



RETHINKING BUDGETING

Equity, Equality & Fairness

Discover the differences between them and how to take steps to incorporate these principles in budgeting.

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Many local governments are grappling with the concept of “equity” in budgeting. Equity is one interpretation of fairness or justice. A central theme in debates about fairness and justice is equality versus equity. “Equality” means people should be treated the *same* by public policy to remove barriers to the individual’s success. It is commonly associated with giving people equality of opportunity. “Equity” means people should be treated *differently* by public policy to compensate for different circumstances and consequent need for help from government. Equity is commonly associated with equality in outcomes. Our interviews with GFOA members suggest that there is wide variation in how different cities are experiencing the rising debate over equity and equality. Some are debating the merits and meaning of “equity” (perhaps while also confusing the definition of equity versus equality). Others have reached agreement on the principles of equity but are struggling to implement policies that will make equity a reality. In general, opinions on this are politically divided, with equal opportunity embraced by conservatives and equal outcome promoted by liberals.

Why are questions of equity and equality so contentious? How can we find common ground and move forward together? These questions must be answered to move toward budgeting systems that deliver distributive justice.*¹ Distributive justice is a basic component of how people view fairness. Perceptions of what equity means are determined by moral foundations.

Moral Foundations Theory is an important concept that can inform our understanding of fairness. It suggests that how we decide what is just and fair is rooted in moral thinking. It identifies six moral principles that underlie people’s thinking. The two principles most relevant to equity would be care/harm and fairness/cheating. While these are important, the debate is also about *how* to care and *what* is fair. Equity and proportionality (individuals receiving outcomes relative to the amount of effort invested) are best thought of as distinct moral foundations.² Equity tends to be favored by political liberals, while proportionality appeals to everyone but more so for conservatives. Proportionality includes opportunities and resources, but in the absence of oppression or limiting circumstances,

*Distributive justice is determined by comparing the “actual reward” of some resource to our internal belief of an ideal “just reward.” (Jasso et al., 2016).

people must earn what they seek according to this approach. Nearly everyone believes in a mix of proportionality and equity. After all, even with equal opportunities and resources, there must be efforts made to take advantage of them. When people make poor choices or show little effort, there is still broad agreement that they deserve a certain amount of help. Those concerned with proportionality are hesitant to accept people getting benefits they have not earned. Those favoring equity place less responsibility on the individual to earn opportunities and resources. Instead, they define fairness as everyone having the same access and, sometimes, the same outcomes.

Many situational and societal factors beyond effort and reward are also worth considering. When thinking about issues like historical context (for example oppression of minorities) and systems-level barriers to success, proportionality includes these to the extent that they actually limit opportunity. Strictly proportional moral thinking leads to resisting social programs because some recipients won't need it, and another group or individual will be given fewer opportunities or resources as a result. Equity-based moral thinking often embraces group-level outcomes, seeking to level the playing field between groups (such as race and gender) and does not believe it is immoral to limit rewards or opportunities for members who belong to groups that are, on average, more advantaged and privileged. Both approaches must contend with the fact that a level playing field is nearly impossible when advantages can be accumulated unequally over time. An early advantage in life (as in inheritance and education) can have far-reaching benefits that are difficult to quantify. Individual differences in effort, luck, opportunity, and choices between people guarantee some level of inequality, and over generations lead to concentration of wealth. This inequality seems to emerge automatically,³ and it seems that people prefer some level of economic inequality as long as opportunities are equal and basic needs are met for all.⁴

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Like inequality, hierarchies may be inevitable, creating another source of conflict. Stanford researchers Deb Gruenfeld and Lara Tiedens concluded that “When scholars attempt to find an organization that is not characterized by hierarchy, they cannot.”⁵ However, it is possible to have better hierarchies. A better hierarchy may mean changing its members, a change in the distribution of power, or a different structure (such as centralized vs. decentralized). Fairness in government may mean, in part, structuring hierarchies in a way that shares power justly and creates desired outcomes. In budgeting, community participation is a change to the hierarchy when community members are empowered to impact the decision-making processes.

Fairness has a different meaning for conservatives and liberals. There are many conceptualizations for why both sides believe what they do.⁶ Liberals and conservatives both take collective action, such as protesting, when they feel unfairness or injustice is taking place. However, liberals take such action when fairness related to equality or need is violated, while conservatives are likely to do the same when merit fairness is violated.⁷ These behavior patterns show dedication to their personal definitions of fairness or justice.

Fairness in . . .	Liberal	Conservative
Society	Equal quality of life	Equal access to options
Opportunity	Equal circumstances	Equal incentives/rewards
Wealth Distribution	Based in needs	Based in effort/proportionality
Taxation	Redistribution	Equal treatment (rules/burden)
Law/Regulation	Support people toward goals	Freedom from interference

Equity

People should be treated *differently* by public policy to compensate for different circumstances and the consequent need for help from government.

1. Wealthy people should pay more in property taxes even though some of that tax revenue will go to provide services in low-income neighborhoods.
2. The budget for transportation should be allocated by the need to improve mobility in deprived areas rather than equally between council districts or according to how much was paid in taxes.
3. Government should adjust its hiring practices to favor minority candidates to increase the representation of minorities among its staff.
4. Underperforming schools or schools with disadvantaged populations should be given extra funding so that they can reach the same achievement as other schools.

These values also translate to policy preferences. Fairness in opportunity relates well to education. Equal circumstances means that all children should be provided schools of the same quality where they live regardless of their families' contribution to the community. Equal incentives/rewards would mean that the quality of schools may vary based on what each community can afford or choose to spend. Regarding taxation, conservatives believe in literal equal treatment in the tax code and may support flat taxes or limited amounts of progressive taxation because the wealthy are more able to pay. Liberals believe in redistribution that will tax the rich more, and give more to the poor, to reduce the gap in wealth by a larger amount. Ultimately, the difference seems to be about merit for conservatives, ensuring that people contribute because they will get more when they do. Conversely, this is about needs for liberals, ensuring that getting a certain amount in life is not contingent on effort, ability, or circumstance.

Equality

People should be treated the *same* by public policy to remove barriers to the individual's success.

1. Human life should be valued equally, so we should have equal emergency response times in all geographic areas.
2. Equal work should receive equal pay, which should be reflected in our human resources practices.
3. All citizens should be equal before the law, so we should eliminate unequal outcomes in sentencing for the same crime based on race.
4. Children deserve equal opportunities to learn, so access to and quality of public education should be consistent across neighborhoods.

With greater knowledge of behavioral science, a new understanding of the equity debate emerges. Support for equal outcomes is not about laziness, and preference for equal opportunity is not about selfishness. In fact, liberals believe in proportionality, just a little less than conservatives. Conservatives believe in the importance of care/harm, just a little less than liberals. The political divide on equity is much larger.

When considering a more equitable approach to budgeting, this information can be useful. For example, many cities have decided to tackle the issue of "food deserts," areas of the city (usually low income) where grocery stores are less accessible, and people turn to convenience stores for many foods. Is it then distributive justice to use funds from taxes collected in all areas and spend them to subsidize grocery stores? This would seem to only give residents of the poorer areas the same opportunity to buy healthy food, yet it is a benefit they did not directly earn.

Equity-based moral thinking often embraces **group-level outcomes**, seeking to level the playing field between groups.



Rural areas have unique challenges of long distances from schools, voting, and recreation. People in these areas are also likely to have to travel longer distances for groceries but may be forgotten in the discussion.

In less populated areas, the amount spent on roads is typically higher on a per-person basis. In many cases, these higher costs are paid for with tax revenues generated by densely developed areas. This is another example of providing equal opportunities despite unequal costs.


Strategies for creating change

When it comes to creating more distributive justice in budgeting, seek change incrementally. This is supported by the “foot in the door”⁸ technique. Agreeing to small things now leads to agreeing to larger ones later because “actions frequently alter attitudes.”⁹ Once we take part in a cause, cognitive dissonance drives us to change our opinions such that the participation is consistent with our self-concept.

In addition, incremental change means tackling less controversial topics first. Whether with the public or your peers, begin with areas of lesser impact or where there is greater agreement. This way there is less risk as you hone your skills, and you can increase your chances of success when you move on to more consequential issues.

Change is most successful not only when incremental but also when it is pervasive in the organization. You cannot do this alone, nor can an appointed officer for engagement and equity (although teaming with this person is helpful). It can be the responsibility of everyone. It is unlikely to succeed without extensive buy-in from a plurality within the organization. Building coalitions and aiming to have goals formalized at the top of the organization are common ways to seek change that is pervasive within the organization. This means improving the ethical culture of the organization, which is complex and requires a lot of elements to come together.¹⁰

Actions to take

- “Equity” is a view of fairness that is rooted in the values of care and fairness. This view tends to appeal to people with liberal views. In order to improve distributional justice in budgeting, take broader view of fairness and consider other interpretations. This will help garner the most support.
- Be careful about using loaded words like “equity” and “fairness” where there is a high level of disagreement over what the term means and how to apply it. Instead, use examples of how different elements of fairness might apply to local government services, like those we reviewed in Exhibit 1.
- Start small, and seek alignment on less critical issues. Then, when more contentious issues are debated, there will be enough mutual trust to make the debate more productive and agreement more likely.
- Make an effort to view different opinions by showing curiosity, seeking to understand the reasons for people’s perspective, and remembering that they usually believe their approach is better for the people affected. 

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Fairness is essential to a well-functioning public finance system. Fairness is recognized as essential by the GFOA’s Code of Ethics and Financial Foundations for Thriving Communities. However, fairness is a multi-faceted and nuanced concept. This means fairness can be difficult to achieve. To help, GFOA has teamed up with EthicalSystems.org to explore the most important elements of fairness and provide practical strategies for enhancing fairness in public finance.

Check out all the resources in this series at gfoa.org/fairness.



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⁹ Avidit, Acharya; Blackwell, Matthew; Sen, Maya (June 2015). Explaining attitudes from behavior: A cognitive dissonance approach. HKS Faculty Research Working Paper Series RWP15-026. <https://www.hks.harvard.edu/publications/explaining-attitudes-behavior-cognitive-dissonance-approach>

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