions such as those in the labour market has practical implications for policymaking.

To these two, direct reasons for why the relationship of fairness to wages matters, I want to add two others. The first of these is that the existence of such a relationship implies that wages and how they are set can affect self and social respect and, through them, peoples' identities. The philosopher Jonathan Wolff, in work on fairness and respect, argues that a considerable element of peoples' self-respect derives from their contributions to the social product.(Wolf (1998)) Across a wide range of societies, such contributions are valued and being a person who makes only small contributions is a source of shame. In a market economy, where there is a common belief that wages are tied to the productivity of workers, having a low wage is a marker of being a low contributor. A low wage is a hard fact that cuts through attempts to maintain a picture of oneself as ultimately productive. And it does this even if it is not seen by others: you, yourself, know that what you contribute is not highly valued. In this sense, a low wage is a direct challenge to self-respect. Notice in all of this that self and social respect are intricately inter-related. Being paid a low wage could be seen as a sign that your employer doesn't respect you as well as being something that challenges your own self-image (perhaps exactly because your employer doesn't respect you).

How wages are set can also affect perceptions of whether you are respected and, through that, your self-respect. In Truman Bewley's interviews with business and labour leaders, mentioned earlier, he found that business leaders placed considerable emphasis on internal pay structures, which he defined as:

" ... a set of rules relating pay to position, skill, seniority or contribution. This structure is created in large part to achieve internal equity, which is both uniformity in the application of the rules setting pay and a set of beliefs about fair relations between pay and its determinants." (Bewley (1998), p.477)

Thus, the internal pay structure is the functional embodiment of the role of fairness

in wage setting described earlier. But its very specification is also a reflection of respect. Respecting someone else requires that you provide them with an explanation for your actions that affect them. For firms to present a pay structure that is justified in terms of common norms of fairness implies both that they think workers warrant being informed and that the firm has a concern about what workers will think about the wages. The opposite would be a relationship of domination in which the firm would simply set wages as it sees fit and does not bother to present it in a coherent way - let alone defend it - to the workers.

Worker perceptions of whether they are being treated with respect and their own sense of self-respect, in turn, have implications for their identities. As Akerlof and Kranton (2000) describe them, our identities are deep representations of how we see ourselves that help determine our economic and social actions. They are also malleable, potentially changing with the interactions we have with institutions and people and within markets. In that sense, their malleability is related to Bowles and Carlin's point that a strong use of markets as a part of public policy can shift people from being civic to self-interest minded. In our context, to the extent that wage changes or elements of the wage structure affect self-respect, they can also alter whether people see themselves as team players willing to do extra work at a place they are valued or drudges just putting in their time until the end of the work day. Thus, policies that affect wage setting could affect self-respect and through that, identities.

These relationships of wages to respect and identity are important in their own right (since we presumably care about fundamental elements of well-being such as self-respect), but also because, with them, we lose the classic separation of efficiency and justice. That loss, in turn, poses substantial issues for our standard policy paradigm. This is the second reason I want to suggest for why the relationship between wages and fairness matters, and what I turn to discussing next.

2.1.4 Efficiency and Justice

In the standard economic policy paradigm, we operate as if (at least, roughly) the Welfare Theorems hold. That is, under the whole set of first-best conditions, a competitive equilibrium is also a Pareto Optimum (the First Theorem) - markets will get us efficiency. But, of course, there are many, many possible Pareto Optima in an economy with given resources and preferences. The Second Theorem says that society can select its preferred Pareto Optimum and that policy makers can then design transfers and use markets to get there. Efficiency (getting to a Pareto Optimum) and justice (choosing which one) are separable problems. The Canadian economist Chuck Blackorby, in his Innis Lecture to the Canadian Economics Association, used the analogy of economists seeing themselves as bus

mechanics. Our job is to make the bus run efficiently by minimizing or correcting market failures. The choices of where it is going, how fast, and who sits where on the bus are made completely separately through the political system. Now, of course, efficiency and justice are not completely independently determined. In Arthur Okun's analogy of redistribution as a leaky bucket, choosing to redistribute more is also choosing lower efficiency - more water leaking out. In that case, economists also help design less leaky buckets (or at least give direct evidence on the water loss). But even so, the justice decisions (how much water to transfer and to whom) are separate concepts from the efficiency questions.

To this point, I have used the terms efficiency and justice without being specific about what I mean by either term. But from here on, we will need to be more precise about both. By efficiency, I mean allocative efficiency - a term of sufficient familiarity to any economist that I don't need to say anything more. Justice, though, is less clear. There are many, many notions of what constitutes justice - or, more properly in our context, distributive justice. I want to use as broad a definition as possible in order not to pre-judge the discussion to follow. For that, a reasonable place to start is with John Rawls, whose book *A Theory of Justice* is the most important work on distributive justice of at least the last 100 years, and the touchstone for everything that came after it.

According to Rawls, justice is concerned with determining principles that
"provide a way of assigning rights and duties in the basic institutions of society and they define the appropriate distribution of the benefits and burdens of social cooperation." (Rawls (1999), p. 4)

Thus, a notion of justice consists of a set of principles that determine the structure of the basic institutions of society - the political constitution, the nature of property rights, etc. - that, in turn, have a profound impact on life chances (on the share of each person of the "benefits and burdens of social cooperation"). For Rawls, impartiality is a key element of that set of principles, with his famous Veil of Ignorance thought experiment used to emphasize exactly that. It also has a fundamentally social nature, determining "our rights and duties" or, in other words, the claims on one another we have the right to believe will be fulfilled.

Rawls definition is not without controversy. The approach of locating justice in the basic institutions differs from an approach in which, following Aristotle, we start with ethics - i.e., by defining what it is to live life in a good way - and then build implications for the principles of how people should interact from there. Rawls' definition also favours an emphasis on the distribution of resources, which is something that has been criticized by philosophers such

as Deborah Satz and Elizabeth Anderson who argue that justice is about social relations – relations of non-dominance. To incorporate these different perspectives, we could move to a more general definition such as T.M. Scanlon's definition that justice consists of "the principles determining what we owe to each other". (Scanlon (2000))

On the face of it, with a definition of justice that is this broad, it seems nearly impossible that there is a way to separate justice from efficiency. After all, economic interactions are human interactions and plausibly include concern for whether other people are getting what we owe to them. That, of course, is the power of the Welfare Theorems. The ability to separate efficiency and justice, according to the Welfare Theorems, comes from the combination of voluntary exchange and complete markets. As Sam Bowles expresses it, I don't have to assess our interactions according to my principles of justice – to be concerned whether I am dealing with you correctly (or, in Rawls' definition, to be concerned about whether the institutions within which we are interacting are fairly distributing the benefits and burdens of our interactions) – because I know you entered the exchange voluntarily and have other options. Voluntary exchange relieves me of the obligation to be concerned about whether you are getting what is fair.(Bowles (2016)) We could have a discussion, based on justice, about whether you should enter the market with more or less resources, but the market itself is neutral. And so, we can think of its use in pursuit of efficiency as separate from questions of justice.

But, as we all know, the Welfare theorems are based on somewhat rarefied assumptions. One is that preferences do not change. The wages and fairness evidence we just saw indicates not only that they change, but they change in response to price changes. Prices, of course, play a crucial role in the First Welfare theorem – they are information aggregation devices that allow us to reach a competitive equilibrium that is also a Pareto optimum. But, here, preferences and identity change as the prices change. Even more broadly, social norms change (e.g., fair wages are determined relative to the minimum wage).

To see why this is important, it is helpful to work with Daniel Hamermesh's specification of the problem of consumer choice when individuals care about their relative wage. (Hamermesh (1975)) An individual, i, is assumed to have a utility function given by: $U(C_i, L_i, \frac{w_i}{w_{Ri}})$, where, C_i is i's amount of the consumption good, L_i is their hours of leisure, w_i is i's wage, and w_{Ri} is their reference wage, which could be a combination of the wages of others at the firm and the market wage. As the person's wage changes relative to their reservation wage, the slopes of their indifference curves in C, L space shift. A wage change instigated by, say, taxation policy may lead to a new equilibrium, but when we arrive there, we are dealing with a different person – a person who experiences more envy, for example. In this situation, we

cannot make statements about Pareto efficiency because we can't say whether we made the person as they originally existed better off. Statements about whether people are better off will have to involve working with explicit utility functions and doing that involves a choice about whether one identity is better than another – it involves a choice of principles for determining what is owed to someone experiencing extreme envy, for example. That is, there is no such thing as a separate discussion of efficiency and justice. The functioning of the market that is supposed to only determine efficiency is intricately inter-woven with justice in a way that undoes the Second Welfare theorem. Put in another way, process matters in a manner that policy analysis typically pays little or no attention to. In Hamermesh's world, what would matter in assessing the impacts of a payroll tax increase is not just the distribution of C_i, L_i or even the value of $\frac{w_i}{w_{Ri}}$ after versus before the tax change, but the induced change in the path of relative wages. The same endpoint in terms of the distribution of C and L could have different implications if it was approached through different price paths.

More generally, in a world where preferences and identities change with prices, the functioning of markets is not neutral. To evaluate one policy scenario from another, we will need an account of what is owed to different identities and how to value the different paths of prices and outcomes that people experienced on the way to the new equilibrium. In other words, we require an account of justice. Efficiency alone is not enough.

Before going on, it is worth pausing to consider how these points relate to discussions of policymaking in the recent behavioural economics literature. As we have seen in the discussion of the Bowles and Carlin proposals, one approach that has arisen out of behavioural economics is to make use of insights concerning our social nature to build a better tool chest for addressing policy problems. One might, for example, look for moral suasion tools that would convince a business owner to see themselves as environmentally concerned rather than use pollution surcharges as a means of reducing negative externalities from pollution. But moral suasion appeals to our desire to be members in good standing of our communities, and introducing communities into policymaking, even in this indirect way, fundamentally changes policy deliberations. This is true, in part, because of how communities relate to our identities. The Canadian philosopher Charles Taylor argues that communities are not just instrumental tools for meeting individual goals. They are fundamental components of our social nature. Only in communities do people fully realize their ethical and even rational capacities.(Taylor (1985)) So, reinforcing them either indirectly, by referring to certain communities as the backdrop to moral suasion, or directly, by enlisting specific communities as part of building specific sets of social norms, involves supporting some identities over others. This, again, involves discussions about what is owed to people with different identities, that is, discussions of justice.

One might hope to avoid those discussions by constructing policy to reinforce and appeal to broad, positive social norms like treating people fairly and promoting trust. But these social virtues are not straightforward. A norm of fairness, for example, might (and I believe does) underlie the very broad support that exists for minimum wages: it is seen as not fair that a worker gets paid substantially less than most others for a given amount of work. But then when general wage levels fall, fairness based arguments will lead to reductions in the minimum wage (in real terms) - which is what happened in Canada and the US in the 1980s and is a result that would be seen as unjust under some notions of justice. If fairness driven policies can result in changes with ambiguous evaluations in justice, then choosing when and how to use them involves a choice of a specific notion of justice. That is, while introducing policy tools that appeal to our social nature certainly seems sensible, it does not allow us to dodge the point being made here that we cannot avoid taking a stance on justice when we make policy choices, even ones that are framed in terms of positive sounding terms like efficiency and fairness.

To summarize this section, what we have seen is that there is a body of empirical evidence that workers use wages as a signal of fairness and that wages are set with fairness considerations as a determining element. A key implication of that is that a worker's self-respect and, with it, identity depends on their wage and on comparisons to the going wage in the market and to other workers. That, in turn, has several further implications. Perhaps most importantly, it implies that we cannot, as is often done, treat efficiency and justice as separate entities to be considered at distinct stages of the policy process. Even wage related policies that are seemingly only about efficiency will alter conceptions of fairness of the firm and the society. As we have seen, that means that we are continually, implicitly adopting a stance on what constitutes a just society in much of our work about wages. The Second Welfare Theorem has abandoned us.

2.2 Luck is All Around

The second literature I want to consider is the large and growing one that establishes that wages contain a significant element of economic rent. This has been established: by examining the pass through of shocks to demand or productivity at the firm level to wages. (e.g., Guiso et al. (2005), Card et al. (2018), Kroft et al. (2022), Kline et al. (2019), Bell et al. (2024)); by showing that firms face firm-specific, less than perfectly elastic labour supply curves (e.g., Manning (2011), Bassier et al. (2022),Naidu and Carr (2022), Lamadon et al. (2022), Caldwell and Oehlsen (2023)); and by showing the effects of outside options on wages (e.g., Beaudry et al. (2012); Tschopp (2017); Caldwell and Harmon (2019); Caldwell and

Danieli (2024), Green, Sand, Snoddy, and Tschopp (Green et al.)). These results are important when considering the connection between what empirical labour economists study and questions of justice because rents can have an intricate relationship with luck. They are, by definition, not returns to effort and have a flavour of being in the right place at the right time.[5] How to deal with the proceeds of luck, in turn, is a key feature that differentiates theories of justice.

The points of view of different theories of justice on what to do with the proceeds of luck spans the possible set of options. For John Rawls, for example, the proceeds of luck should be redistributed. Rawls captures the idea of what constitutes justice by working with his Veil of Ignorance thought experiment which involves a set of people without any knowledge of who they will be in the real world debating the principles that would underlie institutions in a just society. Key among these principles, Rawls argues, would be the Difference Principle. Not knowing what position they will occupy in society, the deliberators will want institutions that insure equality. But they will allow for inequality as long as it is the benefit of all (if, for example, someone needs to be paid extra to be a brain surgeon because of the training time and stress). Inequality not for the good of all is unjust. Differences in income that stem from rents are unjust since rents are not productive by definition. Thus, for Rawls, justice would require the redistribution of rents.

At the opposite end of the spectrum lies Robert Nozick's famous libertarian book, *Anarchy, State, and Utopia* (Nozick (1974)), written partly in response to Rawls' *A Theory of Justice*. For Nozick, justice is found in what we are entitled to hold. If you acquire land, say, in a just way or receive it through a just transfer (i.e., through a gift or voluntary exchange in a free market) from someone else who acquired it justly then you are entitled to that land. Taking away what people are entitled to in this sense in order to re-distribute it to make peoples' holdings match some pattern such as equality is unjust. For the rents we are discussing - rents obtained through voluntary exchange in a labour market - there is no question that inequalities related to them are just for Nozick. That is, in strong contrast to Rawls, it would be unjust to redistribute them.

Lying somewhere in the middle is Ronald Dworkin's account of justice.(Dworkin (1981))

[5]The relationship of rents to luck can be complicated. High current returns for Starlink may look like rents, especially given its near monopoly position, but they may be the reward needed to entice the large, risky initial investment made by Elon Musk. In that case, though, they are not economic rents in an ex ante sense. And by luck I mean not just the outcomes of random events but also the luck of being born into the set of people who control rare assets or of being in the right place at the right time. Someone paying a bribe to get a parcel of land they know will increase in value with the advent of a new transit line might see themselves as expending effort or resources to gain the return on that land. But we are still considering an economic rent and, in this case, efforts to capture it will ultimately benefit the person lucky enough to be in the position to receive the bribe.

Like Rawls, he employs a thought experiment of people considering the best social contract for their society. But, in an attempt to hold people more responsible for their choices than in Rawls, in his thought experiment a set of people are on an island and given equal numbers of clam shells to use in bidding on the island's resources. In a twist that would warm an economist's heart, people know their abilities and preferences but they don't know what the market equilibrium will look like and whether their abilities will command high or low compensation. They make choices of what resources to bid on and are responsible for the outcomes of their choices. Dworkin puts considerable emphasis on the role of luck, arguing that people in the auction on the island will want to spend some of their shells in buying insurance against events that will be beyond their control (the outcomes of what he calls "brute" luck). He argues that tax and transfer systems in western democracies can be seen as the rough embodiment of the insurance scheme those people would want to buy into. Importantly, he assumes that the amount of insurance they would buy would be the amount any reasonably (but not perfectly) risk averse person would buy in the sense that it would not perfectly replace all losses. That means that rents - the proceeds of luck - would be available for redistribution but there is not requirement in justice that they all be redistributed.[6]

What all of this means is that the extent and form of rents in the economy are important for assessments of justice. Since economists are the ones who know where the bodies lie in terms of rents in the economy, it would be helpful to debates about the nature of a just society if we provided that information, at least sometimes, in a useful form to the debate. The recent discussion within empirical economics about the extent to which wage variation depends on rents is a step in the right direction. But the link of wages to luck also means that whenever we so much as write down a model of the labour market that embodies rents of one type or another, we are implicitly saying something about justice. I turn to making that point with models about wage setting with imperfect labour markets next.

2.2.1 Labour Market Models with Imperfections

In recent years, a consensus has emerged within labour economics that, in many cases, models with imperfections best describe the labour market. What I want to highlight is that the specific version of the imperfections employed in different models has important implications

[6]The assessment on the proceeds of luck in Dworkin is actually more complicated than this. Dworkin divides luck into "option" luck - the outcomes of lotteries you knowingly entered into - and "brute" luck - outcomes of random events over which you have no control. People are responsible for their option luck and society does not owe them anything in justice if their bet goes wrong. So, whether rents should, in justice, be redistributed depends in part on whether they are the outcomes of knowing gambles made by people in the labour market.

for questions of justice.

For issues related to justice, I would argue that it is insightful to group labour market models with imperfections into two groups. The first is what Alan Manning calls “New Classical” Monopsony models.(Manning (2021)) Much of this literature makes reference to Joan Robinson, writing in 1933, but in the modern era the seminal paper is Card et al. (2018) (CCHK). In their model, there is a rent component of wages that arises because workers have heterogeneous tastes over where they work and that gives firms monopsony power, to varying degrees. Importantly, this is a true neoclassical model at its heart. The marginal workers at each firm are where they ought to be – there are no rents at the margin. The rents on the worker side are all inframarginal rents arising because (all but the marginal worker) have a greater taste for working at this firm than the marginal worker and firms aren’t able to perfectly price discriminate.

The second broad class of models includes Bargaining models and models that Manning classifies as “Modern Monopsony” models. Here, instead, the rents come from frictions that reflect the fact that workers and firms have trouble finding each other. In these models, there are rents at the margin since the frictions prevent workers with a preference for a given high wage job (which might be all workers) from under-bidding the worker who currently holds the job. In these models, there are “Good” jobs - jobs that other people would prefer over their own at the existing wages, abilities and preferences for non-wage amenities.(Green (2016)) This is not true in the New Classical Monopsony models. You might wish you were born with better math skills so that you could have been an accountant and accessed the better wages they are paid in equilibrium, but given that you don’t have those skills, there is no job you would choose to switch to. That is, in the Bargaining/Modern Monopsony models you can envy another person’s job. In the New Classical Monopsony models, you can only envy their talents and preferences.

The difference in the sources of rents matters for justice considerations. In the CCHK model, we are in the world of the Welfare Theorems where there may be reasons to redistribute based on one’s view of justice but those considerations are separate from the functioning of the labour market, which is delivering efficiency. To put it in extreme terms, even Rawls would not seek to redistribute the differences in utility associated with infra-marginal rents in the CCHK model. Importantly, in Rawls’ theory, what needs to be distributed equally are social primary goods – the bases that anyone needs to pursue their version of what is good. But people are responsible for their notion of the good – for their own preferences. Put in concrete terms: commuting costs are sometimes used as an empirical representation of differences in worker preferences across firms. But workers choose whether to live in areas

with limited or plentiful firm opportunities and, so, can be viewed as responsible for these preferences. Moreover, as Lamadon et al. (2022) point out, with preferences specified as in the CCHK model, workers are actually also efficiently distributed across firms. Since efficiency is to the good of all, Rawls would see no reason to intervene with this equilibrium. That is, if this is the right version of the labour market then there is nothing further to be said about justice: even Rawls wouldn't call for interventionist policies.

If, on the other hand, the Bargaining/Modern Monopsony models are right then there are rents at the margin – there are such things as Good jobs and a notion of luck in finding them. Thus, questions about whether luck ought to be redistributed, ought not to be redistributed, or is simply available for redistribution arise continuously in the functioning of the labour market and virtually any policy that affects that functioning, if these model provide the right description of the world. Far from being a simple matter of computational convenience or researcher preference, adopting a particular model of the labour market determines whether we can ignore such considerations or whether the need to take a stance on justice in virtually any policy discussion is unavoidable.

The natural response of economists to this issue is to look for evidence that would allow us to test which model is a better representation of what we see in the data. There is a small literature trying to do exactly that, which, so far to my eye, has not reached a decisive conclusion.(Jager et al. (2020),Lachowska et al. (2022), Garin and Silverio (2024),Carvalho et al. (2023)) My colleague, Raffa Saggio, likes to say there is probably not One Model to Rule Them All, which seems right. But the arguments here suggest that it is important that we work on understanding the limits of when the various models are better descriptions of the labour market. This is true, in part, because the results of our empirical tests may indicate that elements of specific theories of justice are irrelevant in the real world. If, for example, perhaps spurred on by theories of justice in which envy plays a central role in identity, we examine empirically the role of envy in wage setting and cannot reject the null hypothesis that it plays no role, then that would indicate that the envy-centric theory of justice has little relevance. Similarly, we can test among our theories of wage setting not just so that we use the most relevant model for deriving predictions for the economy but also because test results favouring one model over another will indicate that the conditions of justice embodied in one theory of justice are the more relevant, making that theory more relevant than its competitors. We have a tendency to think of theories of justice as inhabiting some elevated realm that is separated from our work as empiricists. But these arguments indicate that our work could inform which theories of justice hold more relevance for our society.

Which model provides the most accurate description of the functioning of the labour

market has implications for justice not only because of its relationship to luck but also because of its implications for the role of the firm. In the New Classical Monopsony model, as in standard Neoclassical models, there is nothing particularly special about the labour market - indeed, the model is a transported IO model. Either side in a buyer/seller pair is free to walk away at any time, which is what insures that there are no rents at the margin. As we discussed earlier, it is this voluntariness that means that there is no reason to introduce concerns about whether one side or the other is being treated fairly in the interaction, implying that justice and efficiency can be separated. The freedom of workers to walk away from bad working conditions insures that there is a compensating wage differential that perfectly compensates the marginal worker for those conditions.

In contrast, in models with frictions, workers and firms are together in a relationship somewhat walled off from the rest of the market. Workers are not really free to walk away from low wages or bad working conditions because they fear that the employer will write a bad reference that will damage their prospects. That means that perfect compensating differentials will not arise. There will be rents at the margin and the division of that rent depends on relative power within the relationship, meaning it is automatically about distributive justice - what is owed to each agent. More than that, as the philosopher Elizabeth Anderson argues in her book, *Private Government*, in all but the complete neoclassical model, the firm is necessarily a key location of justice within our society even setting aside rent divisions. In all but the complete neoclassical model (of which the New Classical Monopsony Model is an example), firms need workers to surrender some of their personal autonomy in order to operate. Indeed, labour law is written in this way - a legal obligation of employment for employees is to follow all reasonable directives of the firm. But, of course, the question of achieving individual autonomy is central to conceptions of justice - it is at the heart of the question, "what do we owe to each other". In that sense, every policy that touches on the balance between the workers' desire for individual autonomy and the firm's need for control over worker time - whether it is how much to support unionisation, minimum wages, or direct interventions through regulation - is a decision that embodies a specific notion of justice. And since people spend so much of their time at work and, often, form part of their identities through their roles at work, this is a particularly important location of justice. It is not one that can be easily ignored.

For economists, Anderson's arguments have a direct reflection in the theory of the firm. In the most complete neoclassical world, where every interaction can be contracted, there is no need for firms as such - all the tasks carried out in production would be covered by individual contracts covering every eventuality. But in the real world, where such contracting is prohibitively expensive because of the sheer number of eventualities or where there would

be problems confirming the state of the world to third parties, some other arrangement is needed. Firms might then arise because it is more efficient in the face of these difficulties to cede decision making to the firm over what workers will do if a particular contingency arises. The contract then might be about the extent of the authority given to the firm, e.g., limiting their ability to make commands about the home life of workers even if it affects output. But giving the firm authority can have distributional implications as well as these efficiency enhancing features because it is likely that the firm can use that authority to gain more of the surplus from the match.(Jacobsen and Skillman (2007)) Again, whatever happens within firms is then both a matter of efficiency and justice, with the two being completely inter-twined. Policies cannot address one without addressing the other, and policies that are purportedly just about efficiency are taking a stance on justice at the same time.

To summarize, results showing that rents exist in worker-firm matches and that their allocation helps determine wages raise important questions about the relationship between justice and efficiency, and choosing a model of wage determination involves taking a stance on the the role and nature of justice in the labour market. Moreover, under some models of the source of those rents, firms are necessarily key locations of justice in a society, with their internal justice and efficiency considerations completely inter-twined. This is interesting, in part, because of the history of research in empirical labour economics. For several decades, we had datasets with sometimes quite rich information about workers but little or nothing about firms. Faced with that data deficit, questions like the rationale for the existence of firms (or, really, just about anything related to firms, including capital) disappeared from the main body of empirical work in labour economics. With the advent of matched worker-firm data, the firm is back. This discussion points to the re-introduction of the firm implying a need to address the lack of separability of justice and efficiency inherent in the existence of firms. It also puts on the table questions that can have empirical counterparts, such as the trade-off inherent in giving more authority to a firm: the extent to which it increases productivity versus altering the distribution of who gets what from any productivity gains.

3 What Justice?

To this point I have argued that recent results in empirical labour economics imply that we cannot untie justice from efficiency and that that means that we are often implicitly taking a stance on justice even in analyses and policy recommendations that centre on questions of efficiency. A strong example of this is found in the fact that our measure of efficiency is based on individual utility. That is, we are choosing a definition of efficiency that fits

with one type of justice but not, for example, with a notion of justice that gives a strong role to community. In this situation, it seems to me that it would be much better for us to be explicit about the notion of justice embodied in our work. Lack of transparency is bad because it invites an accusation of hidden biases.

But if we are going to use an explicit account of justice, which version of justice would we want to use? Having each analyst choose one for themselves would mean that all discussions of policy would include both measurement arguments of the type we are used to as well as debates about the preferred version of justice. Since it is really up to society to choose its preferred version of justice, the latter debates among analysts would be, at best, not directly productive, turning us all into advocates rather than researchers. In this section, I provide a possible solution to the quandry of needing to be explicit about the notion of justice embedded in our work but not wanting the work to become simply a debate about values. It is based on the idea that if we can find principles of justice that proponents of virtually all specific theories of justice could support – a sort of lowest common denominator of notions of justice – then using those principles as an explicit part of analyses would actually make our work more neutral. It would make sure we are taking account of viewpoints from a broad range of stances on justice rather than pretending we are working in isolation from justice considerations and actually favouring one subset of stances.

3.1 Proceeding As If the Welfare Theorems Hold

Before inquiring whether lowest common denominator principles of justice exist, it is worth pausing to ask whether it still could be preferable to proceed as if the Welfare Theorems hold and a separation of justice and efficiency is reasonable even though we know this is not strictly true. After all, all models are abstractions and we gain insights from them even knowing they don't represent the complete truth. There are reasons we might take this approach, foremost of which is its practicality. It would allow us to assess and even propose policies without having to constantly debate justice or to pass judgement on anyone's preferences. It also allows for the separation of technocrat roles for civil servants from value choosing roles for politicians. This is embodied in the fact that in a country like Canada, the civil service does not change – even up to the highest level – when the party in power changes.

But there are what seem to me to be even stronger reasons not to follow this approach than to follow it. Primary among these is a concern that while ignoring justice elements in any one policy may seem to have small import, repeated use could lead us to an unintended place. Sam Bowles' argument that constant use of markets and incentives that treat people

like knaves could create a less social, less kind society is one, important example.(Bowles (2016)) The point that the standard policy framework uses a definition of efficiency based in individual utility and ignores communities except as instrumental devices is another. With such a framework, we slant policy prescriptions away from approaches that involve building community in favour of individualistic approaches. Whether this is right or wrong, it is something that should be made explicit so that it can be the subject of public consideration.

Proceeding as if markets are value neutral and justice and efficiency can be treated separately also involves a disrespectful lack of transparency in the dealings of the policy makers and analysts with the broader public. If we maintain that our policy making and analysis is neutral with respect to different ideals of justice when, in fact, it is not, then we are open to claims from populists that the game is rigged in favour of some set of values that are against the people. By making the concept of justice that is being used transparent, we are forced to enter into debates we might like to avoid, but at least they will be open debates.

3.2 Welfarism and Utilitarianism

It seems possible that we can find our lowest common denominator of justice by working within a Welfarist theory of justice, i.e., one in which the justness of a societal arrangement can be assessed based on the resulting value of the Social Welfare Function (SWF): $W(U_1, U_2, ...U_N)$. The SWF is a function of the utilities ($U's$) of the N people in society and nothing else. By varying the W function, we can potentially represent a wide range of specific theories of justice. For example, there is a tradition within Welfare Economics of representing John Rawls' position on justice with the maxi-min "Rawlsian" SWF, $max(min(U_1, U_2, ...U_N))$ (though, for reasons I will discuss momentarily, Rawls himself would see this attempt to represent his theory as an abomination). Of course, this approach involves not so much finding a common denominator as arriving at a means to categorize different theories of justice within a common framework. So, a Welfarist approach to incorporating justice would involve working with a specific form for W - taking a stance on a specific form of justice. In that sense, it would not allow us to escape the quandry. Analysts would still be adopting and defending a specific set of values. Moreover, SWF's cannot fully capture all theories of justice, missing categorical theories in which, say, liberty has a value over and above its effect through the utilities of each citizen.

Economists overwhelmingly use the Utilitarian variant of Welfarism (where $W(U_1, U_2, ...U_N) = U_1 + U_2 + ... + U_N$) when they do incorporate equity considerations into policy evaluations.

Given this popularity, it is reasonable to pause to ask whether it might serve our purposes well enough. There is a substantial list of reasons why economists favour Utilitarianism. For one, it fits with our use of utility as a basis of our account of human decision making (though there, we use it in as weak a way as possible – ordinal rankings with no inter-personal comparisons while Utilitiarianism necessarily involves such comparisons). Second, while it involves comparisons of utility across different people, in principle, it leaves the specific content of those utilities unspecified. Thus, it maintains neutrality about individual values. Third, it is a consequentialist approach, and we have figured out ways to map it to empirical measurements and outcomes. Categorical theories of justice which make statements such as, "slavery is inherently wrong" are hard to quantify in any way. Fourth, it does fit with some of our core notions of justice. In the famous Trolley Car thought experiment in which people are asked to make a choice between letting an out of control train continue on its track, killing 5 people, or pull a lever so it goes down a side track and kills 1, many people do think it is better to pull the lever. This is essentially Utilitarian thinking. Finally, it has a built-in tendency toward equality - it treats each person as an anonymous equal in their entry into considerations about justice. Diminishing marginal utility also pushes toward equality.

But philosophers have a different take. In fact, pretty much every one of the advantages listed by economists generates a critical flip side from philosophers. John Rawls' famous book, *A Theory of Justice*, which I have already mentioned as probably the greatest book on distributive justice in at least the last 100 years, can be read, partly, as an extended argument against Utilitarianism. Rawls' first argument against Utilitiarianism is essentially concern about the tyranny of the majority but more eloquently and more expansively expressed. His second argument is that far from Utilitarianism not judging individual preferences being a virtue, this is a big problem. For Rawls, an approach to justice that is built on blocks that can themselves be inherently unjust (as he would state that racist preferences would be) cannot be a true account of justice. It is rotten to the core. The hope that the majority of people would not hold racist views is too vague to form the basis of a true account of justice, and history suggests it is not even a practical hope.

Rawls is far from alone in his attacks on Utilitarianism. At times it seems like the way you cut your teeth as a philosopher is to eviscerate Utilitarianism. The list of philosophers who have joined in includes Ronald Dworkin, Robert Nozick, Martha Nussbaum, Elizabeth Anderson, Will Kymlicka, and Amartya Sen, among many, many others. Kymlicka, for example, argues against Utilitarianism on the grounds that it indicates some policy choices that would seem unnatural to most people. For example, it would require you to promote someone else's goals and life plans ahead of your own if their utility gain to completing their goals is greater than yours. Instead of supporting individual liberty, it demands you put your

time and resources at the service of someone else if their resultant utility gain is larger. For Sen, the lack of any categorical emphasis on political liberty in Utilitarianism means that individuals may support restrictions on liberty because they see it as increasing their utility, not taking account of the externality that if everyone follows this logic then democracy will fail. Nozick's criticism focuses on the anonymity principle that underlies Utilitarianism - that all that matters is the sum total of utilities at the end of the day, not who holds any particular utility level. For Nozick, this ignores a key element of justice: that how we obtain our holdings matters; that we don't view two scenarios with the same total utility as equally just if in one of them the top utility holders got their resources through theft and in the other they got their resources through just exchange. This is a further reason to pay attention to something that I mentioned earlier as an element of policies that economists tend to ignore: process, not just outcomes, matter. And the list of criticisms goes on.

Now, some economists are undoubtedly Utilitarians (as are a small number of philosophers), but surely we aren't all Utilitarians, and what I am arguing is that a reason we might resort to Utilitiarianism – that it allows us to separate off justice from efficiency – doesn't hold. Alternatively, I argued earlier that the way out of the quandary of both needing and not wanting to acknowledge the role of justice in economics and policy analysis is to find principles of justice that appeal to people who adopt all different notions of justice. Given the depth and breadth of opposition to Utilitarianism, it clearly can't play that role. I turn next to presenting something that can potentially play the role.

3.3 Respect

In this section, I will argue that a lowest common denominator principle shared across most theories of justice does exist: providing everyone in society with the bases of self and social respect. Again, we can start with the most seminal work - Rawls' *A Theory of Justice*. In Rawls' theory what is being distributed is not (solely) income and certainly not utility, but rather a bundle of "social primary goods." Social primary goods are entities that everyone is assumed to need to underwrite their pursuit of what they see as the good life - entities that everyone would see as useful regardless of their values and goals. Making these the target is part of what is sometimes called Liberal Neutrality - seeking principles of justice that don't favour one specific notion of what is good (e.g., that don't set up one religion as the standard). Rawls' list of social primary goods includes income but also liberties and opportunities and, importantly the bases of self respect:

"those aspects of basic institutions that are normally essential if citizens are to have a

lively sense of their own worth as moral persons and to be able to realize their highest order interests and advance their ends with self confidence." (Rawls(1999), p.)

Rawls places considerable emphasis on self respect, arguing:[7]

"Without it nothing may seem worth doing, or if some things have value for us, we lack the will to strive for them. All desire and activity becomes empty and vain, and we sink into apathy and cynicism. Therefore the parties in the original position would wish to avoid at almost any cost the social conditions that undermine self-respect."

This emphasis on the bases of self-respect because it is so crucial to the human condition is nearly ubiquitous across different theories of justice. Martha Nussbaum – one of the main architects of Capability theory – sets out a list of 10 core capabilities that are required to attain a truly fulfilled life. One of those is to be treated with respect "as a dignified being whose worth is equal to that of others" (Nussbaum (2003), p.42) This has some similarities with the emphasis on true justice lying in social equality rather than, say, equality of resources by Elizabeth Anderson. In speaking of her theory, Anderson states: "In seeking the construction of a community of equals, democratic equality integrates principles of distribution with the expressive demands of equal respect."(Anderson (1999), p.289).

But, this focus is found not just in liberal theories of justice. Feminist theories also argue for it – in their case, calling attention to the respect that needs to be given to all people in positions of dependency, including caregivers. Thus, Eva Kittay, a leading feminist philosopher, argues that under a complete conception of justice, "The social arrangements of the institutions of society are not to leave those in conditions of inevitable dependency to think that they fail to be treated with respect as an equal, one whose life matters as much as anyone's,".(Kittay (2015), p. 66) And it is found in Indigenous accounts of justice. Dale Turner, the Indigenous legal scholar, for example, emphasizes the centrality of the oral tradition for Indigenous communities and how that necessarily leads to a crucial role for respect, as each party listens and is listened to in their turn. He points out that the Great Law of Peace of the Iroquois Confederacy is based in respect, reciprocity, and renewal. One of the things that puzzled Europeans when they first encountered the First Nations in North America was the long periods of talking that preceded negotiations. But these were, according to Turner, an attempt to establish exactly who everyone was so that they clearly stood in a position of equal respect, encouraging an approach that tended toward consensus.(Turner (2006))

[7]Daniel Chandler draws out the importance of the bases of self respect in Rawls insightfully and at length in his book, *Free and Equal: A Manifesto for a Just Society.*Chandler (2024) He then goes on to use that as a key element in his discussion of how to use Rawls as the basis for finding solutions to policy problems facing us today.

Part of what jumps out of this is the social nature of respect. We may think of self respect in terms of whether we hold ourselves in due regard – what we think of when we look in the mirror. But this always has a social element. It is impossible to hold high self-regard when we think others hold a different opinion. We look for confirmation of who we are and support in pursuing goals effectively (which is the basis of self-respect) from our community. Indeed, the philosopher Michael Sandel argues that the grounds of self-respect are defined, in part, in terms of our community based identity (Sandel (2006))). Rawls talks about having ourselves and our actions "appreciated and confirmed by others who are likewise esteemed and their association enjoyed." (Rawls (1999),p. 386) Nussbaum places the self-respect capability under the broader, "Central Capability" that she calls "Affiliation". And Turner talks about respect within the Great Law of Peace as functioning "in a communal context; that is, individual respect was reciprocated."(Turner (2006), p. 49)

Given all of this, I would argue that using a principle of providing access to the bases of self and social respect for all is sufficiently broad that we could use it as a basis for policy discussions that doesn't inherently favour one view of the good – that allows everyone to pursue their own notion of the good (subject to the restriction of making sure everyone else has respect). It is liberal neutrality with an added constraint.

But my goal is ultimately practical and, so, the next question is what are the practical implications of pursuing the bases of social and self-respect for all? In looking at definitions of the bases of self-respect in, for example, Rawls and in Nussbaum, it is striking how close they are to what psychologists define as the key psychological needs that must be met for us to be whole and healthy. These needs are: a sense of autonomy, a sense of efficacy or competence, and social connection (Ryan and Deci (2000)). If we think of autonomy as the ability to make and pursue our own rational plan of life then this list almost exactly matches Rawls social bases of self-respect. J. Rhys Kesselman, Daniel Perrin, Lindsay Tedds, and I, in a report created for the Province of British Columbia on the feasability and usefulness of a making a basic income a central policy tool in the province, moved from this list of psychological needs to more concrete guidelines for policy.(Green et al. (2023)) We argued that some elements of the list of needs points to a substantial set of issues that economists already study - particularly, the adequacy of financial supports and the provision of opportunity. Put differently, working with a lowest common denominator of justice indicates that there are topics, measurements and estimation that, since they are relevant under virtually all theories of justice, can be studied without having to invoke any conception of justice. This includes, for example, elasticities of responses to taxation, identifying the extent of moral hazard, etc..

But the set of relevant investigations is not without boundaries and, so, the usefulness of specifying the lowest common denominator is that it helps with deciding on what else needs to be studied. We argued that the list of psychological needs points to at least 2 additional goals/points of concern that are typically not a focus for economists:

1. Community. Most obviously, the psychological need for social connection points to establishing and protecting institutions that facilitate that connection. But it is also present in the other two needs. True autonomy consists in a person's need to make independent choices and feel that they have an integrated sense of self that can initiate actions. But even though that is clearly centred in the individual, it is not possible to make those choices without support. That support relies not just on having enough in the bank but also in having valued attachments in a community where the person feels respected. Since we accomplish most goals in a social context and with the help of others, the bases of self-efficacy also include healthy communities.

2. Process. People will not be able to maintain a feeling of autonomy in a system that acts like their opinion is not valued. This is especially true when talking about transfer and government support systems that define a considerable part of the lives of recipients. Thus, having policy design and delivery systems that allow people direct input on the systems that affect them is crucial. This makes for a messier policy system but one that is closer to the goal of providing the bases of self-respect.

We saw both of these points emerging from empirical results: that people view prices in general, and wages in particular, as relating to fairness means that the path of prices as we move to a new equilibrium can matter – process matters. The behavioural economics literature, arguing for activating people's social natures, indicates the importance of community. Neither point, though, gets emphasis in our current Welfarist policy evaluation framework.

4 Human Capital (An Example)

I have argued to this point that one can introduce justice considerations into policy analyses in as neutral a way as possible by considering the implications of policies for the goal of providing the bases of self and social respect to all. What does this mean in practice? Does the introduction of this goal result in analyses that would be notably different from what is already done? These questions are most easily answered in the context of a specific policy area. In this section, I investigate what introducing this justice goal would imply for

analyses of human capital and human capital policy.[8] Human capital is a good place to focus because there has been so much work on various elements of investment in and outcomes from human capital in economics. Policy analysis has generally been done in a Welfarist framework, though with some emphasis on concern about inequality.

At the outset, it is worth pointing out that examining human capital through the lens of providing the bases of self and social respect for all points to many of the same investigations and conclusions that are present in the existing human capital literature. That is true, in part, because education has effects on outcomes that support autonomy such as income and health (Lochner (2011); Oreopoulos and Salvanes (2011)), and autonomy is of central importance in establishing self respect. So the results from the large micro-empirical literature on human capital impacts are relevant. Moreover, the impact of human capital on productive efficiency and economic growth also remains of central importance. John Rawls, for example, argues that efficiency is an important element of justice: it is the basis of the difference principle (the idea that inequalities are acceptable if they incentivize people to work harder for the good of all).[9] Thus, macro investigations of human capital impacts also remain relevant. Beyond these questions of what to study, even how we model human capital choices would not necessarily change if we adopt a justice based framework. Our main choice models are based in utility maximization, but this is simply the use of a particular model of behaviour not an adoption of a Utilitarian perspective on justice. Thus, adopting a justice based framework is not a repudiation of the massive body of work on human capital in economics. Far from it. Nor does it imply that we should ignore the efficiency related concerns that have been used to frame much of the existing work. The point is, rather, that we can't study or make policy about efficiency and assume we can talk about justice separately. As we talk about both, a wider perspective emerges that has the potential to raise additional topics for study and additional measurements to be taken.

So what would change if we start from the justice goal perspective? The answer to that comes from the two additional points of concern that I highlighted in the previous section: process and community. The process concern – that what matters for both self-efficacy and a feeling of social respect comes from how policies are implemented as well their ultimate impacts – points to some change in emphasis in studying the optimal timing of human capital

[8]Parts of this section expand on arguments made in Bennett et al. (2024).

[9]In fact, rampant inefficiency would be unjust for Rawls, who states that,

"the plans of individuals need to be fitted together so that their activities are compatible with one another and they can all be carried through without anyone's legitimate expectations being severely disappointed. Moreover, the execution of these plans should lead to the achievement of social ends in ways that are efficient and consistent with justice."Rawls (1999)

Inefficiency would block people's legitimate expectations and not investing sensibly in human capital would be inefficient.

investments over the lifecycle.

There is a considerable literature on complementarities in the human capital production function - human capital begets human capital.(Cunha et al. (2010); Currie (2001); Black et al. (2005); Attanasio et al. (2022)). In the standard policy framework, focused as it is on some aggregate of utility or income as the outcome, that result implies that human capital investment should be focused on early childhood. But suppose, following Sen and Nussbaum, that the mere opportunity to invest in improving one's skills is important for feelings of self-efficacy and, in their terms, is a freedom to be valued in its own right – that the process of striving to meet goals and to improve oneself has inherent value. In that case, we would want to keep options for investment open beyond the earliest years. That is, what would matter is not just total levels of human capital achieved and their impacts on incomes, but the details of the process - of how and when human capital opportunities are offered. Moreover, the perspective of concern for the bases of self and social respect points to providing basic literacy and numeracy to adults regardless of whether there is any return to such training in terms of earnings because it is hard to maintain self-respect in our society without those basic skills.[10]

There is, of course, empirical work related to adult human capital opportunities in the training literature. Much of that literature focuses on the types of policies in place in the US - basic and vocational training for the unemployed. Other countries, such as Denmark, have broader adult education schemes that are open to the employed and include streams that lead to higher education.(McCall et al. (2016)) These latter policies are in line with the idea that focusing on the bases of self-respect may point to more consistent access to education and training at older ages. This is not at all to say that the early childhood education literature or the training literature are misguided or not useful. The results in both and their related conclusions continue to be relevant when using the respect perspective as the broad frame for investigations. Rather, the point is that the current policy framework steers attention away from issues that ought also to be investigated in order to provide policymakers with a broader, more neutral set of information. In this sense, empirical work on human capital as it is currently done is a concrete example of how measures and analyses that are justified as focusing simply on efficiency implicitly favour certain stances on justice over others. In this case, an emphasis on education in early childhood fits with the perspective in Dworkin's theory, with its emphasis on personal responsibility for adults, much more than with Rawls'

[10]It is worth highlighting that the goal is to make the bases of self and social respect available to all. This is different from seeking to equalize respect itself, which would be difficult to implement. It is also different from an ethical admonition that everyone should treat others with respect. Providing the bases of self-respect for all, though, would likely include creating institutions that treat recipients with respect since one builds internal feelings of self-respect from being treated respectfully.

theory.

One of the ways in which current approaches tilt the table toward certain types of policies is through the outcome measures being used - mainly test scores, earnings, and employment. If there is concern about the bases of self-respect, measures that capture elements of self-respect should be added to this list. An example along these lines can be found in an evaluation of an Essential Skills training programme by the Social Research and Demonstration Corporation (SRDC) – a non-governmental research institute – for the Canadian government in 2014. In the evaluation, 88 firms in the Accommodations and Food Services sector were randomly assigned to a programme group where employees were offered a maximum of 40 hours of literacy and "essential" skills training (communications, document use, etc.) on-site during working hours, or to a control group whose employees did not receive the training. SRDC found significant positive returns in terms of earnings and reduced likelihood of separation, but they also found effects in areas that are directly related to self and social respect: increased feelings of self-efficacy ("I can solve most problems if I invest (i.e. make) the necessary effort"); spending more time and effort learning new things at work or in their personal lives; trust; and social engagement (a reduction in the number of contacts who know each other). Broadening our investigations to include these types of measures is a concrete means of implementing the broader justice-related frame.

The reporting of some of those results - especially those related to feelings (self-efficacy and, maybe, trust) - may make some economists uneasy since they are a long distance from the revealed preference approach that most of us are used to. One possible response to these concerns is to invest more in understanding what we can and cannot learn from such measures. Two existing literatures could be helpful in this. One is the literature on social capital. As Castellanos et al. (2025) argue in a paper on the impact of immigration on social capital, social capital itself is a term that covers a wide range of concepts. They use a principle components analysis and argue for some elements that are of direct interest for the notion of justice described here (notably, neighbourhood cohesion, community service, and social life). Pursuing this line of research further could be fruitful. The second relevant literature is the behavioural economics literature, which has developed methods and survey questions for eliciting feelings about somewhat more abstract concepts. Attanasio et al. (2025), for example, discuss methods for eliciting expectations related to risk. Falk et al. (2006) ask people about their perceptions of the norms that other people hold about the role of females in households. Similar methods could be used to ask about perceptions of social respect from other groups, which would capture the impacts on the person themselves. One could then ask whether those perceptions affect their behaviours in terms of economic and social activities taken up or avoided.

This returns us to our earlier discussion of the distinction between what I am proposing and much of the behavioural literature. That literature tends to treat these measures as extensions of the standard approach, i.e., just as tools that extend our notion of what people value and react to but in a firmly individualistic, Utilitarian framework. What I am proposing is to think more explicitly about implications for conceptions of a just society, in part because exploiting the social side of our nature has potential dark sides that are best considered in the context of a coherent conception of justice. Doing that may indicate the usefulness of some of the same measures employed in the behavioural literature but may also curtail or add to that list.

One element of human capital investment institutions that comes into sharper focus when we use a framing of concern for self and social respect is its tendency to generate a strong hierarchy, typically framed in the name of meritocracy. In the Spain of Ferdinand and Isabella in the late 1400s and early 1500s, society was, not surprisingly, built around strong hierarchies. The very highest ranks were hereditary and not based on skills, but there was a middle -high rank – the Hidalgos – who had the right not to pay taxes and not to be judged before common courts. They also could not be tortured or condemned to the galleys or imprisoned for debt, so it was a very beneficial status to hold. Being an Hidalgo, too, had a strong hereditary component, but one could also become an Hidalgo by getting an education and becoming a civil servant.(Elliott (1999)) That is, even in the pre-industrial era, education was part of establishing, entering, and maintaining a strong hierarchy. Since social respect tends not to reach across the levels of hierarchies of this type, their construction is a concern for justice.

Rawls spends considerable space examining this issue and what he sees as a basic tension in human capital institutions. On one side, is the Difference Principle – inequalities are allowed as long as they are to the benefit of all (and, in particular, the least well off). This would suggest assigning those with the highest abilities to the occupations in which they would be most productive and paying them more if that is what is required to incentivise them to take up those roles. On the other side is a concern based in the primary social good of the basis of self-respect:

"It follows that the confident sense of their own worth should be sought for the least favoured and this limits the forms of hierarchy and the degrees of inequality that justice permits. Thus, for example, resources for education are not to be allocated solely or necessarily mainly according to their return as estimated in productive trained abilities, but also according to their worth in enriching the personal and social life of citizens, including here the less favoured.(Rawls (1999), p.)

In the end, Rawls expresses a strongly negative judgement on meritocracies.

Rawls' position may sit uneasily with some of us. Amartya Sen argues, in fact, that any well-functioning society will include some element of meritocracy – we want to reward people for making productive investments and implementing their talents for the general good. But he points out that meritocracies can become problematic when a combination of factors arise: when merit is attached to people rather than actions, raising the possibility of the emergence of what the philosopher Deborah Satz calls an 'aristocracy of talent' (Satz (2007)); when we treat the returns in the meritocracy as "deserved" rather than instrumental; or when we create an overly narrow formulation of society's goals, acting as if the merit system is only about efficiency instead of creating a more just society. This is an important element that I believe economists should be investigating. If we focus only on efficiency considerations when discussing educational policy and when we are virtually the only ones at the policy table, we risk having this important element of education as part of generating a more just society ignored. It is a prime example of what is missed when we act as if we can talk about efficiency separately from justice.

Again, there is a question of how to obtain measures that help us gain insight into these additional issues - in this case, measures that help us understand the extent and effects of hierarchies created by the education system. One leading possibility is to look at the extent to which children born into low SES families access higher education or, alternatively, the extent to which children of high SES families disproportionately end up with a university education. There is, of course, a substantial literature on exactly this,(Black and Devereux (2011), Bjørklund and Salvanes (2011), Stuhler and Nybom (2024)) making the point, again, that existing empirical work in economics continues to be important when the frame is shifted to providing the bases of self-respect. But, as before, we would also want measures that are more directly related to respect.

In a paper examining different education systems and inequality, Pat Bennet, Kelly Foley, Kjell Salvanes and I argue that one possible measure of respect among groups is the extent of inter-marriage: whether you would want your children to marry the children of the other group. We are interested in whether different educational systems can affect that measure of respect and start by categorizing educational systems, claiming that this can be done in terms of two elements: the extent to which they stream students (captured by how early streaming is done, how many options there are, and whether one can escape one's initial assigned stream); and the extent to which children from low SES families are able to enter post-secondary education. We capture the first as a factor in a factor analysis of different characteristics of education systems in OECD countries as reflected in maps of those systems

in the OECD's *Education at a Glance* publication. The figure included here (a replication of Figure 10 from Bennett et al. (2024)), shows the relationship between a measure of the extent to which an educational system shows strong levels of streaming students ("factor 1") and the excess probability that a female high school drop-out marries someone who has completed high school or has a university degree.[11] The association is strong and positive: the high streaming countries (Germany, Austria, Belgium) display higher inter-marriage from low to middle educated. Bennett et al. (2024) also show that these are high upward mobility economies for men i.e., with high probabilities that sons from below median earnings households are themselves in the 3rd quartile of their generation's earnings distribution. Thus, these systems open up educational mobility but also seem to maintain respect for the lower education groups. In contrast, Canada and Finland are the two highest ranking countries in terms of moving children of low educated parents into university but, as can be seen here, have low amounts of streaming. They are also countries where high school drop-out women are disproportionately unlikely to marry a man with a higher education. That is, according to our argument, theirs are education systems that do not maintain respect across education groups. Whether this is a good measure of respect is certainly open for debate. As with the process discussion, the point is that taking the perspective of starting from the justice based goal of providing the bases of self-respect to all opens new questions and points to different measures in addition to those that have been put on the table based on using the standard policy analysis framework as the starting point.

5 Conclusion

Policy analysis in economics - and, indeed, empirical work in economics in general - is carried out within the broad ideological framework of the Welfare Theorems within which questions of efficiency and of justice are separated. Economists see themselves as working on the former, with decisions about justice being determined, separately, through the political system. In this paper, I have argued that results in empirical labour economics from the last two decades indicate that we cannot actually untie efficiency and justice in this way. This is seen in the literature showing that workers see their wages as markers of fairness and take actions such as quitting when their wages don't meet their fairness standard, and in evidence that firms set wages with fairness norms in mind. This means that peoples' self perceptions, including their feelings of self-respect and even their identities, change as wages

[11]By excess, we mean that we have first subtracted off the proportion of men who have completed high school or obtained a degree, so that these measures are in excess of what would occur if the women were matched randomly with high educated men.

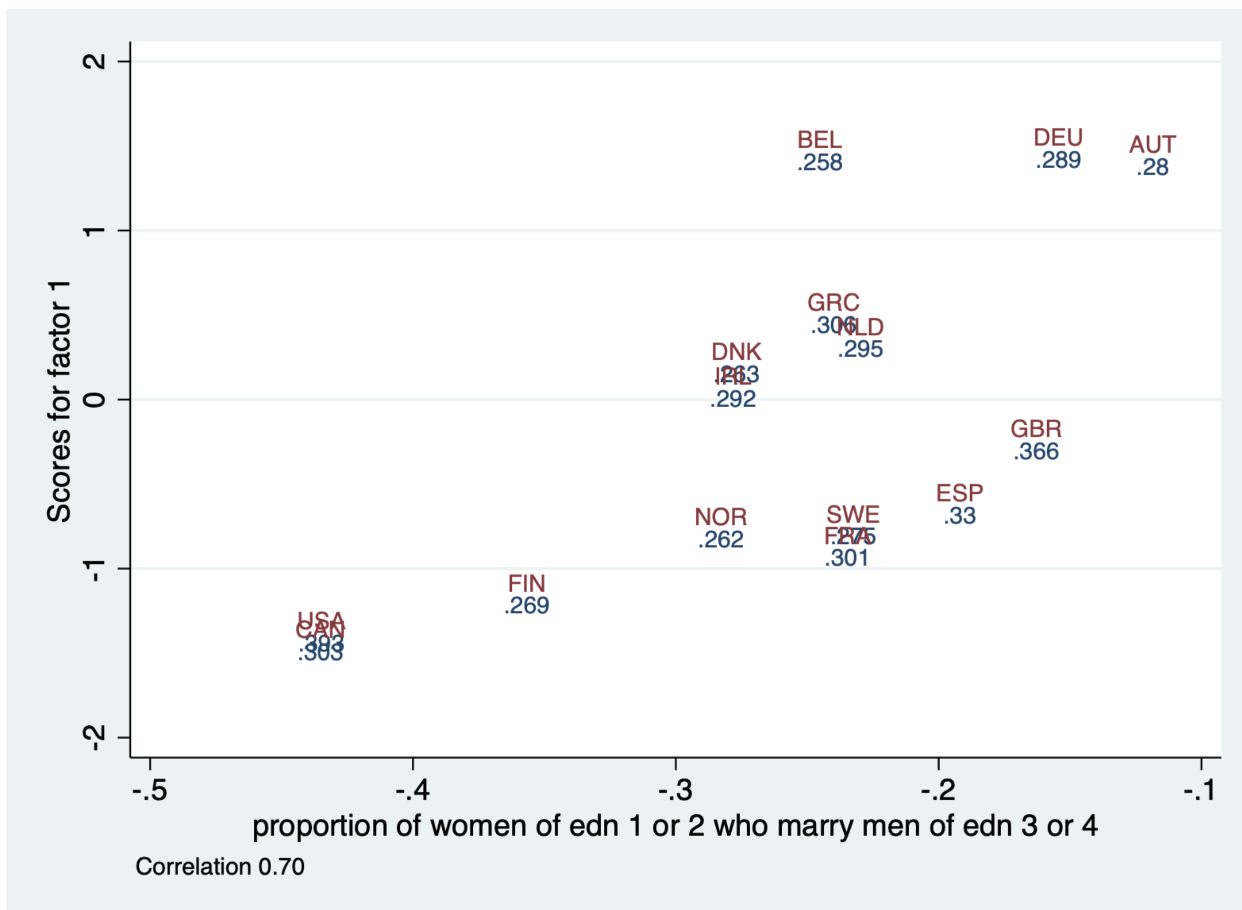

Figure 2: Probability of a female high school drop-out marrying a secondary- or more-educated man versus streaming factor.
(Bennett et al(2024))

change. Thus, any policy affecting wages not only has the efficiency implications we typically study, it also moves us to a new equilibrium with what are, effectively, different people. Put in graphical terms, this means that we cannot discuss policies simply in terms of whether they get us to an efficiency frontier and leave the discussion of the preferred point on the frontier for another process. The price movements that are part of moving to the frontier necessarily favour some identities over others, implying that they involve a justice choice – a choice about what we owe to each other – at the same time.

A similar conclusion follows from the recent literature showing that wages contain rent elements but, importantly, only under certain models of market imperfections. Under the New Classical Monopsony model, workers move freely such that there are no rents at the margin and efficiency can be discussed separately from justice, while under models with frictions, rents at the margin and bilateral bargaining imply that wage setting and questions of justice are inter-twined. Thus, while we typically choose specific models to emphasize

and/or clarify specific elements of the labour market, that choice also embodies a stance on questions related to justice. The discussion of this point also brought us face to face with the role of firms and the argument that the worker-firm relationship is an important location of justice in society both because it determines how rents are divided and because it naturally involves decisions on how much autonomy workers need to surrender for the effective functioning of a firm. The stance we take on the role of firms then implicitly embodies a stance on what constitutes a just society. With the rise of worker-firm datasets and the (re) entry of firms into empirical labour economics, the need to think through the implications of this statement has become more pressing.

Given that our choices of models, measures, and what to analyse embody stances on what constitutes a just society, it seems important that we are transparent about the justice implications of our work. Our current approach of acting as if efficiency considerations can be discussed without any reference to the notion of justice being pursued actually means that we are adopting a specific conception of justice (an individualistic, possibly Utilitarian stance). Child care subsidies provide a case in point. Governments might (and often do) consider delivering them either as a tax subsidy or in the form of directly subsidizing local daycares. My belief is that the latter approach could have impacts in terms of building local community that the former might not (depending on exactly how people spend their money and how private daycares are run). To be clear, I am not advocating for building local community. My point is that economists, for the most part, don't study those kinds of effects because our framework assumes that community is a choice like the choice of whether to buy carrots, making the efficient solution the subsidy. That means, I believe, that we are taking a stance on a fundamental determinant of the account of what constitutes a just society adopted by society. We are assuming that an individualistic, rights based approach is correct and that approaches that treat communities as valuable in themselves are incorrect.

I argue that we can be more neutral in our analyses by basing them in principles of justice that are sufficiently general that they don't favour any specific conception of justice. And I argue that such a principle exists – virtually all theories of justice place a strong emphasis on the requirement to provide the bases of social and self respect for all.

In practical terms, using a framework built around the principle of providing the bases of self and social respect means asking what we need to know if we are to analyse policies against the standard of this principle. A large part of what we need to know is what economists already study – efficiency and measuring inequality in income, education and wealth continue to be important when reaching for this goal, and can continue to be studied without any direct reference to theories of justice. But other issues also arise. One set

involves the processes through which market interactions and policy implementation happen since how people are treated in these interactions (not just the final outcomes) is central to their feelings of self-respect. Another set revolves around communities as important entities in their own right since it is within the communities we belong to that we look for and achieve respect. There are likely other areas of emphasis that arise when starting from the justice oriented lens but these two seem particularly important. Specifying them, in turn, leads to considerations of other types of measures we need to collect in order to provide concrete analyses of their implications. The specific example of human capital points to potential new measures in that context but also indicates that taking a broader perspective on justice than the one embodied in the standard policy framework can shift emphasis (toward more concern for adult education) and/or put new questions on the table (such as the role of education in building hierarchies). Thus, my goal is not to argue that all economists should be explicitly discussing justice all the time, but that starting from an acknowledgement that the way the economy actually functions points to the need for framing our work in terms of a very broad conception of what is involved in forming a more just society. Doing so, I believe, opens up a wider set of questions and measures that will allow us to provide a body of evidence that is more neutral with respect to the various possible specific justice goals a society might want to adopt.

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