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Just Wages, Desert, and Pay-What-You-Want Pricing

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Abstract: Some restaurants allow guests to decide how much they would like to pay for their meals, depending on how much they enjoyed the experience. It is not counterintuitive to think that such a mechanism would set a deserved wage. After all, one might think that how much one deserves depends on how much value one creates for others and that individuals can adequately judge how much value they derive from some good or service. Hence, letting consumers decide what they think certain goods or experiences are worth would result, in the aggregate, in a deserved and just wage. In this paper, I will explore and defend this argument.

Keywords: wages, distributive justice, desert

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I. PAY-WHAT-YOU-WANT PRICING

Some restaurants allow guests to pay what they want for their meals. Rather than having fixed and pre-announced prices on the menu, at the end of the meal patrons decide how much they feel their experience was worth and pay accordingly. If guests enjoyed their dinner a lot, they can express this by paying a bit more, while dissatisfaction can be reflected in a lower payment. In this way, there seems to be a very direct connection between the quality of service the restaurant provides and the income of the restaurateur. Hence one might think that this income is, in some sense, deserved and for that reason justified; a very successful restaurateur who, using this model, is able to sustain a higher income than others, might argue that this is not morally

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objectionable because it is a reward for providing guests with a satisfying experience.[1]

These so-called 'pay-what-you-want' restaurants are exemplary of a larger class of economic transactions, which are characterized by what might be called pay-what-you-want pricing. It also includes street performers, who live off of contributions made by spectators. To make the example more vivid, one might imagine two street performers working on opposite sides of the same square. One is very good at what he does; people are delighted by the performance and make generous contributions. The other's performance is not particularly accomplished, and audience members are not gripped by what they see. They move on quickly, and this performer does not receive a lot of money. The resulting inequality might seem to be deserved, as it reflects a difference in quality between the two performances, where that difference is determined by the audience.[2]

The practice of tipping is, in some ways, comparable: customers may vary the size of their gratuity depending on the quality of service received, allowing a direct connection between that quality and the income of those who provide the service in question.[3] Similarly, tour guides sometimes operate on this principle, as do massage therapists, while some artists allow people to pay what they want for their art. The model seems to be popular for goods and services that are intended to provide some sort of personal pleasure or enjoyment, which can vary in quality, and which involve significant amounts of labor. Hence, while this is by no means the dominant model of economic transactions in a market society, it is sufficiently familiar to consider.

The pay-what-you-want mechanism is worth investigating because it might solve one of the major problems that plague desert based theories of justice. These theories, which are based on the idea that the burdens and benefits of social cooperation should be distributed according to desert—that is, in proportion to the extent members of

[1] Note that this justification is distinct from a freedom-based defense of such an income, which would hold that it is unobjectionable because it came about through voluntary transactions. This libertarian argument does not rely on the idea that creating value for people is admirable, thereby making one deserving, and that incomes should reflect value created.

[2] There is considerable empirical evidence for this assertion (see Miller 1992; Goya-Tocchetto, Echols, and Wright 2016).

[3] Of course, in countries where servers depend on gratuities to make a living, patrons might also take considerations of need into account when deciding how much to tip. However, even in that context, there is a range of acceptable gratuities, and customers can vary the amount they tip based on the perceived quality of service.

society possess certain meritorious characteristics—need some way of determining how much individuals deserve. This is a difficult issue, as one must specify a certain desert base, and design a mechanism that measures the extent to which each member of society possesses that desert base, in such a way that one can assign a cardinal distributive share to that individual. A satisfactory way of doing so has proven elusive, limiting the appeal of desert based theories of justice. However, one might argue that pay-what-you-want pricing can provide such a mechanism. The argument relies on three premises. The first step is that desert is based on the creation of value for people. The second premise holds that the amount of value one creates for people is accurately measured by their willingness to pay and the third premise is that willingness to pay is adequately captured through pay-what-you-want pricing. Together, these premises lead to the conclusion that pay-what-you-want pricing yields deserved wages. Since this mechanism has, to my knowledge, never been considered as a way of fleshing out desert based theories of justice, it is interesting to examine this argument.

In this paper, I will explore whether the pay-what-you-want mechanism can be used to give individuals what they deserve. In doing so I will focus explicitly on the specific question of how the producers of goods and services should be rewarded for their contribution to the economy, particularly in the kinds of cases where pay-what-you-want pricing is commonly used: for goods and services that are sold directly to consumers, provide some personal benefit, which can vary in quality and which involve significant amounts of labor. This is a limited, but significant, class of transactions. Hence it is worth examining, especially in the context of this volume. I will also assume, without further argument, that justice requires that wages should be based on desert. Making such an argument would require a shift of focus that would detract from the contribution this paper seeks to make. The first section will introduce desert based theories of justice, and their need for a mechanism that specifies who deserves what. This section will also review one such mechanism that has been the subject of considerable academic debate, namely the market. It will identify an important problem with the market as an instrument of desert, noted by Joseph Heath (2018), in the lead article that inspires this volume. The problem Heath notes is that markets only reward according to marginal productivity, rather than actual productivity. However, it is actual, not marginal productivity that is relevant for desert. The great virtue of the pay-what-you-want mechanism is that it does reward according to actual productivity, and hence it solves the problem Heath notes. The next three sections will each discuss one of the three premises of the argument that the pay-what-you want mechanism can yield deserved wages. Each of these sections will also consider objections to these premises. Some of these objections will prove significant, making widespread implementation difficult; clearly, the pay-what-you want mechanism does not solve all problems and cannot simply be implemented across the economy. Nevertheless, I do wish to make the argument that the mechanism solves Heath's problem, at least in theory, although it is true that there are problems of implementation, making widespread adoption impossible, and that it only works prima facie, so that the requirements of desert can be outweighed by other concerns and values.

II. JUSTICE, DESERT, AND THE MARKET

Human beings live together in societies, which may be characterized as cooperative ventures for mutual benefit. After all, living together requires one to submit to common institutions and rules to facilitate social cooperation. This cooperation produces burdens and benefits, making society better off than it would have been without social cooperation. These burdens and benefits must be shared among the members of society in some way, and the question of distributive justice concerns which principles should, as a matter of morality, govern this distribution.

Many theories of justice have been proposed to answer this question. Some philosophers support theories of justice based on equality (for example Dworkin 2002), the requirement that the worst off be made as well off as possible (for example Rawls 1999), or procedural requirements of justice in transfer and acquisition (for example Nozick 1974). However, one might also think that the burdens and benefits of social cooperation should be distributed according to how deserving various members of society are.[4] The basic idea is that justice requires that individuals' distributive shares should correspond to the degree to which they are in some sense meritorious. Those who are more meritorious should get more of the benefits of social cooperation than those who are less meritorious. While this principle of justice may have some intuitive plausibility, desert based theories of justice are

[4] Some examples are Mulligan (2018), Feldman (2016), and Kagan (1999).

notoriously difficult to elaborate in a philosophical fashion. One of the biggest challenges is that they require one to specify the sorts of action or behavior that make one deserving—the basis of this appraisal—as well as the relationship between those actions or characteristics and the deserved distributive share (cf. Feinberg 1999). For short, one needs a mechanism that specifies who deserves what. In the context of an inquiry into the nature of just wages, this means that one must find a way of valuing productive contributions to the economy.

Some desert theorists[5] have argued that free markets are the best way of setting deserved wages, and that the incomes producers and employees receive in the market reflect what they deserve. After all, markets set prices, including those for labor, based on aggregate demand. Aggregate demand is, of course, nothing more than a summation of what individuals are willing to pay for some good or service; each point in the aggregate demand curves, which are familiar from economics, represents people being willing to pay a certain price for a unit of a good or service. If what one produces is in demand, because many people find it valuable, prices will be higher than they would be if what one has to offer is deemed less valuable. In this way, prices track value created and might be considered just.

However, this argument is vulnerable to a range of criticisms, including one that figures centrally in Joseph Heath's (2018, 12-13) critique of the market. He notes that in markets, prices are not merely a function of aggregate demand. Rather, prices are set at the point where supply and demand meet—where what is produced at a certain price is equal to what individuals are willing to buy at that price. Importantly, everyone pays this price. This leads quite naturally to marginal productivity theory, the conclusion that, in a market, wages reflect the value the worker at the margin produces, resulting in the conclusion that wages reflect value created. As Heath quite rightly points out, this confuses marginal productivity, the value of what a worker produces at the margin, with his or her actual productivity, which is what is relevant from the perspective of desert. After all, as will be argued below, the idea of desert is that one is rewarded for the actual value one creates, and this varies from individual to individual, resulting in differential deserts. Another way of seeing this is to consider that, in a market, individuals do not pay what they would be willing to pay, i.e. their reservation price, but rather what they need to pay given supply, and as

[5] The most well-known example is Miller (1990).

such they will often pay less than their reservation price.[6] The difference, called consumer surplus, is a measure of the benefit the consumer derives from the exchange. But this means that the market price does not accurately capture what consumers think some good or service is worth, which is what is relevant from the perspective of desert. Hence the market price for labor, or for any other good or service, is not an accurate reflection of the amount of value created, and cannot be considered a just wage. In the light of the market's inability to yield just wages, one might wonder whether the pay-what-you-want mechanism fares better. I will now consider the argument for why it does.

III. CREATING VALUE FOR PEOPLE MAKES ONE DESERVING

The first step in the argument that the pay-what-you-want mechanism results in deserved wages holds that one becomes deserving by creating value for other people—that is, by providing people with goods, services and experiences that provide satisfaction and utility, and that one deserves the equivalent of the value one creates.[7] This is a particular conception of the desert base (Feinberg 1999, 72), which specifies what one must do in order to become deserving.[8] However, it is not the only way of specifying the desert base; one might also think that one becomes deserving by behaving in ways that are intrinsically valuable or noble, quite apart from whether they add value to people's lives. For example, one might think that proving a mathematical theorem which was not doubted to be true makes one deserving even if one locks up the proof so nobody can see it. One might also imagine someone who, with the best of intentions, tries but fails to provide value, for example by laboring over a painting that nobody likes. Conversely, someone might provide enormous value without intending to, for example by accidentally discovering a new medication. One might not consider this

[6] I have explored this issue in greater depth in Dekker (2010). See, also, Hsieh (2000).
[7] For a further defence of this requirement, see Arnold (1987).
[8] Please note that this desert base is not utilitarian in nature; the goal is not to maximise utility or even to incentivize the creation of value. Rather, it is to recognize and respond to praiseworthy action. One could imagine a utilitarian theory that would distribute according to value created in a bid to maximise utility, and that theory might be extensionally similar to a desert based theory, even though it would be different intentionally, as the focus would not be in rewarding admirable behaviour. Moreover, one might think that it would be unlikely that a desert based theory would maximise utility, as some highly productive individuals might still create a lot of utility even if they were not rewarded. Rewarding according to desert would then be a waste of resources.

person very deserving despite the fact that she has created enormous value. Hence the link between desert and producing value is hardly self-evident. Nevertheless, there are good reasons for making this connection, especially in the context of the problem of distributive justice in which this entire argument is supposed to function.

Recall that the problem of distributive justice arises because human beings live together in societies, which can be characterized as cooperative ventures for mutual benefit. In the context of such a cooperative venture, reciprocity seems to be an important value in order to ensure that the goal of the endeavor, mutual benefit, is achieved. Those who engage in any venture subject themselves to certain rules and institutions in return for the benefits of living together, but they also have a fair expectation that others who participate in the cooperation do the same.[9] Reciprocity requires that there be a two-way exchange in a transaction, such that those who give, receive, and those who receive, also give. Individuals who get something from the community without contributing to that community leave less for others, making them worse off.[10] This means that there is no reciprocity in the exchange, and that is not in the spirit of the cooperative venture.[11] Likewise, making a contribution but not receiving anything in return is also a violation of reciprocity, as those who do so, do not benefit from the social cooperation which they facilitate. Not only must there be some give and take in a cooperative venture, but what one gives must be in proportion to what one receives; those who make a large contribution but only receive a little may rightly complain that they are being shortchanged, while society may object to those who make only a small contribution to the cooperative venture but enjoy large social benefits.

Conceiving of desert as based on creating value for others meets the requirement of reciprocity. Using this desert base, those who create value, and thereby contribute to the total welfare of society, receive something in return, creating a reciprocal exchange. Moreover, by making the amount deserved depend on the amount of value created,

[9] For discussion of this principle, see Arneson (1982).

[10] A notable exception is the provision of public goods, which are, by definition non-rivalrous. However, in the context of this inquiry, I am interested in the sale of goods and services that are produced in the general economy. Hence this issue can be ignored.

[11] I am assuming here that no special circumstances obtain. A society might not consider those who are handicapped or otherwise unable to add to social cooperation to be exploiting society. Hence, there are exceptions to the norm of reciprocity. This, however, does not mean that such a norm does not exist.

the exchange is equal, meeting the proportionality requirement. However, if one uses a desert base that relies on intrinsic notions of noble actions which are independent of the creation of value for people, this reciprocity in the context of a cooperative venture is missing. Perhaps, if one imagined some divine entity distributing burdens and benefits according to desert from on high, it would make sense to do so based on the intrinsic nobility of people's actions, independent of the social value they create. However, the reality is that, in our societies, there are no divine distributors. Rather, the burdens and benefits arise out of social cooperation, and that has implications for the values that govern a just distribution. Hence, while there might be cosmic justice in basing desert on such notions, for purposes of distributive justice in the context of society seen as a cooperative venture, it seems more plausible to rely on value created as a desert base.

There is, of course, the issue that one's ability to create value is rarely within one's control, and one can hardly claim to be responsible for the value one creates in any deep sense. After all, there is a lot of luck involved in creating value, on multiple levels. There is the matter that the extent to which one is able to create value depends on one's talents and abilities, which are a matter of luck. Moreover, even one's inclination to make the most of one's talents and to make a conscientious effort are, to some mysterious degree, a matter of nature and nurture.

There is also the undeniable issue that whether something is valuable depends on the opinions, tastes and preferences of others. If many people like what one is good at producing, one can create a lot of value, while if what one can produce well is not very popular one can create much less value. Other similar contingencies play a role as well. Those who happen to work on days or in places when and where many people need or desire certain goods and services are able to create more value. For example, those who produce ice-cream can produce more value when the weather is warm than they do when it is cooler. One cannot control any of this, and so one might think that it is problematic to make what one deserves depend on it. This is the familiar determinist objection against desert. Some have argued that it sinks the entire concept of desert,[12] while others argue that, despite the undeniable

[12] A prominent example is Strawson (1994).

influence of luck, some individuals can still be more deserving than others.[13]

The dispute on desert and luck is a long-running one, and I will not be able to settle it on this occasion. Nor do I need to. Note that the objection is against desert per se; it applies to desert based on value created as much as it does to desert based on intrinsic nobility of one's actions, or any other specification of the desert base. For any conception of desert, one can argue that the characteristics in question are a matter of luck. It has also been assumed for present purposes that justice requires that people receive what they deserve. As such the argument is addressed to those who believe that desert is a morally significant notion, which has implications for distributive justice. They are not likely to be bothered by the problem of luck. Hence, I propose to set it aside for present purposes, and assume that individuals can be deserving. The question is what features make them so, and it is this question that the first premise seeks to address.

IV. VALUE CREATED IS MEASURED BY WILLINGNESS TO PAY

The second premise of the argument holds that the value one creates for people is accurately conceptualised as their willingness to pay for the goods and services provided. This means that individuals themselves decide how valuable they find what is on offer, and express this through the amount of money they are willing to pay for it. How valuable consumers find the goods and services under consideration is understood as their reservation price, which is the amount of money for which they would be indifferent between having a particular good and not having it but saving the money they would have spent on it. This reservation price is the true measure of the value it has for them. This is the familiar assumption of consumer sovereignty.[14]

One might object to this premise, arguing that value created should not be equated with reservation price, but rather with the benefit a consumer derives from a transaction, which is the difference between what she pays and what she would have been willing to pay. This is a challenging thought. However, benefit and value are simply different things. Imagine someone produces something that someone else would pay $100 for. Also assume that this person could get it for $70. It seems

[13] For example, see Schmidtz (2002) or Feldman (2016).

[14] For an extensive discussion of this concept and its importance in discussions of desert, see Miller (1990, 127-150).

weird to say that the value of the object created by the producer is \$30, even though this is the extent to which the consumer benefits. To see this, consider what would happen if the price dropped to \$60. While the benefit to the consumer increases, both the good itself and the opinion of the consumer do not change, and so it seems sensible to say that the value in the relevant sense does not change either. The value of something does not depend on the price one has to pay for it, and so using benefit rather than reservation price to quantify value created is not plausible.

The assumption that value created is measured by willingness to pay is open to a variety of further challenges. One might think that believing a good to be valuable is not the same as being willing to pay for it. For example, one might think that a certain painting is a great achievement and that its existence is very valuable, but at the same time not want to hang it in one's living room, and consequently not wish to spend much money on it. Alternatively, many interpersonal gestures provide individuals with great joy and value in their lives. However, one would not want to pay for these, because this would rob them of their value; a hug for which one pays is much less nice than one that is offered freely. In response to this objection, one might stipulate that, in the context of this inquiry, what we are interested in is the production of economic goods and services, such as those for which pay-what-you-want pricing is sometimes used. In that context, interpersonal gestures or products that one admires on an abstract level but is not interested in acquiring can be excluded as irrelevant for present purposes. This is a restriction of the scope of the argument, but not one that carries a great theoretical cost.

A second problem for pay-what-you-want pricing is that what one is willing to pay is also determined by how much money one has; a rich person might be willing to spend a large absolute sum on some good, not because she thinks it is particularly valuable, but rather because this amount represents a small fraction of her wealth. A poorer person might think something extremely valuable, and be willing to pay a large share of his resources for it, but this might still not amount to much in absolute terms.[15]

However, note that in many contemporary societies, the ones in which this argument is supposed to function, the majority of incomes are relatively close together, say within one or two standard deviations

[15] For an excellent discussion of this problem, see Schmidtz (2001, 163-165).

from the average. There are of course some people who have much higher incomes than others, but their numbers are limited. As such, most goods and services are consumed by people with incomes that are not different in orders of magnitude. This makes this problem smaller, as the closer incomes are together, the less extreme the effect is. Furthermore, a society might decide to use redistribution of resources to compress the income distribution as a supplement to any system of determining just wages. This would make the problem of differential incomes even more limited. It is also important to note that this is a problem for any demand-based mechanism of desert, including the market; there too those who have a higher income are able to pay more for things than those with lower incomes, even though they value them to the same extent. This paper merely wishes to claim that the pay-what-you-want mechanism is superior to the market, in that it solves the particular problem that, in the market, prices reflect marginal contribution rather than actual contribution. As both mechanisms are vulnerable to the problem of differential incomes, this does not impact the choice between them.

A third problem concerning the link between value and willingness to pay is that individuals often are willing to pay large amounts of money for goods and services that might be regarded as much less valuable objectively. In our society, some individuals are willing to pay huge amounts for drugs, pornography or handbags, while they are not willing to spend much on their health, vegetables, or books, even though one might think that these are much more valuable to them (even if these people do not realize it themselves). In other words, the objection holds that true value for people is more objective than the doctrine of consumer sovereignty allows. Rather, central institutions, which operate independently of people's revealed preferences, might more accurately determine how valuable certain goods and services really are for people.

However, one should understand that any system designed to generate just wages in anything that generally resembles contemporary societies must deal with the fact that these societies are deeply plural. Different people have different conceptions of the good, and there is little to no consensus on what conceptions are correct or even on how one could go about determining this. In the absence of such a consensus in a free society, any suggestion that some central agency knows better than individuals what they find valuable is a non-starter. Some might object that individuals' reservation price for some good or service depends on a wide-variety of factors that do not seem relevant for desert. For example, individuals might lack the knowledge or experience to adequately assess the quality of an experience or good, and this would lead them to set a lower reservation price than they would have if they had been better informed. Or they might be tricked by advertising into valuing things that are bad for them, such as cigarettes. One might mitigate this concern by insisting that people must be well-informed when they set their reservation prices for the pay-what-you-want mechanism to function. While this is an elitist requirement, it could be satisfied by some sort of consumer education or consumer protection that would not be considered revolutionary in contemporary society. Note also that that the pay-what-you-want model tends to be used for goods and services that are intended to provide personal pleasure or enjoyment, such as restaurant meals or guided tours. It seems somewhat safer to assert that individuals are in a good position to assess how much personal pleasure these provide to them. Hence, for better or for worse, consumer sovereignty seems to be the only viable basis for assessing the value goods and services provide to people, at least in the context of contemporary society. And, once again, the market also suffers from this problem; there too prices do not necessarily reflect objective valuation, but rather an aggregation of subjective valuations. Hence this objection will not settle the question whether the pay-what-you-want mechanism is superior to the market as an instrument of desert.

V. PAY-WHAT-YOU-WANT PRICING AND WILLINGNESS TO PAY

The third premise of the argument for pay-what-you-want pricing holds that it correctly measures aggregate willingness to pay, yielding the conclusion that pay-what-you-want pricing results in just wages. Pay-what-you-want pricing is a very simple concept. Rather than determining their prices, producers allow consumers to set their own prices, based on their estimation of what the good or service is worth. To see the basic point, imagine someone who provides a service that mainly consists of labor and does so alone, such as a massage therapist, and assume that consumers indeed pay their full reservation price. He offers massages at whatever price his clients think his services are worth. Perhaps there are three individuals who are interested in his services. The first would be willing to pay $80 for the massage, the second $50, and the third only $30. According to the pay-what-you-want pricing model, they all pay this amount, and the therapist receives $160.[16] This represents how much the clients collectively value the therapist's services, and is a measure of how much value the therapist creates for society, which makes that income deserved. By charging every individual their reservation price, the therapist appropriates all of the consumer surplus, and is rewarded for actual productivity.

This makes this mechanism superior to the market. Recall that Heath's problem with the market as an instrument of desert is that prices are set at the intersection of supply and demand, and that wages reflect marginal productivity rather than actual productivity. This means that a pricing mechanism which would set prices at reservation price, and which would thereby reflect actual productivity, overcomes this limitation. Pay-what-you-want pricing does just that, and thereby solves the problem Heath diagnoses.

Note that, if the therapist learns new massage techniques that improve the quality of the experience, his clients will think the massage more valuable, be willing to pay more, and his income will go up. If the therapist's skills get rusty, the quality of the massages goes down, and so does his income. In this way, the income he receives varies with the quality of his performance. And if there are two therapists, and one offers nicer massages than the other, the former will have a higher income, justifying differential incomes. This is appealing from the perspective of desert, which aims to align distributive shares with the value of one's productive activities.

It is interesting to note that in markets, firms often try to approximate something like this pricing mechanism by segmenting their prices, through price-differentiation. They seek to charge different prices to different consumers based on how much they are willing to pay. They do this through coupons and discounts, through making small variations of their products and charging different prices for them, or similar measures. The extreme case of this is known in economics as the perfectly price-discriminating monopolist, who charges every consumer exactly what they are willing to pay. Effectively, the pay-what-you-want pricing mechanism is a variation of this strategy. Such a firm's revenues would also reflect the value it creates for its consumers, and as such receives what it deserves. Of course, there are many reasons to be

[16] For contrast's sake, one could imagine that the market would set the price for massages at $45, in which case, the therapist would receive only $90 from the first and second individual, as the third individual does not think the massage is worth that much.

against monopolies. For example, as will be explored below, monopolists appropriate as much money from their customers as is possible. This seems undesirable. However, these concerns do not undermine the prima facie claim that monopolists get what they deserve, but rather relate to the issue whether people getting what they deserve is always desirable, all things considered.

One could think of other mechanisms that would gauge willingness to pay. For example, one might think that an auction would provide an estimate of what people are willing to pay for certain goods and services. The appeal of this mechanism lies in the fact that the competitive nature of auctions better reveals individuals' true valuations. However, in an auction, the question is still what one needs to pay to get what one wants, not what one would be willing to pay. It is entirely conceivable that an auction, which sets a price slightly above the reservation price of the second highest bidder (or the highest bidder who cannot be accommodated because of limited supply), would set a price significantly below the reservation price of the winner. It is their good fortune that they do not have to pay all that they would have paid, but this does mean that the auction does not capture willingness to pay, which is relevant for a desert based theory of justice.

Now consider what happens if more massage therapists start offering services in town. In a market, this is likely to reduce the going rate for a massage, as therapists compete for customers. This is, in a way, good fortune for those in the market for these services, as they now have to pay less. However, it does not decrease their enjoyment of massages offered by particular therapists, and so their reservation price does not change. Under the pay-what-you-want principle individuals keep paying what they were paying before. Of course, what does happen, is that existing demand is spread over more suppliers, and any individual therapist may expect fewer customers and a lower total income as a result. This seems to me to better accord with the goal of capturing value created than what would happen in a competitive market, in which all prices would decrease as a result of an expansion of supply. This is because the fact that a service becomes more easily obtainable does not make it less enjoyable or valuable to the individuals concerned.

The case of the massage therapist is an artificially simple case, not representative of most economic transactions, in part because it does not involve cooperative production in which multiple workers produce goods and services together, and because the main input in the production process is labor. In the case of the restaurant that uses this model, the proprietor needs to pay all the staff members, and needs some way of determining each individual's contribution to the value created in order to assign them just wages. She faces a similar problem in paying her suppliers. Perhaps there might be some way of applying the same concept to these decisions—that is, paying them what she thinks they are worth, but this is likely to get complicated, and one can no longer directly appeal to consumer sovereignty to justify the distribution. Indeed, one might think that if, assuming constant returns to scale, all factors of production are paid their actual contribution, there is nothing left for the restaurateur, apart from her own contribution. This is a difficult issue, and solving it would require more space than I can allocate to it in the present context. I cannot rule out that it is unsolvable.

The mechanism suffers from many other problems as well. One obvious one is the problem of fraud or free-riding. Consumers have an incentive to act as if their reservation price is lower than it actually is, thus not paying the full extent of the value they derive from the transaction. Indeed, rationally speaking, one should pay nothing at all in a pay-what-you-want establishment, as there is nothing stopping one from enjoying the service, but pretending to not enjoy it at all. However, empirical research on businesses that use this model suggests that consumers actually do pay significant amounts, which are often somewhat higher than market prices. For example, Gerhard Reiner and Christian Traxler (2012) studied the evolution of payments in a pay-what-you-want restaurant in Vienna over a period of two years. They found that almost nobody pays nothing at all, even though the restaurant would accept this. Practically everyone paid a significant amount, some paid much more than others or more than the market rate for comparable meals, and the average was relatively stable over time. Moreover, restaurant revenue actually increased, as customer numbers went up. Social norms of reciprocity and justice appear to prevent the most flagrant cheating. Of course, there is no way of knowing whether people actually paid all that they would be willing to pay. Reservation price is a counterfactual notion, and so one cannot deduce what people would be willing to pay from what they actually did pay in the pay-what-you-want mechanism. It is impossible to rule out that while people paid a price that they regarded as fair, they did not pay all that they would be willing to pay. However, it is important to note that the problem of justice is not the problem of fraud. For theoretical purposes, what matters is determining what just wages are and how they may be set. My claim is that if individuals use the pay-what-you-want mechanism as intended, it results in just wages. If they do not, then the mechanism fails. But this does not reveal the defects of the mechanism as an instrument of desert on a theoretical level. The problem of cheating merely shows that it is difficult, or even impossible, to implement in practice, but not that the mechanism does not work in theory. These two questions need to be separated, and it is the latter that is at stake here.

Another issue to consider is that pay-what-you-want pricing does not allocate goods efficiently. Markets, for all their moral failures, are spectacularly good at matching supply and demand. They do so by raising or lowering the price of goods, so that it is above or below more people's reservation price, thereby reducing or increasing quantity demanded, ensuring an optimal allocation. A restaurant that uses the pay-what-you-want pricing mechanism may find itself overrun with customers, as nobody is driven away by the prices, and must find some other way of rationing its capacity, such as first-come-first-served or a lottery. This does not guarantee efficiency, as those who value the good or service in question most might not get it. In effect, this is another instance of the problem of luck. After all, the winners of the lottery or the first to arrive on a particular day may turn out to have only a casual interest in the good or service. If so, one will receive much less than if one were lucky enough to have customers who particularly value what one has to offer. Perhaps this is why pay-what-you-you-want pricing is, in fact, typically confined to niches in the economy which do not suffer a high degree of scarcity. However, on an analytical level, this is another instance of the fact how much value one is in a position to create depends on luck in all kinds of ways. Despite this, the value actually created is what it is under the circumstances that obtained, and this is what desert responds to. It is no use to say that if fate had worked out differently, one would have been able to create more value than one in fact did. It is like saying that if Cleopatra's nose had been a little shorter, history would have gone quite differently. The reality we have to live with is that it was not and it did not. Those who believe in desert argue that if one accepts this kind of reasoning, the entire notion of desert becomes void, and they are unwilling to give it up. Since this paper is addressed to them, this is an inefficiency that must be accepted.

This is not a high price to pay on a theoretical level; questions of allocative efficiency should be kept separate from questions of just distribution. As Heath (2018) points out, there is no reason to expect that a system that allocates efficiently should also distribute justly. Hence it is no objection to a conception of just wages that it is inefficient. Of course, when questions of implementation are considered, one must take efficiency into account, and one must weigh it against requirements of justice as well as other requirements. One might accept departures from justice for the sake of efficiency, as justice is not the only thing that matters. However, for present purposes this hugely difficult issue may be ignored.

There are also concerns of fairness to deal with. One bit of potential unfairness lies in the fact that this mechanism charges different people different amounts for the same good or service. That seems to violate the requirement of fairness that like cases be treated alike. However, one should consider that this mechanism charges all consumers the same amount per unit of enjoyment. There is also something unfair about the fact that fixed prices result in some people getting a lot of enjoyment out of certain purchases, while others derive much less benefit from those same purchases, due to the fact that they value goods differently. In conclusion, one might argue that enjoyment is the real currency of transactions, rather than the nominal price, and hence fairness should be based on the former, supporting the pay-what-you-you-want mechanism. Another objection concerns the question whether it is fair to allow producers to appropriate the entire consumer surplus. After all, if everyone pays their reservation price, they derive only very little, or even no benefit from the transaction. This violates a norm of fairness, which holds that the benefit of a transaction should be shared equally between producers and consumers (Heath 2018, 16-21). This is a difficult issue. It appears that giving producers their due does not give consumers theirs. However, recall that the central concern of this paper has been to do justice to producers, not to consumers. The inquiry started from the question what just wages would be, and this is a different question from what just prices would be from the perspective of consumers. This is another instance of the great complexity of achieving justice; sometimes different requirements of justice conflict, and resolving those conflicts is one of the hardest but most important unsolved problems of political philosophy. Nevertheless, the existence of such conflicts does not establish that any of those requirements are not requirements of justice.

VI. CONCLUSION

In this paper, it has been argued that deserved wages are based on value created, that value created is accurately measured in willingness to pay and that pay-what-you-want pricing captures aggregate willingness to pay. As a result, the pay-what-you-want mechanism seems to be better at determining who deserves what than the market, at least in terms of ensuring people receive the equivalent of the value they create, rather than the marginal value of their labor. Hence pay-what-you-want pricing solves the problem Heath notes with the market as an instrument of desert. Of course, it is worth repeating that this is a theoretical result. To make the argument plausible, it has been necessary to assume away many practical problems and acknowledge several competing requirements. Clearly, pay-what-you-want pricing cannot be implemented throughout the economy and, even in the small niches in which it is implemented, it will not give people what they deserve perfectly. Nevertheless, it does provide an idea of what just wages would be, by which actual wages can be judged. One may ask how actual wages differ from an estimate of what pay-what-you-want pricing would produce and use that as a guide to intervention. Moreover, the pure model of pay-what-you-want pricing that has been considered here is a boundary case, in which consumers have absolute discretion over how much they pay for goods and services. However, one could imagine alternative models in which consumers have some, but not unlimited, choice over how much they wish to pay. The more discretion consumers have, the more just wages will be. Hence the key to achieving just wages might be said to lie in trusting consumers to determine what these would be.

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