



*Economic
Justice*



Stephen Nathanson

FOUNDATIONS OF PHILOSOPHY SERIES

ECONOMIC JUSTICE

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Foundations of Philosophy

Many of the problems of philosophy are of such broad relevance to human concerns, and so complex in their ramifications, that they are, in one form or another, perennially present. Though in the course of time they yield in part to philosophical inquiry, they may need to be rethought by each age in the light of its broader scientific knowledge and deepened ethical and religious experience. Better solutions are found by more refined and rigorous methods. Thus, one who approaches the study of philosophy in the hope of understanding the best of what it affords will look for both fundamental issues and contemporary achievements.

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Tom L. Beauchamp, Editor
Elizabeth Beardsley and Monroe Beardsley, Founding Editors

Preface

This book is about one of the most pressing and difficult problems of political philosophy and political life—the problem of economic justice. In writing the book, I have tried to achieve three aims. The first is to present the results of philosophical thinking about economic justice in a way that is clear and understandable. The second is to give my own answer to the question: What must a society do in order to be economically just? The third is to contribute to the creation of an economically just society.

These aims are related because one of the main obstacles to achieving a just society is that we lack a clear, socially shared understanding of the nature of economic justice. Widely different views are advocated, and there is both strife and confusion about what justice requires. I believe that philosophical reflection and analysis can help us arrive at a better understanding of the demands of justice.

In writing the book, I have combined my own best effort to construct a theory of economic justice with a discussion that can serve as an introduction to philosophical debates and theories in this field. I have tried to write a book that can be understood by people who are not already familiar with the many books and articles that scholars have written about economic justice. The discussion of these issues is too important to be limited to academic philosophers and other theorists. If the products of our best thinking are to have any influence in the world, some of us must strive to make theoretical work understandable to concerned citizens and students who are not scholars or professional thinkers.

The general issues I discuss will be familiar to anyone who reads the newspaper or watches television news. I approach these issues in a theoretical way, however, and do not generally relate them directly to the day's news. I do this

for two reasons. First, questions about economic justice are not simply today's issues. They have been debated since biblical times and show every sign of remaining contentious for the foreseeable future. In addition, contemporary public debate is usually tied up with efforts to jockey for political power and influence. Often, people express ideas not to promote understanding but to gain office or discredit the opposition.

One of the virtues of a theoretical discussion is that it takes the issues themselves seriously and explores them in a more open-minded way. That is not to say that my discussion is neutral or that my inquiry is strictly scientific. Nonetheless, I try to describe and evaluate all the views I discuss in a fair and impartial way, and my discussion is guided and constrained by the aim of discovering the truth. If we can find the truth, then it can guide us in our personal and political activities, but during the inquiry, our thinking should not be determined by narrow interests or prereflective conclusions. We should be prepared to change our views as well as to defend them.

My strategy in the book is to focus on three different economic systems: capitalism, socialism, and the welfare state. Each of these systems presents a possible solution to the problem of economic justice. I describe each system, examine the reasons why some people favor it, and then consider criticisms that others raise against it. On the basis of these reflections, I defend a particular view about what a society must do in order to achieve economic justice.

In writing this book, I have benefited greatly both from the many thinkers whose works I have read and from the friends, colleagues, and students with whom I have discussed these problems. I am indebted to Northeastern University for the opportunity to teach courses dealing with this subject and to the students who have shared my inquiry into it. I have learned the most by being able to return to this subject many times in the courses I have taught. This has forced me to understand and explain the views of others and enabled me to test my own views against the reactions of students.

Special thanks are due to Steven Lee and John Post as well as to the Prentice Hall reviewers—Irfan A. Khawaja, University of Notre Dame, and Orville Clark, University of Wisconsin–Green Bay. Their reactions to the manuscript gave me both useful criticisms and much encouragement. Thanks, too, to Tom Beauchamp and Angela Stone for their interest in this project.

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Introduction

Questions about economic justice come up in many contexts. Like most important questions, they arise in daily life, and though they are discussed by philosophers and other scholars, they were not invented by them. In this chapter, I will describe some of the ways that questions about economic justice arise in daily life as well as some of the disagreements people have about these questions.

VAST DISPARITIES OF WEALTH

A familiar fact about the world is that the resources possessed by different people vary tremendously. To put the point bluntly but accurately, some people do not have enough resources to live a minimally decent life. They lack money, food, shelter, medical care, and other necessities of life. At the same time, other people live in great luxury, possessing more resources than they can possibly use and using some of these to purchase yachts, expensive jewelry, and other luxury items. Between these conditions of extreme wealth and extreme poverty, there are people at many different levels of economic well-being, some possessing much and others little. And, though a once popular song tells us that “the best things in life are free,” the fact is that the amount of resources people possess plays a large (though not exclusive) role in determining how good a life they can lead.

The existence of these disparities gives rise to the problem of economic justice because the distribution of goods is not an unchangeable fact of nature; it is a social fact that is subject to human control. It could be changed

if enough people thought it was wrong and wanted to change it. In fact, throughout history people have acted to change the distribution of resources, sometimes through charitable contributions, often through government programs, and occasionally through violent revolutions.

What should we think about these extreme disparities in people's possessions? Are they just or unjust? Should steps be taken to reduce or eliminate them?

Many people have thought that these disparities are unjust and that we *should use the power of government to create a society in which such extremes of wealth and poverty would not exist*. Other people have denied that this situation is unjust and have argued that it would be wrong for governments to interfere with the distribution of wealth and other goods.

ARE DISPARITIES DEFENSIBLE?

We may wonder how anyone could deny that such huge disparities in resources are a great injustice or that diminishing them to improve the lives of people in poverty is a moral imperative. Nonetheless, there are thoughtful people who deny these claims. Here are two arguments that are sometimes raised in defense of their reaction.

First, while virtually everyone agrees that poverty is bad for the people who endure it, some people deny that it is an injustice. After all, *not everything bad that happens to people is an injustice*, and so it is important to distinguish those bad things that are *misfortunes* from those that are *injustices*. While it is very bad for a child to be born with serious birth defects or for a person to be killed in an avalanche, there is nothing unjust about these situations. They are simply bad things that happen to people. No one is responsible for them. Similarly, it could be argued that while poverty is a misfortune, a bad thing that happens to people, it is not an injustice. No one is to blame for the uneven distribution of resources, and no one has an obligation to change it.

Second, even if governments could use tax money to prevent poverty, some thinkers argue that it is wrong to force people to assist those who are poor. Suppose, for example, that we decided to help the poor by adopting a Robin Hood strategy—robbing the possessions of the rich and giving them to the poor. Since robbery is wrong, this would be wrong to do, even if it had the effect of helping poor people. Why? Because it violates the rights of better-off people to control their money and other possessions. While Robin Hood has a perfect right to try to persuade well-off people to give their money to the poor, he has no right simply to take their money.

So, against the view that wide disparities are unjust and that there is a social duty to use government to alter the distribution of wealth, this objection says two things: first, that wide disparities of resources, even if they are bad for people who suffer from them, are not unjust; and, second, that forcing people to help the poor is itself an injustice, since it amounts to stealing people's possessions.

People who hold this view might acknowledge that it would be good if better-off people voluntarily provided help to the poor. They might even say that charity is a moral duty, but they deny that forced assistance through taxation or other governmental action is justified.

Beginning, then, with the same facts about wealth, poverty, and the wide disparities of possessions and well-being among people, different people come to very different moral conclusions. They differ over whether the disparities between rich and poor are an injustice or simply a misfortune, and they disagree over whether government programs to help the poor are morally right or wrong.

THE PROBLEM OF JUST WAGES

Questions of economic justice often come up when we think about the differences in pay associated with different occupations. One way to see this is to make a list of ten occupations and arrange them in order of what you would regard as an ideal pay scale. Who should make the most? Who the least? After making your list, see whether your ideal scale matches the way things are. If the actual pay scale varies from your ideal one, you may not think that the way things are is fair or just.

The view that current pay scales are unjust is forcefully expressed by Tom Cottle in an essay that compares the salaries of baseball players and teachers. He writes:

Now that Robin Yount has signed a baseball contract for more than \$3 million a year, he has something in common with my wife, a public school teacher. He will earn in 3 days what she earns in 9 and 1/2 months. Prior to Yount's signature, she already had this in common with Ricky Henderson and Mark Langston. Some would say this isn't fair, but at least she doesn't have to change clothes when she goes to work. . . . With Kirby Puckett, my wife shares two things: First, he will earn in one year twice what she will earn in 40 years. Second, they both stand less than 6 feet tall.¹

It is hard not to sympathize with Cottle's bitter reaction to this situation. We live in a society that claims to value education, and most of us think that educating young people is an important task. Even lovers of baseball would admit that teaching children is at least as important as baseball. Moreover, with all due respect to baseball players, Mrs. Cottle probably works harder than Robin Yount or Ricky Henderson. The school season is longer than the baseball season, and in addition to the purely academic part of her work, she

¹ Tom Cottle, "Throwing a Curve at Our Teachers," *Boston Sunday Globe*, Focus Section, January 7, 1990.

and other teachers deal with many difficult problems that confront children and their families.

Reflecting on these facts, we may come to share Cottle's anger that his wife must teach for nine and one-half months to earn what Robin Yount gets for three days of baseball. We may come to regard this situation as extremely unjust. Moreover, this is but one example of this sort of injustice. Coal miners, truck drivers, nurses, and farmers are among the many people who work hard and do valuable work but who nonetheless earn considerably less than many other people.

Even if we share Cottle's negative view of the wage disparity between public school teachers and baseball players, we ourselves probably could not construct a system of just wages. Suppose that we had the power to implement our own ideal wage scale. How would we determine what people should earn for different activities?

A host of different answers to this question have been proposed. Some people argue that everyone should be paid equally. Others claim that people should get what they merit or deserve. If some people work harder, make a greater contribution to society, or have more responsibility, they should make more than people who work less hard, make a lesser contribution, or bear fewer responsibilities.

Each of these views faces difficulties. For example, how can we decide which occupations are more important than others? How can we tell which people work hardest? And even if we can tell who works hardest, what should we do if their hard work is unproductive and doesn't really benefit anyone? In addition, what about activities that are extremely important, such as raising children, but that have not traditionally been done for pay? How would they fit into such an ideal system?

Even if we could answer all these questions, we would need to integrate our theory of a "just wage" with the fact that we sometimes think that what people ought to get has nothing to do with the kind of work they do. For example, if someone thinks that people who live in poverty should be provided with some resources, this concern is probably based on the idea of distribution according to *need* rather than *effort* or *contribution*.

Finally, it is commonly assumed that people should be able to leave an inheritance to their children or others they care about. But those who inherit money have done nothing to deserve it. It seems odd to believe that it is unjust for some people to become millionaires by playing baseball, while at the same time thinking it's perfectly fine for others to become millionaires by doing nothing at all. If we are inclined to hold both of these beliefs (as I think many of us are), that shows how confused we are about these important matters.

But how can we "unconfuse" ourselves? What is a just solution to these problems?

JUSTICE AND POLITICAL LEGITIMACY

Before turning to some proposed solutions, I want to describe one other aspect of the problem. Many people have wondered whether government power is legitimate and whether we have a moral duty to obey the laws of the state. A plausible answer is that whether a government is legitimate and whether people have a duty to obey the laws of the state depend on whether the government and its laws are just. An unjust, tyrannical government that abuses its people is not legitimate, and no one has a duty to obey it. A just government, on the other hand, does deserve our respect and, except in abnormal circumstances, our obedience.²

If this answer to the question of political legitimacy is correct, then there is an additional reason why the problem of economic justice is so important. If justice requires, for example, substantial government activity to assist the poor or to provide all citizens with a good education or adequate health care, then a government that fails to do these things is treating its citizens unjustly. If this is a serious injustice, then citizens who are not properly treated will feel less allegiance to the government. They will see it as not taking their legitimate needs seriously. They will believe that their obligation to obey the law is diminished by the injustice of the government and its policies. In addition, even citizens who are better off will have diminished obligations, since the justice of a government depends on whether it provides just treatment for all citizens, not whether it provides special benefits for some.

Suppose, however, that justice does not require providing economic security for its citizens. Suppose further that a particular government does provide such security, using its power to tax to coerce better-off citizens into subsidizing those who are less well off. If such programs are unjust to the better off, violating their rights to use their own property as they see fit, then this too can result in a loss of legitimacy for the government. If, as Robert Nozick claims, taxation is morally "on a par with forced labor," then a government that taxes people imposes a kind of partial enslavement on its citizens and is unjust by virtue of doing so.³

Of course, the mere fact that some people disagree with or dislike a policy does not show that it is unjust. Policies that are just may still be disadvantageous to some citizens. Nonetheless, it is troubling if conscientious citizens believe that their government is acting unjustly. So, it is very important to establish whether the use of taxes for various benefits to citizens is morally legitimate. If we can settle this question, this may promote cooperation among people whose personal interests do not always coincide.

² I defend this view in *Should We Consent to Be Governed—A Short Introduction to Political Philosophy* (Belmont, Calif.: Wadsworth, 1992).

³ Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1973), 169.

WHAT'S AHEAD

In this introduction, I have described a few ways in which questions about economic justice arise in the course of our ordinary, nontheoretical activities. Questions about disparities of wealth, about salaries that seem too high or too low, and about both the demands and responsibilities of government often come up in ways that trouble and disturb us. These questions also divide us, since we disagree in our reactions to them. Disagreement can, of course, be healthy, but it can also sharpen divisions among people and make cooperation more difficult. For this reason, it is worth striving for a consensus about the nature of economic justice.

But how can we tell which views about economic justice are correct? How can we determine what counts as just in the distribution of economic resources?

Many people have tried to answer these questions. My attempt to describe the problems and to provide a solution will take the following form.

Chapter 2 describes three different kinds of economic systems: capitalism, socialism, and the welfare state. Each of these systems provides an answer to questions of economic justice and a model for how the economy should be governed.

Chapters 3 and 4 set the terms of the debate by describing both the main arguments given in favor of a pure form of capitalism (sometimes called “libertarian” capitalism), as well as the main arguments that socialists raise against capitalism and in defense of their own view.

Chapters 5, 6, and 7 contain evaluations of capitalism and socialism from the perspective of three questions: Which one better promotes human well-being? Which succeeds in giving people what they deserve? Which more effectively promotes people’s liberty? In these chapters, I also explain the approach of welfare state advocates to these three questions, and I defend the view that a welfare state promotes these values (well-being, desert, and liberty) better than capitalism or socialism.

Chapter 8 describes and evaluates the influential views developed by John Rawls in *A Theory of Justice*. I explain Rawls’s views and show how they lend support to a welfare state. I also argue that Rawls does not fully succeed in describing the requirements of economic justice.

In Chapter 9, I ask two questions about the welfare state: How extensive should such a state be? And, what resources should it guarantee to its citizens? I defend an extensive form of welfare state that I call the “comprehensive welfare state.” In defending such a state, I describe the conditions a society must satisfy in order to meet the demands of economic justice and show how the comprehensive welfare state does this. Finally, Chapters 10 and 11 describe and respond to the most important objections against the comprehensive welfare state.

Three Views

The problems sketched in the introduction have generated many proposed *solutions* and many debates. Rather than investigating each issue separately, I am going to proceed by considering three overall systems of thought about economic justice and the distribution of resources. Each of these systems generates a different assessment of facts about wealth and poverty, and each gives rise to a different plan of action to deal with them.

The three views I will consider are those associated with capitalism, socialism, and the welfare state. This chapter contains brief descriptions of each view. In the rest of the book, I will consider the strongest arguments for and against each view and will seek to determine which one is best.

In order to prevent confusion, I should note at the start that my descriptions of these systems are not meant to portray any particular countries or societies. Virtually all actual societies incorporate inconsistent values and ideals; they are the result of historical compromises and happenstance. The systems I describe are ideals and thus have a clarity and consistency that existing economies lack. These ideals provide the standards by which their adherents judge actual societies.¹

¹ For a similar distinction between ideals and actual systems, see Tibor Machan's preface to *The Main Debate: Communism vs. Capitalism* (New York: Random House, 1987), v–iv. He writes: "Capitalists, as understood here, do not regard the United States or Great Britain as fully capitalist systems, though they would agree that these countries come the closest to capitalism to date. . . . Nor need Marxian (socialist) theorists regard the Soviet Union or the People Republic of China as examples of the fully emancipated . . . socialist human communities."

CAPITALISM

Capitalism, like the other views I will consider, is both a theory and an economic system. It is a way of organizing an economy and a body of beliefs about how an economy ought to be organized. Since economic systems are quite complex, views about them must be complex as well. Matters are further complicated by the fact that there are different forms of capitalism.

In order to make these complexities manageable, I am going to do two things. First, my description of capitalism will focus on a relatively pure form that is sometimes called “libertarian capitalism.” In many ways, it best captures the key features of the capitalist ideal, and it makes clear the contrasts between capitalism, socialism, and the welfare state.

Second, I am going to focus on three features of economic systems that are especially important from the point of view of economic justice. These are

1. a conception of property rights
2. a view about how goods should be produced and distributed
3. an allocation criterion for determining what share of resources should go to different people

By focusing on a small number of essential features, we will be better able to understand and compare the strengths and weaknesses of these systems.

With these three features in mind, I would describe capitalism as an economic system that is characterized by

1. private ownership of property
2. a market system of production and distribution
3. an allocation criterion that grants resources to people in accord with their market value, supplemented by gifts

Let me explain how I understand each of these.

PRIVATE OWNERSHIP OF PROPERTY

In a capitalist economy, resources are the property of individuals or groups of individuals, and the owners of property have the right to determine what should be done with it. This right has implications for other people as well, since having the right to determine what should happen to one’s own property prevents other people from deciding what should be done with it.

To take a simple example, if I own a watch (as I do), then I have many rights with respect to this watch. I may take the watch with me when I go out or leave it at home. I may sell the watch to someone else, let someone borrow it for a while, or simply give it away as a gift. If I am angry or in a destructive mood, I may smash the watch. Because it is mine, I may do with it as I like.

These rights of ownership give me special powers concerning the watch that others don’t have. Other people have no right to smash my watch, to