**Dworkin, chapter 2, “Equality of Resources,” in a nutshell**

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Recap: Dworkin rejects equality of welfare as an interpretation of the ideal of distributive equality. He presents several objections. One is that equality of welfare would require all of us to keep compensating someone who messes up his life, over and over, to keep his level of welfare (well-being, utility) as high as everyone else’s, but no sensible egalitarianism would agree.

With Nozick, Dworkin holds

1. People are responsible, and should be held responsible, for the outcomes of their own choices.

Dworkin also holds

2. People are not responsible, and should not be held responsible, for the unchosen circumstances in which they make choices.

Dworkin takes a radical line as to what count as unchosen circumstances. My circumstances include my native endowments, that dispose me toward being physically strong or weak, clever or slow, talented or untalented.

How might 1 and 2 be reconciled? Dworkin thinks that if we set up a fair framework for interaction (roughly, a market economy with tort law and criminal law protections), and provide everyone a fair initial endowment of resources, people could then make choices and live their lives, with no call for further redistribution during their lifetimes.

A market is needed to fix a fair initial endowment of resources, because the true measure of the resources one holds is what others would be willing to pay for them. The fair initial division is an equal division, Dworkin thinks, and this division is equal when brought about by trading when each agent has equal purchasing power.

This is the ideal of a theoretical equal auction. All tradeable resources are put up for auction, and each member of society is assigned equal chips for bidding. Bidding proceeds to an equilibrium in which no one wants to alter any of her bids, given everyone else’s bids, and the resources are then divided according to the bids. (An equivalent procedure would be dividing all resources into homogeneous piles and giving each of the N members of society a 1/N share of each homogeneous pile, followed by trade to equilibrium.) The outcome of the equal auction has the property of being envy-free: No one would prefer anyone else’s bundle to her own. The outcome of the equal auction also has the property of efficiency in the Pareto sense: one could not alter the situation, improving the condition of any person, without making somebody else worse off. (One could not transfer resources to any person, or away from some and to others, making someone better off, without thereby making someone else worse off.)

The ideal of equality of resources, first approximation: Following a theoretical equal auction among the members of society, they then live their lives as they choose, in a fair framework for interaction, with no further redistribution.

But people’s unchosen circumstances, besides initial differences in external resource holdings, also include unchosen native endowments or internal resources. Suppose Samantha and Sally both have the ambition to be farmers, but Samatha has native farming talent and Sally does not.

If we try to run the theoretical equal auction and then try to compensate people for differences in talent, we run into a problem. Consider a simple two person society. Al has singing talent, desires only to play tennis, and envies Ben’s tennis playing talent. Ben has tennis playing talent, desires only to sing, and envies Al’s singing talent. If Al and Ben have equal material (external resources), and the internal resources just described, Al envies Ben’s comprehensive resource endowment and Ben envies Al’s. Moreover, if we try to compensate Al by taking external
resources from Ben and assigning them to Al, Al's envy decreases but Ben's increases. In general, there is no way to reach an envy-free distribution when the domain of resources includes internal as well as external resources.

Dworkin thinks the idea of a hypothetical insurance market for internal traits addresses the problem. In the theoretical equal auction, besides auctioning off external resources, let each person purchase against being talented or untalented. (Assume here a thin veil of ignorance; I know my talents, but not what price they will fetch in a competitive market.) Each person can purchase insurance against the possibility that one will end up with low marketable talent. If once the veil is lifted you end up with below the level of talent you insured against, you get a payment. If once the veil is lifted you find yourself having more marketable talent than the level you insured against, you pay out. Your budget for insurance in this market is your income once the veil is lifted. In this insurance market, the books must clear; payouts equal what gets paid in. The cost of a given insurance policy depends on other people's insurance decisions, which affect the price. (Dworkin actually suggests two hypothetical insurance markets, one for talents, one for handicaps. I leave this detail to the side.)

The ideal of equality of resources, final version: Following a theoretical equal auction for external resources together with hypothetical insurance markets for marketable talent and for handicaps, with all members of society participating, the veil is lifted and insurance payment and pay-out is made, and following that, people then live their lives as they choose, in a fair framework for interaction, with no further redistribution.

The underlying idea driving this construction is that each person is responsible for her ambitions (her values and desires and the choices that flow from them), but not for her unchosen circumstances. So initial circumstances should be equalized, according to the theoretical equal auction modified by the hypothetical insurance markets. But given initial appropriate compensation for bad luck in one's unchosen circumstances, from then on, one is responsible for the consequences for one's life that flow from one's choices. If I choose to work hard and become prosperous, or to avoid paid work and devote myself to contemplation or fun leisure activities, the outcomes are my responsibility alone in the sense that the rest of society has no obligation to make good any shortfall in my resources that results from my choices (and no entitlement to take away the bounty that results from my choices either). Same goes for risky activities: I might choose risky or play-it-safe strategies, in my economic activity, my leisure time pursuits, and other dimensions of my life. The results of these chosen or voluntarily courted risks lie where they fall, and do not call for compensation. (If the costs of my activities fall on others in violation of my duty to take proper care not to harm others, tort law requires adjustments, in familiar ways.)

The distinction between choice and circumstance connects to a distinction Dworkin draws between two kinds of luck, brute luck and option luck. "Option luck is a matter of how deliberate and calculated gambles turn out—whether someone gains or loses through accepting an isolated risk he or she should have anticipated and might have declined. Brute luck is a matter of how risks fall out that are not in that sense deliberate gambles" (p. 73). The distinction between the two kinds of luck varies by degree. The ideal of equality of resources according to Dworkin requires that unchosen uncourtred brute luck outcomes be fully compensated, and requires that chosen courted option luck outcomes be left as they are without compensation. For example, suppose there is a risk of flood in riverbed bottoms, and the risk gets smaller as one moves to higher and higher ground. Choosing where to live is in effect taking a gamble and the outcome, whatever it is, falls under the heading of option luck not brute luck. Pursuing one or another career, or one or another line of business activity, is likewise a matter of option luck not brute luck. The availability of insurance can transform what would have been brute luck into option luck: suppose there is nothing I can do to change the risk that my home will be destroyed by fire, but that I can choose to insure, to varying degrees down to not at all, against the event that my home is destroyed by fire. So whether I am lucky or unlucky in this regard, the outcome is option luck not brute luck. It is possible that good and bad brute luck might fall on people after the theoretical
equal auction. Suppose there is no insurance available against the chance of being hit by a meteor and nothing I can practically do that would alter my chances of being hit by a meteor. Getting hit by a meteor or not during my life would be a matter of brute not option luck.

According to Dworkin, I am responsible for my values, aims, and preferences—my ambitions—not because I voluntarily choose them, but because I identify positively with them. I am responsible for the preferences I am glad to have. In principle, some preferences I have do not satisfy this condition. Some preferences I have count as cravings—I would be glad if I were rid of them, they count as just an obstacle to my achieving my ambitions (the preferences I am glad to have). In theory, one could choose to insure against the possibility of being stuck with such cravings, which count as a type of handicap or negative talent, in the hypothetical insurance market. Example: I just find myself with a strong craving for ingesting a certain drug, but I am sad to have this preference, would rather be rid of it. In contrast, if I am a righteous dope fiend, who is addicted to heroin and is glad to be addicted to heroin, wants to have that desire, then my desire for heroin even though addictive is not a mere craving but instead part of my set of ambitions. In the example I am imagining one just finds oneself with a craving, say a craving for a certain food, one does not want to have but of course developing a craving or addiction might be a part of the package of risk and benefit one accepts in following one or another path in life. Choosing to become a movie actor or actress may predictably carry with it increased chances that one will come to crave the adulation of fans. Developing such a craving, or not, in this way, would be an option luck outcome.

The account given so far captures the ideal of equality of resources as Dworkin characterizes it in chapter 2. (The later chapters applying the theory to policy issues modify the theory a bit.) In chapter 2 Dworkin notes that the ideal cannot be implemented. We can’t even come remotely close. What to do? His suggestion then is that in practice a society should try to set its institutions and especially its redistributive institutions to mimic as far as is feasible the outcomes that the actual individuals in society would have reached via a theoretical auction with hypothetical insurance market adjustments followed by letting people live as they choose. We seek an arrangement of institutions so that the distribution of benefits and burdens across people is ambition-sensitive (each person’s ambitions and the choices that flow from them appropriately fix the life outcomes she gets) but endowment-insensitive (so that people’s unchosen circumstances including bad brute luck in their initial personal endowments by birth or early socialization are fully offset or compensated). Section VI of chapter 2, “Tax as Premium,” considers the practical policy implications of equality of resources and seeks to show they are should strike us as acceptable. Dworkin there opines that a familiar progressive income tax with transfer to badly off persons (badly off in unchosen circumstances not in bad option luck) might be the practical upshot of his distributive theory. I would suppose that something like a confiscatory inheritance tax and limits on gifts to individuals provides resources for the initial continuous initial fair distribution of resources to individuals as they start out in life, but see Dworkin’s comments on this topic in the later applied chapters.

In chapter 3, which isn’t required reading, Dworkin notes that what to bid for a good in the theoretical equal auction depends on what one will be able to do with it after the auction. (If my ambition is to play baseball, there is no point in bidding on leather for a mitt if the society bans baseball playing, and perhaps less point if the society heavily subsidizes football playing.) So the auction is not well defined until the social environment is specified. Dworkin supposes that within the limits of acceptable paternalism, people should be free to live as they choose, with resources they legitimately own, and interact with each other on any mutually agreeable terms, and not free to impose the costs of their activities wrongfully on others. Hence a background assumption for the theoretical equal auction is that the bidders will then live in a society with familiar contract law, tort law, and criminal law in place.