Incentives, Inequality, and Community Revisited

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Abstract

Many accept some inequality as a price for efficiency – by paying some more than others, we incentivize socially productive behavior. G. A. Cohen famously criticized this argument for being overly uncritical of the motives of those who receive such incentives. Cohen's argument and the debate it has generated implicitly relies on a class-based analysis of how inequality-creating incentives arise: There are the "least advantaged" and the "more advantaged," and inequality is the result of the more advantaged holding out for more. In contrast, I argue that inequality can be a solution to a problem of cooperation that faces equal-sharing schemes: shirking. The temptation to shirk does not just plague the more advantaged, but everyone in an equal-sharing scheme. If this is true, inequality is not some tribute we pay to the more advantaged. Instead, it is a solution to a problem of cooperation generated by all of us. This is something we can all recognize as a community of producers.

1. Introduction

One reason people endorse markets is that they mobilize self-interest in a way that generates collective benefits. By paying people, we get beneficial production. This is because people produce what others will pay them for. Markets provide *incentives* to produce goods and services for others. A consequence of market-based incentives is that some will receive more than others based on the relative scarcity of what they have to offer. Thus, markets give us the goods at a price, and that price is unevenly distributed among producers. Let us call this *the incentives argument for inequality* or *the incentives argument* for short.

The incentives argument is widely accepted, albeit controversial. This is implicit in many common rejections of equal income schemes ("Why would anyone work harder than anyone else?") as well as in debates surrounding the relationship between marginal tax rates and economic growth ("Taxing people too much will hamper growth!"). The incentives argument is given philosophical life by John Rawls's difference principle, or, roughly, the idea that inequality is justified so long as it benefits the least advantaged. As Rawls puts it, "[T]he greater expectations allowed to entrepreneurs encourages them to do things which raise the prospects of the laboring class. Their better prospects act as incentives so that the economic process is more efficient, innovation proceeds at a faster pace, and so on" (Rawls 1999: 68).

In my view, the widespread appeal of the incentives argument lies in its pragmatic nature: It does not resort to controversial moral concepts like desert or entitlement. Nor does it treat people as angels, willing to work out of the goodness of their heart. Instead, it acknowledges that people are somewhat self-interested, and channels this self-interest for the interest of all. While this pragmatism may be a virtue to some, it smacks of vice to others.

In his 1991 Tanner Lectures (on which the title of this paper is a riff), G. A. Cohen points out that the incentive argument in both its popular and Rawlsian forms is uncritical of the motives of those who receive such incentives (Cohen 1992). Even if it is all-things-considered right to provide inequality-creating incentives, we must nonetheless acknowledge *why* we have to: It is because the people who are positioned to receive such incentives are unduly self-interested. If such people were just less self-interested, they would be more productive sans incentives allowing us to have both equality *and* efficiency (see also Carens 1981). What this means for Cohen is that we pay out such incentives at the cost of *community*.[1] We may share an economy with those who require incentives to be productive, but we do not share a community with them. Or so says Cohen.

There is a rather large literature responding to Cohen on this point. Such literature offers a wide-range of defenses of the incentives argument. Some argue that denying the permissibility of accepting unequal pay violates a personal prerogative or a requirement of justice (e.g. Estlund 1998; Williams 1998). Others argue that freedom allows people to pursue unequal pay (e.g. Thrasher and Hankins 2015; MacKay 2016). Others still defend that requirements of justice apply to institutions rather than individuals (e.g. Cohen 2001; Thomas 2011). All seem to share the following assumption: The debate is about whether or not the "talented"[2] or "more advantaged" do something wrong in accepting inequality-creating incentives.

In this paper, I argue that this debate rests on a mistake. The mistake is taking for granted an implicit class-based analysis of inequality. There are the "least advantaged" and "the more advantaged"- and inequality is a way of getting the more advantaged to be more productive for the sake of all.[3] Instead of inequality as arising from the conflict between two separate groups or classes, I will argue that inequality can be a solution to a problem of cooperation that faces equal-sharing schemes: shirking. When people receive a guaranteed share of some joint product, people can be tempted to fail to do their part to maintain production. This is not just about people trying to free ride off the productive efforts of others, but also, importantly on my view, due to individuals being worried about being taken advantage of by others. Because of this, the temptation to shirk does not just plague the more advantaged, but *everyone* in an equal-sharing scheme because. Thus, with respect to the problem of shirking, the "more advantaged" and "least advantaged" alike are symmetrically situated. One way of dealing with shirking is by indexing pay to contribution. If this is true, inequality is not some tribute we pay to the more advantaged. Instead, it is a solution to a problem of cooperation created by all members within a community. This is something we can all recognize as a community of producers. If we are unable to solve this problem of cooperation, we either do not get a community of producers or we will not have such a community for long. Thus, if incentives raise a moral problem, it is not a problem of community.

My argument develops as follows. Section 2 explains Cohen's criticism of inequality-creating incentives, and how it rests on a class-based bargaining model of inequality. Section 3 describes how equality generates potential problems even among equally positioned individuals. Section 4 explains how inequality-creating incentives act as a solution to the problem described in section 3. Sections 5 and 6 consider objections, while section 7 provides a conclusion.

2. A Bargaining Model of Inequality

The incentives argument for inequality seems simple enough, but it is helpful to explicitly lay it out before explaining Cohen's take on it. Roughly, the argument is as follows:

> *The Incentives Argument*
>
> (1.1): We should do things that make all better off.
>
> (1.2): Paying some people more than others will induce those people to be more productive, generating gains that will make all better off.
>
> (1.3): Therefore, we should pay some more than others.

Sometimes the incentives argument is referred to as the Pareto argument (Barry 1989: 225-228; Cohen 2008: 87-115; Jenkins 2019). This is because (1.1) in the incentives argument refers to what is called a Pareto improvement, a change in distribution where at least one person is made better off without any one being made worse off. More specifically, (1.1) refers to a *strong* Pareto improvement. It is not one person or even a subset of people being made better off, but everyone is supposed to be made better off.

Cohen does not challenge the validity nor the soundness of the argument (Cohen 2008: 35). However, Cohen believes that putting the incentives argument in impersonal terms as it is here obscures a morally relevant feature. Specifically, (1.2) in the incentives argument seems to take for granted the mechanism by which incentives appear to work: by appealing to the self-interest of those who receive extra payment.

The question, Cohen thinks, is whether or not the recipients of unequal payment can themselves justify such payments in the terms of the incentives argument without cause for shame or embarrassment. Cohen thinks not. Cohen makes an analogy with a kidnapper demanding a ransom from the parents of the kidnapped child (Cohen 2008: 38-41). Consider the following argument someone might make to parents who find themselves in such a horrible situation:

> *The Kidnapper's Argument*
>
> (2.1): Parents should be with their children.
>
> (2.1): Paying the kidnapper's ransom will return the child to their parents.
>
> (2.3): Therefore, parents should pay a kidnapper's ransom.

Like the incentives argument, we can grant that the kidnapper's argument is valid and sound. However, something is revealed about the relationship between the kidnapper and the parents once we stage the argument in second-personal terms, or as though the kidnapper were offering the argument to the parents himself:

> *The Second-Personal Kidnapper's Argument*
>
> (2.1*): You should be with your child.
>
> (2.2*): Pay me a ransom and I will return your child to you.
>
> (2.3*): Therefore, you should pay me a ransom.

If you put the argument in second-personal terms, this does not change the validity nor the soundness of the argument. However, the argument now suggests a kind of bad faith on the part of the kidnapper. The kidnapper purportedly endorses premise (2.1*) in the argument. However, in (2.2*), it becomes clear that the reason that the parents do not have their child is because of the kidnapper's behavior and demand for ransom. If the kidnapper really endorsed (2.1*), the kidnapper would not have kidnapped the child for ransom in the first place.

While there are many things wrong with the kidnapper's behavior, one thing that Cohen pulls from this staged dialogue is that the kidnapper does not share *justificatory* *community* with the parents (Cohen 2008: 43-44). That is, the kidnapper evades responsibility for his making it the case that (2.2*) is true despite offering (2.1*) as a principle of action to the parents. This evasion means that the kidnapper is not to be treated as a partner in our shared moral community to be reasoned with, but an adversary to work around to the best of our ability. As Cohen puts it, the kidnapper is a moral "Martian" to the parents (Cohen 2008: 44).

Cohen thinks the incentives argument suffers the same flaw as the kidnapper's argument. Consider a second-personal version of the incentives argument:

> *The Second-Personal Incentives Argument*
>
> (1.1*): You should do things that make all better off.
>
> (1.2*): Paying me more than others will induce me to be more productive, generating gains that will make all better off.
>
> (1.3*): Therefore, you should pay me more than others.

Just like the second-personal kidnapper's argument, the second-personal incentives argument reveals a tension between uttering two premises. The more advantaged purportedly endorse (1.1*), but the fact that their actions and behavior is what makes (1.2*) true suggests otherwise. If the more advantaged wished to live up to (1.1*), they would not require extra payment to be more productive. After all, not requiring extra payment would leave more social surplus available to make the rest of us even better off. This suggests insincerity and bad faith on the part of the more advantaged.

Cohen's argument reveals a deeply unsettling feature of the incentives argument. On Cohen's story, inequality-creating incentives are the result of a bargain we strike with the more advantaged. Perhaps this bargain is justified, but it is nonetheless a lamentable result of the more advantaged failing to take responsibility for their own motives and behavior. This is because the more advantaged themselves could not offer the argument to others without cause for embarrassment or shame. Thus, we grant the more advantaged inequality-creating incentives at the cost of excising them from a shared moral community.

3. The Shirking of All against All

There is a problem with Cohen's modeling of economic inequality. He assumes that economic inequality is a result of bargaining between two groups or classes, the least advantaged and the more advantaged. The argument seems to be that we could have equality if not for those pesky more advantaged and their greed. But this fails to appreciate how equality can create problems even in the absence of classes (see also Christiano 2010: 188-9). Specifically, equality can generate temptations to shirk, which can produce a collective action problem undermining cooperation. Importantly, the collective action problem does not arise from the motivations of individual participants, but rather from the common knowledge of such a temptation. In this section, I will explain why this is the case, and argue that these problems of equality arise even if we assume away differences in market position. In the next section, I will argue that inequality-creating incentives offer a solution this collective action problem. Importantly, this solution is one that each member of a cooperative scheme can offer to one another in good faith, suggesting that such incentives do not run afoul of the ideal of justificatory community.

Equal-income sharing schemes are often thought of as a kind of insurance (e.g. Abramitzky 2018: 61-6). The idea is that, by forgoing a claim to higher rewards than others in such a scheme, you can insure yourself against the vicissitudes of economic life. A bad year does not impact your fortunes in the same way it might were you not a part of an equal-income scheme. This is explicitly how some communes describe the appeal of equal-income sharing. For example, Twin Oaks, an equal-income sharing commune in Virginia, notes on its website: "Sharing income acts as a general purpose insurance policy.[…] Income sharing allows members to insulate themselves from financial risk (loss of health, loss of job, loss of property) with a much smaller per capita cash reserve than an independent person."[4] Just as car insurance mitigates against the high costs of a car wreck, so income sharing mitigates against the high costs of economic hardship. However, once you see how equal-income sharing acts as a form of insurance, it becomes easier to see what problems might face such a scheme of cooperation.

In insurance schemes, one potential problem is moral hazard (Abramitzky 2018: 87-9).[5] The idea is that a person's risk of some bad event and a person's mitigation of the impact of that bad event are not exogenous to each other, but endogenous. If a person is protected against a risk by insurance, this can actually increase the likelihood of that risk actualizing by changing behavior. For example, if you know your car is insured in the event of a crash, you might drive more recklessly because the wreck would cost you less than it would sans insurance. Moral hazard threatens the stability of insurance schemes as the solvency of the scheme depends on premiums actually covering cases where things go wrong. But, if covering accidents leads to more accidents, this implies that, on average, people are drawing out more than they put in (The premiums are based on ex ante risk of accidents).

A related phenomenon to moral hazard in equal-income sharing schemes is shirking. One's productive behavior is potentially endogenous to a guarantee of equal income. If everyone is guaranteed to receive an equal share of income, then every individual has a self-interested reason to shirk or work less than others. The amount of income available to distribute is a function of the aggregate of each individual member's productive efforts. However, given a large enough scheme, the productivity of any one particular member is not likely to have a huge impact on aggregate production. Materially speaking, then, it is better to receive one's share of income and not work than receive one's share of income and work from a self-interested perspective. However, it is worse for each individual if everyone shirks as opposed to everyone contributing. Worst of all is to contribute while others shirk. This is a classic Prisoner's Dilemma: because everyone knows that everyone else is situated similarly, this generates a situation where people shirk to avoid being made a sucker by other potential shirkers. This is true even if one would prefer a situation where all do their part. We get the shirking of all against all.

The shirking of all against all poses a problem to equal-income sharing schemes even in the absence of class differentiation. Just as moral hazard can threaten the stability of an insurance scheme, shirking can threaten the stability of an equal-income sharing scheme. Thus, it is important that any cooperative scheme has a solution to the problem of shirking. This is true even among equals. Notice that this marks an important distinction between my framing of the problem and the problem as often framed by the traditional incentives argument: The issue is not so much that particular individuals need to be rewarded to get them to work harder (Rawlsian "entrepreneurs"), but that all individuals in cooperative scheme may be reasonably concerned about being exploited by others and will act to avoid being made a sucker. It is the fear of being taken advantage of, not the desire for more, that creates the problem. This is worth repeating: the collective action problem arises because each individual is aware that all individuals face the temptation to shirk – they are also aware that others are aware of such temptations in one another. Thus, each person in the cooperative scheme may shirk on the basis that they expect others to shirk (and expect those others to shirk on the basis that those others expect still others to shirk, and so on), even if each person would prefer an alternative where no one shirks.

4. A Communal Model of Inequality

Shirking is not just the output of some abstract model with no relevance to the real world, but strikes close to home. Literally. Many of us live in families or with roommates and constantly navigate this problem. Much of the passive aggressive attitudes and actions traded between roommates often revolve around failures to deal adequately with the problem of shirking (dirty dishes piling up in the sink, filthy bathrooms, failures to replace depleted paper towels, etc.). Beyond the household, you likely have experienced these problems in dealing with slacking co-workers, or in witnessing environmental degradation, and so on. All of these cases look structurally similar to that of the equal-sharing income scheme: Individuals receive some benefit that is somewhat independent of what they put in and, importantly on my view, everyone is aware of the temptations this presents to one another. Despite the ubiquity of the potential for shirking, we nonetheless see stable cooperative regimes in the real world where people do their part. The question is: Given that people so often solve the problem of shirking, how do they do it? More specifically for the purposes of this paper, how can a cooperative scheme of production solve this problem?

In this section, I describe how inequality can solve the problem of shirking. In this way, I produce a communal model of inequality that contrasts with Cohen's class-based, bargaining model of inequality. If inequality arises as a response to a problem that we all face in roughly equal standing, this is a justification of inequality that all can offer to each other in good faith. On this view, incentives are not a deal we strike at the expense of our community, but instead an important element of how we maintain our community against the temptations of shirking.

Prior to outlining my model of inequality, I want to note that relatively stable equal-sharing schemes exist here and now in our decidedly non-utopian world. I have already made reference to Twin Oaks, an equal-sharing commune that has been in operation in Virginia since 1967. I could also note the Israeli kibbutz, the first of which was founded in 1909 (Abramitzky 2018). For most of their history, kibbutzim have used an equal-sharing scheme.[6] Similarly, the Hutterites, a sect of Christianity, have practiced equal-sharing in their communes since the 16th century (Ellickson 1993: 1346-1347). Such cases act as an existence proof of the claim that equal-sharing schemes can solve the problem of shirking without recourse to inequality. I will explain the relevance of such cases to my argument in the next section. I bring up cases of stable equal sharing schemes at this juncture only to clarify the scope of my argument: I am not making the strong claim that inequality is the only solution to the problem of shirking – I am only making the more modest claim that it is a possible solution.

The problem of shirking arises because equal-sharing decouples what each person puts in from what that person receives at the end of the day. A natural solution to the problem of shirking is recoupling what a person contributes to what a person receives. When individual reward tracks individual contribution to some degree, shirking becomes less of an option. I can contribute in the knowledge that others are not taking advantage of my contributions as my receipts are based on what I contribute, and, perhaps more importantly, I know that what others receive depends on what they contribute. Thus, the first step towards a communal model of inequality involves acknowledging the following rule of compensation: Distribution should track contribution.

It is important to stress that the principle is a principle of *contribution*, not necessarily *effort*. The problem with a principle of effort is that, unqualified, it does not solve the problem of shirking because it entitles people to distributive shares without necessarily contributing to the upkeep of total shares. Because of this, people may become concerned that others are simply showing a great deal of effort to reap rewards without actually putting into the upkeep of the cooperative scheme. If a principle of effort *would* avoid this problem, this implies that we are in a situation where effort and contribution are strongly correlated. Thus, a principle of contribution is preferable to a principle of effort to solving the problem of shirking as it directly addresses the problem that creates shirking: the decoupling of contributing to the cooperative scheme and the distribution of the benefits of such a scheme.

A contribution principle by itself does not imply inequality. You could imagine a situation where each person contributes equally to a cooperative endeavor. Thus, it is possible to have both equal distributive outcomes while honoring a principle of contribution. However, so long as unequal contribution is possible, *un*equal distributions justified by a principle of contribution also become possible.

This leads us to the second step in the communal model: Assume that unequal productive contributions are not only possible, but actually occur. This could be for a number of reasons. We could imagine that ability is not evenly distributed in a community. We could imagine that some persons are just fortunately situated as to contribute more than others independent of their ability (perhaps they play a particularly pivotal role in complex joint production). Whatever the reason, we will get inequality of distributive shares. Thus, the contribution version of the incentives argument:

The Contribution Argument

(3.1) We should do things that make all better off

(3.2) Paying each relative to contribution makes all better off by solving a collective action problem.

(3.3) Some contribute more than others.

(3.4) Therefore, we should pay some more than others.

It is important to stress that this contribution version of the incentives argument is still a "naked" or "unadorned" version of the incentives argument. An "adorned" argument would make reference to controversial principles such as desert (Cohen 2008: 47). The reference to "contribution" may mislead one into thinking this argument is about what people deserve. But the point of contribution in this argument is not that payment gives people what they deserve, but rather that payment indexed to contribution solves a collective action problem. The principle of contribution is not treated as a fundamental or ground level moral principle. Instead, the principle of contribution is adopted because it makes possible certain Pareto improvements. In this way, the argument, just like the original incentives argument, gets its force from the Pareto principle.

That being dealt with, I can now translate *The Contribution Argument* into second-personal terms where a person who is paid more than others under this scheme speaks to someone else in the scheme:

The Second-Personal Contribution Argument

(3.1*) You should do things that make all better off.

(3.2*) Paying each of us relative to contribution makes us all better off by solving a collective action problem.

(3.3*) I contribute more than others.

(3.4*) Therefore, you should pay me more than others.

Notice that there appears to be no cause for embarrassment in *The Second-Personal Contribution Argument*. In *The Second-Personal Incentives Argument* canvassed earlier, the higher paid person makes it the case that she needs more money than others in order to be productive. In the contribution version, the higher-paid person is not responsible for the fact that she is paid more than others. Her being paid more than others is the result of the fact that equal-payment creates a collective-action problem for which *the group* is responsible for. Thus, any one member can utter the principle of contribution to each other because it solves a problem that all share a hand in causing and therefore addressing. Thus, a communal model of inequality.

Prior to addressing objections, I should make three clarifications surrounding this argument.

First, it is important to stress that this version of the incentives argument does not license *unlimited* inequality. I will return to this point in a later section, but the idea is that this argument justifies inequality to the extent it solves a collective action problem. Payment should track contribution to some degree, but this does not require payment to be *identical* to contribution. You could imagine that incentives could more or less track contribution to various degrees and nonetheless solve the underlying collective action problem. It is ultimately a practical question how much inequality this argument will license, but the important point is that it *will* license inequality.

The second point relates to the idea of contribution. What counts as a contribution and how to measure it is notoriously difficult to parse, especially in cases of joint production where inputs are heterogeneous (e.g. how does one disaggregate the contribution of the janitor from that of the principal to a school's production?) (Nozick 1974: 175; Heath 2018: 10). For my argument to work, however, I need not take on any specific theory of contribution. I only need to assume two things. First, whatever the right theory of contribution, that theory will include the feature that some can contribute more to joint production than others. This strikes me as an uncontroversial assumption. The second assumption is that it is possible for reasonable individuals within a cooperative scheme to have a shared metric of what a contribution is, or, at the very least (and more likely), a shared metric of what would count as failure of tracking contribution.[7] This is because, lacking such a shared metric, lower-paid individuals can reasonably retort to the higher-paid in our staged dialogue, "Yes, paying people according to contribution is a reasonable way to make sure everyone is doing their part, but that is not what is going on here! Do you really contribute *that* much more than I do? On whose account? *Yours?* How convenient." This is a more controversial assumption that I cannot fully defend here, but let me provide two reasons to think that this assumption is defensible. First, if one accepts the first assumption that any theory of contribution will involve a claim that some can contribute more than others, this implies that some shared metric is possible. Otherwise, contributions to production would be incommensurable and no one could contribute more than another person. And, second, part of the challenge of solving the collective action problem involves developing such a metric. Lacking such a metric, people would not feel assured and thus be tempted to free ride. This is because, if people do not take their payment to track their contribution, they may feel like they are being exploited by others and thus be tempted to shirk. Thus, even if in theory it is difficult to pin down a rough metric, real-life communities who opt for the contribution solution to shirking must and do find someway to assure people that their contributions are being tracked.

Finally, you might wonder whether or not a class-based analysis is snuck in through the back door of the communal model. Recall that an assumption of my approach is that inequality in contribution is possible. If this is true, why does this not just recreate a distinction between "those who contribute more" as opposed to "those who contribute less", or, to put it in the terms of the earlier class-based model, "the more advantaged" and "the less advantaged"? The problem with viewing the communal model in this way is that it obscures that the mechanism by which incentives act as a solution. All of us together produce the problem of shirking. Paying according to contribution solves the problem we all have a hand in creating. For Cohen, the challenge to community results from fortunate individuals being so placed as to hold out for more pay at the expense of others – those who are less well-positioned do not have a hand in generating this hold out behavior. In contrast, the inequality in a communal model arises because the particular solution of indexing pay to contribution will generate inequality as a side-effect where contributions vary. Individuals are not holding out against each other for more money, but instead looking for a way to solve a mutual problem they all face. This raises the concern that there may be *other* solutions to the problem of shirking that avoid inequality, and, if so, one may reasonably wonder if those who contribute more can sincerely justify opting for the contribution solution as opposed to these other solutions. I will deal with this worry in later sections.

To summarize: In order to avoid the shirking of all against all, a cooperative scheme will sometimes link distribution and contribution. Where some contribute more than others, this means there will be inequality. This inequality is not the result of the more advantaged holding out for extra payment, but instead the side effect of dealing with a collective action problem. Because all in the cooperative scheme are symmetrically situated with respect to shirking, all can look each other in the eye and justify their distributive share without cause for embarrassment. This is a communal model of inequality that avoids Cohen's challenge to the incentives argument.

5. Preserving Equality in the Face of Shirking?

One may grant that I have provided a model of inequality that is not grounded in a class-based analysis, but object that it adequately responds to Cohen's communal challenge. One possible objection along these lines is that the communal model itself is insufficiently critical of people's motives. Even if inequality does not arise from the self-interested bargaining of well-positioned individuals, it does arise from capitulating to the self-interest of all. Another possible objection is that inequality is unnecessary to solving the collective action problem, and the presence of equality-preserving alternatives vitiates the communal credentials of incentives. Why accept the inequality-creating solution to the problem of shirking as opposed to alternative that may act as a morally better solution? I will explain and respond to these objections in turn.

The first objection challenges my claim that dealing with shirking is a satisfactorily communal justification for inequality. It is true that perhaps individuals can refer to shirking interpersonally without embarrassment as a justification for their individual behavior, but it is also true that individuals in a Hobbesian war of all against all could interpersonally justify their behavior to one another. On this objection, the problem with both my model and the Hobbesian model is that they allow too much self-interest to dictate the demands of morality. In a true community, each would be whole-heartedly committed to equality, and this commitment to equality would be sufficient to motivate the contributions of all, even in the face of potential shirkers (Albertsen 2019: 382-3).

The first thing to note in response to this objection is that it draws on a different conception of community than we have been considering thus far. This other conception of community involves not the idea that each can take others as responsible moral agents that are responsive to reasons, but a conception of community that dictates against self-interest in a particular way. Specifically, the conception of community in this objection rides on an individual commitment to equality that overrides self-interest entirely. Cohen's initial criticism of the incentives argument takes its force from the fact that it does not depend on a commitment to equality, but rather from how it depends on a tension between the more advantaged's purported endorsement of the Pareto principle and their subsequent behavior. There is no requirement of all being committed to one conception of justice, only that there is no tension between the principle endorsed and the subsequent behavior. What I have shown is that, when inequality is a solution to a collective action problem, this tension disappears. By appealing to a commitment to equality, this objection shifts from an internal criticism to an external criticism, drawing on a relatively controversial notion of justice (just as an "adorned" version of the incentives argument would draw on a controversial notion of justice). Thus, this criticism begs the question: What is at stake is whether or not community requires equality.

This response might not sate the critic. They might suggest that the problem is *not* that people are not committed to equality or a controversial conception of justice. Rather, the concern is that how the temptation to shirk is unjustifiable in any case. To put it another way: Presumably it is wrong to shirk or free ride off the good faith efforts of others. If it is wrong to shirk, you should not need payment to avoid shirking. Accepting unequal payment capitulates to the self-interest of would-be shirkers in ways that places them outside our moral community. Thus, embarrassment creeps in due to the fact that people presumably are committed to solving the collective action problem but nonetheless appear to need some kind of external incentive to do so. There is a tension between accepting the claim that "You should not shirk in producing mutual benefits" and the claim that "I need payment to avoid shirking." Like the kidnapper, individuals could just behave less self-interestedly in an equal-income sharing scheme and avoid the collective action problem.

This objection misunderstands the role of self-interest in my argument. People shirk not because they are greedy or want more money for themselves in comparison to other people, but because they recognize there are other people in their community who might be tempted by self-interest to shirk. Even if all would prefer a world without shirking, individuals cannot unilaterally by the goodness of their will make that world happen. This is because their decision-making depends in part on the decisions of others. The shirking of all against all is driven by tragedy, not greed. Because of this, it is unreasonable to demand people to contribute in the absence of assurance that others will contribute as well. Just as Cohen notes people should not be "slaves to social justice," nor should we ask of people to be suckers for the sake of justice (Cohen 2008: 10). Once you see this, it becomes clearer that the appropriate claim in the contribution argument is "You should not shirk so long as others are not shirking." There is no tension between advancing this claim and advancing the claim "Pay me and others according to contribution and I will not shirk." This second claim is not motivated by a desire for more, but instead a desire for assurance. There is no embarrassment or shame in seeking assurance. Nonetheless, this discussion leads into the second possible objection noted earlier.

It is true, a critic might say, that people should not be suckers for justice. But justice does not necessarily require this. While distributing according to contribution can act as a solution to the collective action problem posed by the potential of shirking, it is not the only way to solve such a collective action problem. Indeed, we have the existence proof noted before: There *are* equal-sharing schemes that exist in the real world, such as the kibbutz. If alternative solutions to the collective action problem posed by equality exist, this implies there is no necessary trade-off between Pareto and equality. Thus, when the recipients of incentives utter the contribution version of the argument, there may be cause for embarrassment in the sense that there could be an *alternative* to indexing pay to contribution that preserves equality. The embarrassment could be put as follows: "Why do you opt for the contribution solution as opposed to these other solutions? Isn't it convenient that you happen to benefit more from this solution than alternatives? Surely, some of these other solutions may avoid some of the moral costs that attach to inequality-creating incentives!"

This objection is fine as far as it goes, but it places too much weight on a mere existence proof. This existence proof does not imply that equality-preserving solutions to the problem of shirking are robust across a wide range of circumstances and conditions. What counts as the morally best solution to the problem of shirking ultimately depends on context – solutions that work well in some settings fail in others. A "morally preferable" solution lifted from one context is not actually morally preferable if it fails to solve the problem in the context under consideration. Specifically, there are good reasons to doubt whether solutions in small-scale communes can generalize to large-scale, diverse economies. To see this, it is worth describing how it is that real, existing equal-sharing schemes solve the collective action problem posed by equality.

The economist Ran Abramitzky suggests that a powerful tool to combat shirking in equal-sharing schemes is *gossip* (Abramitzky 2018: 101-2).[8] Rather than index distributive shares to contribution, gossip involves using social sanctions as a way of keeping in check shirking (see also Carens 2015). If Albert fails to do his share of farming, people will notice this and speak ill of him. Such shaming will deter shirking, solving the collective action problem and assuring all that each will do their part. Thus, with gossip, we get a powerful tool that solves the collective action problem of shirking posed by equality without needing to use inequality-creating incentives, at least in small-scale communes such as the kibbutz. And therein lies the problem. The fact that the kibbutz is a relatively small-scale form of social cooperation suggests a number of reasons why alternatives to inequality-creating incentives are likely insufficient to solving the problem posed by shirking to equality in large-scale complex economies.[9]

There are at least two concerns attached to using gossip as a full substitute for inequality-creating incentives.

The first concern is that gossip is a relatively noisy form of social regulation (see also Gaus 2011: 90-96). Like a large-scale game of telephone, the more people involved in the chain of repeating information, the more likely some error is going to be introduced at some point, either through innocent mishearing or intentional manipulation. Thus, the more people involved in social sanctioning, the less likely social sanctioning will track actual behavior. If gossip essentially becomes noise at the limit, this disconnects the social sanction from contribution, and therefore fails to solve the collective action problem.

The second concern is that gossip in communes such as the kibbutz depends on an extremely tight link between one's work life and one's social life. For example, much gossip in the kibbutz occurs in cafeterias and communal dining rooms where all congregate and eat together (Abramitzky 2018: 101-102). In contrast, much of modern life does not involve eating every meal or sharing much common social space with one's co-workers. Gossip is less effective as a social sanction where one can escape the judgmental eyes of others at the end of the workday.

This is not to say gossip and social sanctions do not have a place in governing production in a modern economy. I would even go so far as to say that they are an essential part of governing production, as material incentives alone are likely not enough in a variety of contexts. My point is only that gossip and social sanctions are limited in their ability to solve the collective action problem posed by shirking in large-scale contexts. Thus, unless one opts for a totalitarian scheme of social cooperation that merges production with social life, gossip is insufficient, and inequality-creating incentives have a place in creating and maintaining a community of producers.[10] Such a scheme, however, brings about moral costs that most of us would find difficult to accept.

6. Choosing a Model

So far, I have described and defended a communal model of how inequality arises. On my model, we are collectively responsible for the collective action problem that gives rise to the need for inequality. In contrast, Cohen's model places the more advantaged's preferences and motivations at the root of inequality. That being said, these are both models. That is, these are abstractions that help provide an explanation of how inequality could arise. But to say that inequality *could* arise in a particular way does not mean that it actually *does*. Thus, one might object that, even if my model vindicates inequality-creating incentives as communal, it only does so to the extent that real-life incentives track the relevant features of the model. If such incentives instead follow Cohen's model, and are the result of a kind of bargain with the more advantaged, then such incentives violate the community requirement. This objection raises the question of how applicable my model is relative to Cohen's.

Prior to responding directly, it is worth pausing to note how much this objection concedes. It grants that my argument vindicates inequality-creating incentives under the right conditions (namely, those conditions that undergird the communal model of inequality). It only denies that those conditions hold enough for the model to be applicable. Even if I accept the objection then, I have succeeded thus far: I have shown that inequality-creating incentives are compatible with community, at least under particular circumstances. This point is philosophically significant in the face of Cohen's challenge. That being said, there are reasons to not accept the objection.

To begin, it is worth noting what has to be true for *Cohen's* bargaining, class-based model of inequality to be applicable. The more advantaged are a cohesive class on Cohen's story.

That is, they are able to act *as a class* in order to capture a premium on their productive efforts. This comes from Cohen's kidnapper analogy: The kidnapper is in a position to determine how much the ransom will be. Similarly, the more advantaged are in a position to determine how much their wages will be. As Joseph Heath points out, however, this essentially means that Cohen's model denies the existence of competition *within* the more advantaged as a group (Heath 2018: 18). If there were competition, individual members of the more advantaged could defect and undercut the rest of the group. The more advantaged would not be in a position to determine their wage-level. On Cohen's story then, the more advantaged act as a kind of cartel that acquire rents, or more economic resources than necessary, to be put into economic service.

Interestingly, this gets us back to how I started this paper. Part of the case for the market rests on how it channels self-interest in particular ways, as not all ways of pursuing self-interest advance the common good. The market, suitably regulated, ensures competition to *avoid* collusion. There is no coherent group we could call the "more advantaged" – just a set of individuals whose interests are at odds with one another. *Were* the more advantaged to get together and collude for the sake of higher pay at the expense of the rest of us, this would be a reason to stop them. Indeed, Cohen would be right under these conditions that the more advantaged act in a way that place themselves outside of our community. Their strategic cooperation involves imposing costs on the rest of us that they cannot sincerely justify. But, again, this is not a case of a well-functioning market, but a violation of anti-trust. Thus, to the extent that the market is suitably regulated to ensure competitiveness, *Cohen's* model of inequality is not readily applicable to much of economic life.

Even if Cohen's bargaining model has its limitations, this does not yet vindicate the communal model. I have to give some support for the claim that the communal model has some application to realistic conditions. Let me supply two reasons to suggest this is the case.

Elsewhere, I have argued that incentives can arise from the offers we make each other in a competitive market economy (Frye 2017). The idea is that each of us makes offers to those who have something to offer, and others, knowing this, come to have something to offer themselves. This is related to the Hayekian point that the price system directs our productive efforts to contribute value to one another (Hayek 1945). Were our efforts non-productive, no one would pay us. In these ways, the price system tracks something like contribution, even if it is an imperfect device.

The second reason to think my model has leverage is that, in a competitive market, *firms* have reasons to care about the collective action problem generated by equal wages.[11] In a firm, if workers are entitled an equal share of work product, this generates the risk of shirking. Thus, firms have a reason to index pay relative to contribution. If firms did not do this, this would endanger their persistence in a competitive market, either because these firms will be outcompeted by other firms or because contracting through the market will be less costly.[12]

An upshot of both points is that where competition is lacking, Cohen's model seems more appropriate and *then* we have reasons to consider incentives uncommunal. Consider, for example, Nozick's famous Wilt Chamberlin case (Nozick 1974: 160-3). Wilt asks for money on top of the normal price of a ticket for fans to go see him play. As David Gauthier points out, this extra money is a rent made possible by Wilt's status as a monopolist over the market in Wilt Chamberlin services (Gauthier 1986: 275-6). We can reasonably ask why Wilt needs his extra compensation, as such compensation does not act as a solution to a collective action problem but instead arises due to Wilt's unique position. I could also point to the case of so-called "supermanagers," or highly compensated executives. There is evidence to think the pay of these managers results from a bargaining model (e.g. such managers set their own pay) (Piketty 2014: 330-3; see also O'Neill 2017: 351-3, and Moriarty 2009). In such cases, there are good reasons to suspect that such managers fall afoul of community.

One might wonder whether acknowledging that Cohen's model has explanatory power in certain cases undermines my larger argument. However, my point in this paper is not that inequality-creating incentives are never criticizable from the perspective of community, only that the debate thus far has assumed that only one model can account for inequality.

My point is that there *is* another model, one that avoids Cohen's challenge.

7. Conclusion

Economic incentives play a fundamental role in our large-scale, modern economy. Paying some more than others directs productive efforts in such a way that benefits all. Many rightfully doubt that the current degree of such inequality is necessary to achieving such gains, but few deny that some measure of inequality is called for in the name of social welfare. Nonetheless, some may see such incentives as a bargain with the dark side of human nature, or as a way of capitulating to the undue greed of those who benefit from such incentives. What I have suggested in this paper is that such incentives need not be a regrettable bargain with the more advantaged, but instead act as a solution to a common problem we all face: the shirking of all against all. This solution is something we can acknowledge to each other as co-members of a moral community. For, without a solution, we will not have such a community for long. [13]

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[1] For Cohen, community and justice are separate values. Cohen is ambivalent about how these values relate to one another (Cohen 2008: 3-6; 2009: 37; see also Vrousalis 2015: 108-10).

[2] While this is the term that has taken hold in this debate, calling the beneficiaries of inequality-creating incentives "talented" is a misnomer. As Cohen himself points out, the "talented" refers to those that "*are so positioned that, happily for them, they do command a high salary and they can vary their productivity according to exactly how high it is*." (Cohen 2008: 120; see also Heath 2018: 19-21). As a result, I will opt for the Rawlsian formulation of the more or most advantaged instead of the talented.

[3] There are two important exceptions that have been largely neglected in the literature. First, Kasper Lippert-Rasmussen points out that, even with a class-based analysis, it could be the case that inequality arises due to the actions of the *un*talented (Lippert-Rasmussen 2008: 428-35). Second, Thomas Christiano points out briefly that equality among equals can generate incentive problems on its own (Christiano 2010: 188-9). Christiano's analysis is very close to my own, and is worth acknowledging as such – however, he does not develop this observation and its implications for Cohen's argument as I do here, opting for a different tack.

[4] https://www.twinoaks.org/about-twinoaks-community/about-income-sharing (accessed 11/13/2019)

[5] Other classic problems include adverse selection (Akerlof 1970). I will set aside adverse selection and other concerns in this paper.

[6] Starting in the 1990s, a number of kibbutzim began adopting inegalitarian payment structures (Abramitzky 2018: 181-97).

[7] I thank Colin Bird for helping me understand the importance of this issue.

[8] Similarly, Elinor Ostrom describes how in the related case of common pool resource management, monitoring plays a key role in avoiding overuse and depletion (Ostrom 2015: 16-8).

[9] It is no shock that Cohen's preferred model of the ideal society is a camping trip, another small-scale mode of cooperation (Cohen 2009)

[10] These unsettling implications have been noted before by Joseph Heath, Gerald Gaus, Miriam Ronzoni, and David Schmidtz (Heath unpublished manuscript; Gaus 2016: 120-121; Ronzoni 2012; Schmidtz 2011: 787-8). As Ronzoni puts it in an aside, "…I cannot really believe that human beings, given what they are like, could freely and voluntarily sustain a social scheme of this kind, and I therefore suspect that

horrible things would have to be done to them in order to achieve this goal." (Ronzoni 2012: 183).

[11] It is important to not confuse markets and firms, for reasons elaborated by Elizabeth Anderson (2017), recently, and Ronald Coase (1937), earlier.

[12] On the importance keeping in mind how the possibility of contracting through the market acts as a constraint on normative discussion of the firm, see Singer 2019.

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