



Economic Justice

Main Sources:

- MacKinnon, Chapter 13
- SEP, Distributive Justice
- Hinman, University of San Diego

Economic Justice



Do people have a right to a job and good wages?

Is welfare aid to the poor a matter of charity or justice?

Is an economic system with a high amount of unemployed a just system?

Is an economic system with high inequalities in wages a fair system?

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"Income inequality is where the capitalist system is most vulnerable. You can't have the capitalist system if an increasing number of people think it is unjust"

Alan Greenspan (former chair of FED) 2007

It is a bit difficult to think about a radical alternative to capitalism after the collapse of the Soviet Union, but maybe some corrections are required. But are really people thinking it is an unjust system? Or do they like it? Or is the famous Marxist concept about 'false class-consciousness' valid? And, even if you think that the system is unjust, how is it possible to change it? Does not it look so solid and unchangeable that anything you can do is not going to work anyway? How would you involve other persons? And, other than simply complaining, what is the alternative?

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The **income gap**: the richest part of the population earns a disproportionate amount of money compared to the poorest part

And the difference is widening:

In 1894 industrialist John D. Rockefeller's income was \$1.25 million \square 7,000 times the average national (USA) income

In 2006 hedge-fund manager James Simon's income was \$1.7 billion \square 38,000 times the average national (USA) income

In 1980 corporate executive of large companies in the USA earned 45 times more than nonsupervisory workers

In 2000 corporate executive of large companies in the USA earned 458 times more than ordinary workers

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Further differences:

- ✉ **Gender:** Men earn more than women
- ✉ **Ethnicity:** Usually minorities/immigrants earn much less than majorities/citizens (Afro-Americans and Hispanic in the USA; East-Europeans and Africans in Italy...)
- ✉ **Health care:** problems in those states where the public health system is not fully developed (USA)
- ✉ **Retirement:** old persons have a retirement income that does not allow them to survive without the help of their family (Kazakhstan)
- ✉ **Education:** in some countries the best schools and universities are private and expensive

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Values at stake:

Charity: giving to other people out of 'good heart'

Justice: give to everyone what is due

Liberty: (negative) the possibility to develop our lives without interference of the state

Efficiency: a system producing a maximum amount of desired goods and services, or the most value for the least cost

Distributive Justice: deals with the way in which goods are allocated among persons

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Process Distributive Justice (or Procedural Justice): any economic distribution is just if the **process** by which it comes about is itself just

For example, if the wealthiest 5% of the people got their 90% of the wealth fairly – they competed for jobs, they were honest, they did not take what was not theirs – then what they earned would be rightly theirs.

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End State Distributive Justice: the process by which people obtain their wealth is not the only relevant aspect. We should also **look at the resulting distribution** of wealth in a society and ask about its fairness.

For example, is it fair if the richest 5% earned its 95% of wealth through inheritance?

Is it fair if the difference derives from the fact that they were born of a certain socially favorite race?

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End State Approach, an example:

Radical Egalitarians: there is not any good reason why some people should possess greater wealth than others.

Reasons: from the fact that we are all human beings to religious reasons that the Earth is given to us all equally

Problems:

- What should be equal? Wealth and income? Or satisfaction?
- Why limiting freedom?
- What about merits?

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Equal Opportunity: an unequal distribution of wealth in a society is just whether people have a fair chance to attain those positions of greater income or wealth. **Equality of wealth is not required, only the equal opportunity to attain it.**

- ❏ No barriers preventing people, or if there are barriers they affect everyone (for example, if women have twice the family responsibility as men, do they have equal opportunities to compete professionally?)
- ❏ Educational, motivational and experiential advantages in being born in a wealthy family
- ❏ **Problems:**
- ❏ **Wrong focus:** it is not important that the billionaire earns more money, but that that people have what they need so they can do what they want in life
- ❏ **Natural aristocracy** instead of social: this theory implies equal rewards for equal performance, but its notion of meritocracy is wrong. The idea of a market place competition threatens the notion of human solidarity

Economic Justice: a very brief review of political and economic theories

- **Libertarianism**

- **Capitalism**

- **Socialism**

- **Liberalism and Social-Democracy**



Economic Justice: Libertarianism

The basic **right of non-interference**: we are free when we are not constrained or restrained by other people

The **minimal-state**: government is considered as a necessary evil whose function is only administrative, providing an ordered place where people can go about their business □ the government has an obligation to ensure that individuals' liberty-rights are not violated, but no other obligation. Any further action by the government would be considered an unjustified interference in individual's liberties

- **A process view of distributive justice**
- **Negative rights (or rights as side-constraints)**: the rights not to be harmed

Problems:

- It is **society** that provides the means by which the individuals seek their own good (for example, means of transportation and infrastructures)
- It **underestimates** or even ignores the effects of individuals' initial circumstances on their equal chances to compete fairly

Economic Justice: Capitalism

It is an economic system in which individuals or business corporations own and control much or most of the country's capital

A **free-enterprise system**: freedom to set prices, determine production and decide how to earn and spend incomes




A **market economy**: people are motivated by profit and engage in competition, and value is a function of supply and demand

Self-interest

Allegedly the most **efficient** system

Libertarians will stress **process** views, but if we think about **end state criteria** for distributive justice in Capitalism they are based on **meritocracy** – people are judged to deserve what they merit or earn

Problems:

-  **Many people with no fault on their own cannot or do not compete well**
-  **Unemployment**
-  **Lack of positive freedom (for example, I have the negative right to enter the most luxurious restaurant in town, but actually I have not the money for exercising this freedom)**

Economic Justice: Socialism

An economic system, a political movement, and a social theory
Government should own and control most of a nation's resources; it should engage in planning and adjust production to the needs of the people

Theoretically combining justice and efficiency

End state and justice and egalitarian in orientation

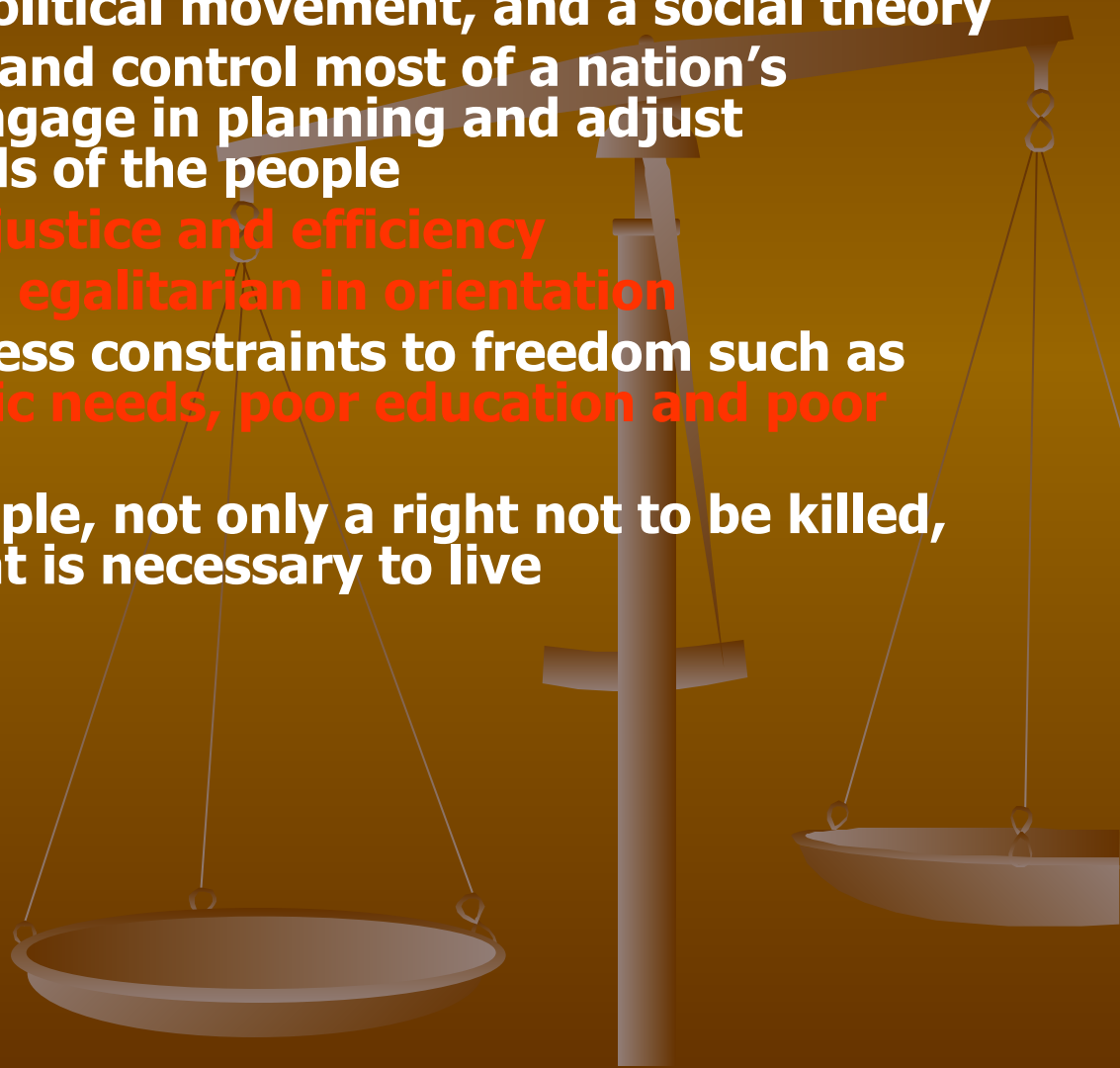
Government should address constraints to freedom such as the satisfaction of basic needs, poor education and poor health care

Positive Rights: for example, not only a right not to be killed, but also a right to what is necessary to live

Problems:

Efficiency

Authoritarianism



Economic Justice: Modern Liberalism and Social- Democracy

Trying to compose liberty rights with justice

The Government should support **both Negative and Positive Liberties** (though **negative liberties** are prevalent in a **liberal** view while **positive liberties** are prevalent in a **social-democratic** view)

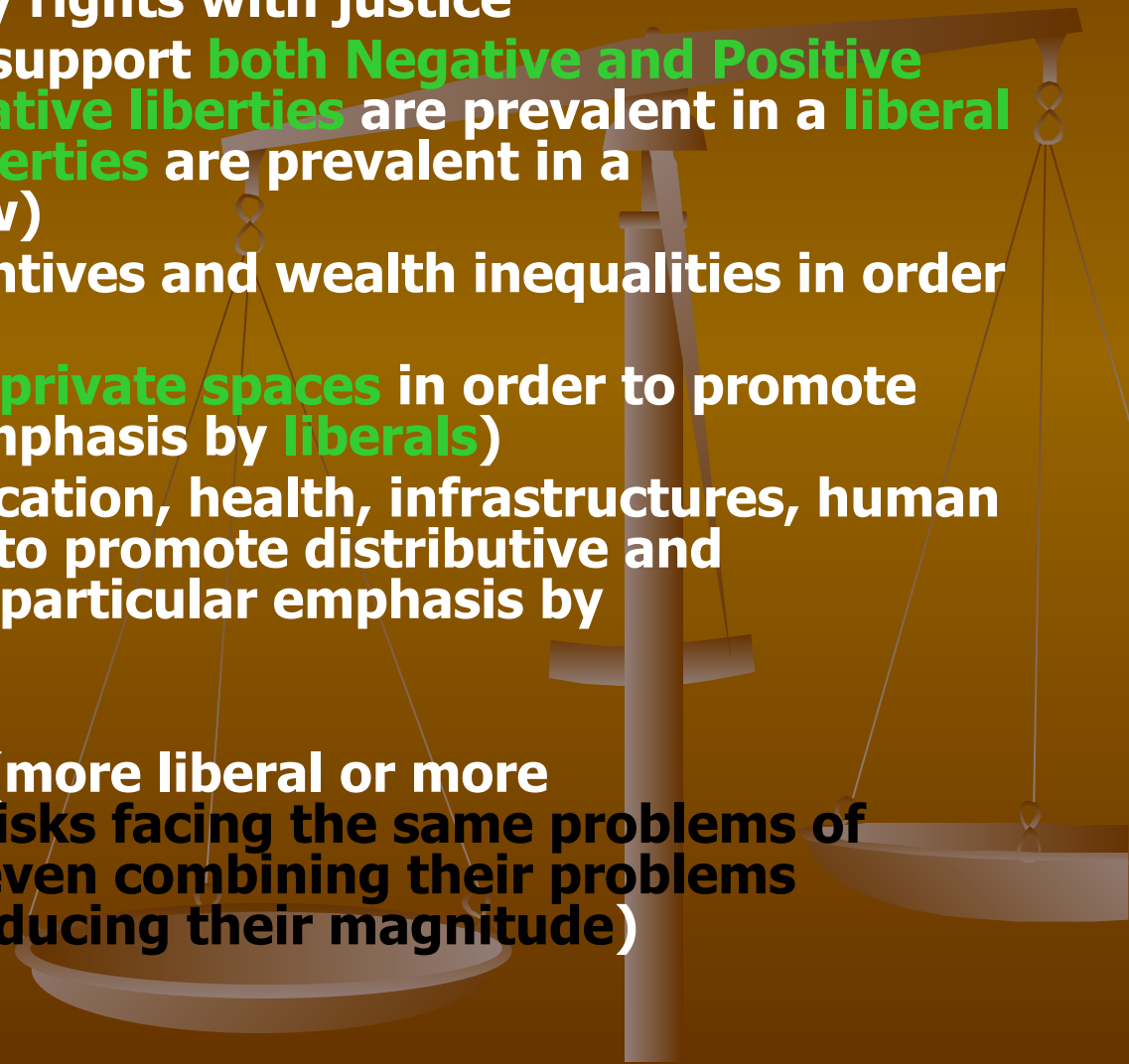
Capitalist system of incentives and wealth inequalities in order to promote **efficiency**

Separation of public and private spaces in order to promote **liberties** (particular emphasis by **liberals**)

Public investment in education, health, infrastructures, human development in order to promote distributive and redistributive **justice** (particular emphasis by **social-democrats**)

Problems:

Depending on the focus (more liberal or more **social-democratic**) it risks facing the same problems of previous theories, or even combining their problems (though apparently reducing their magnitude)



Economic Justice:

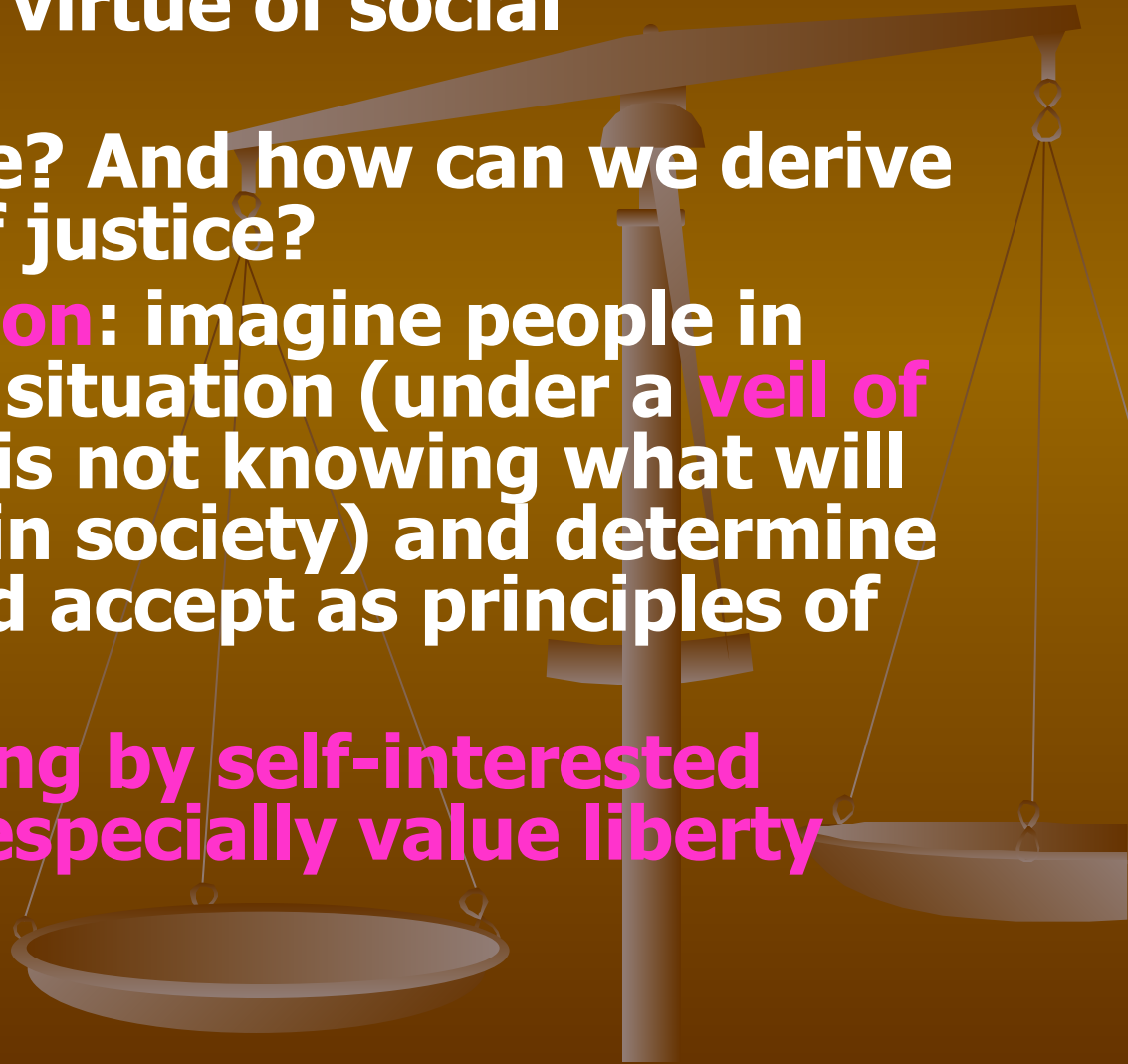
John Rawls' Theory of Justice

Justice is the first virtue of social institutions.

But what is justice? And how can we derive the principles of justice?

The **original position**: imagine people in some initial fair situation (under a **veil of ignorance**, that is not knowing what will be our position in society) and determine what they would accept as principles of justice

A **rational reasoning by self-interested individual who especially value liberty**



Economic Justice:

John Rawls' Theory of Justice

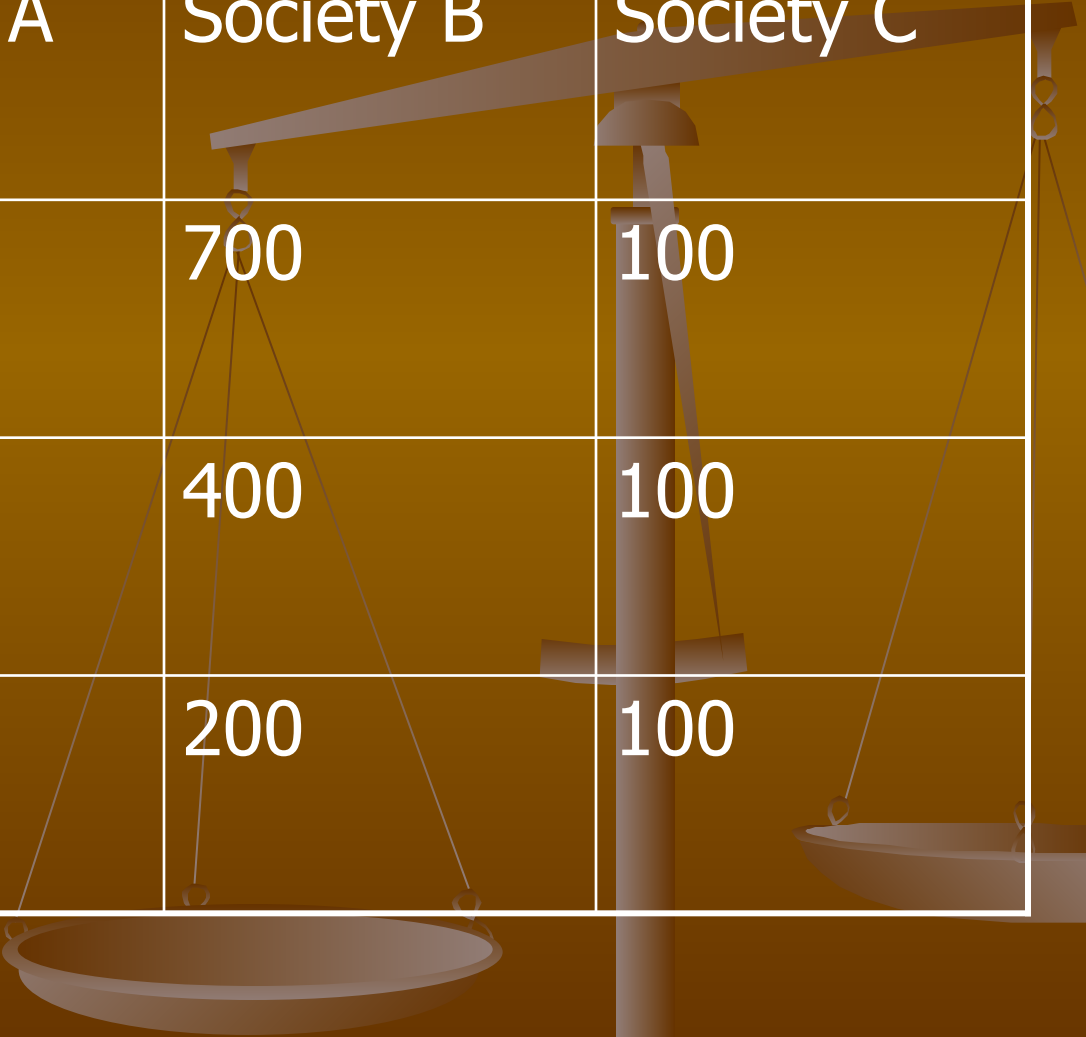
The **two principles of justice**:

- 1) Each person is to have equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all
- 2) Social and economic inequalities are to be arranged so that they are
 - a) Attached to offices and positions open to all under conditions of fair equality of opportunity
 - b) To the greatest benefit of the least advantaged

Notice. There is a **lexicographic order**: if 1 and 2 conflict, number 1 has priority

Economic Justice:

John Rawls' Theory of Justice



Wealth Levels	Society A	Society B	Society C
High Income	1,000	700	100
Medium Income	700	400	100
Low Income	50	200	100

Economic Justice:

John Rawls' Theory of Justice

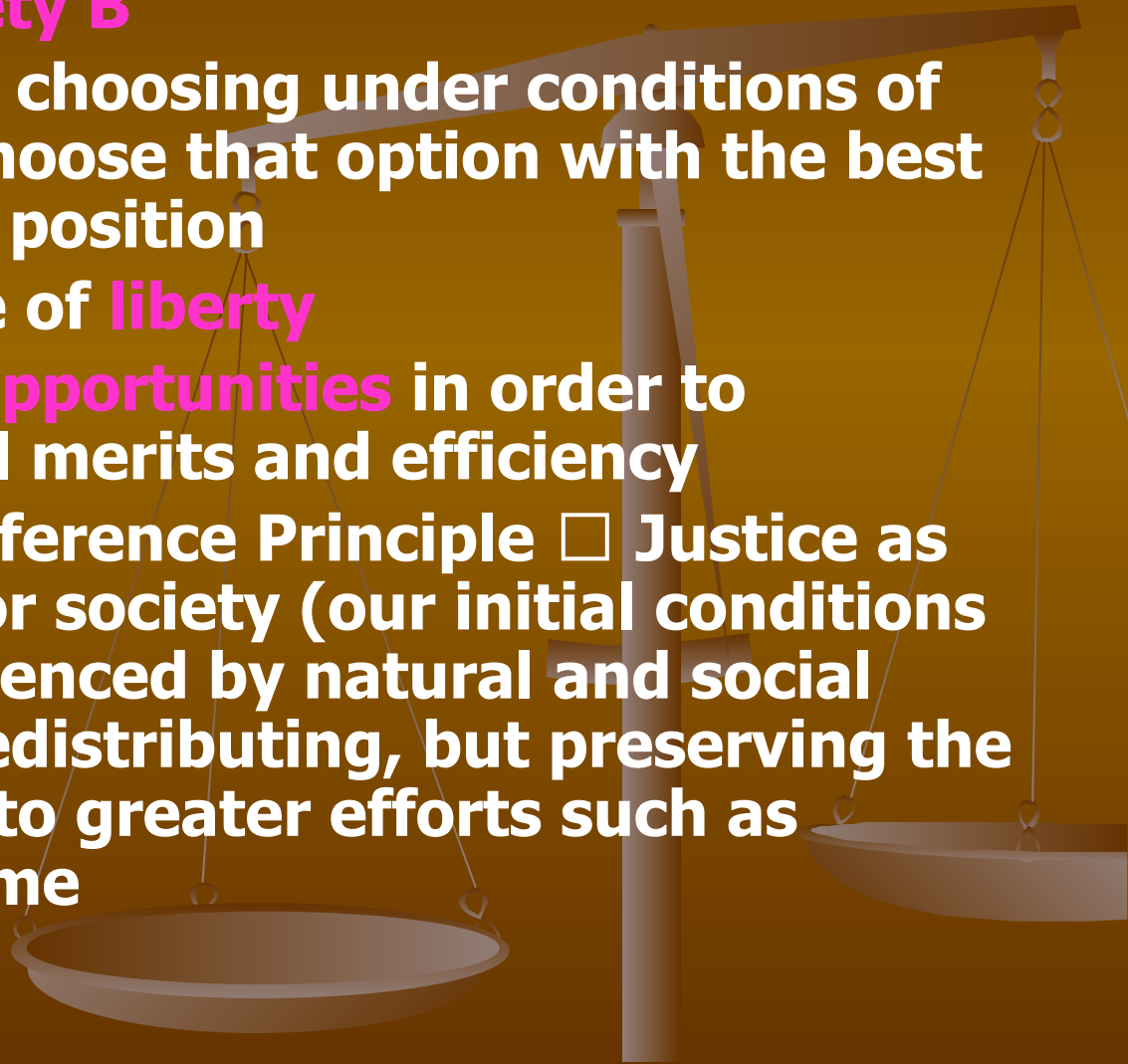
Rawls choice is Society B

Maximin Strategy: in choosing under conditions of uncertainty, you choose that option with the best worst or minimum position

Principle 1: the value of liberty

Principle 2 a: equal opportunities in order to preserve individual merits and efficiency

Principle 2 b: The Difference Principle □ Justice as redress of nature or society (our initial conditions should not be influenced by natural and social circumstances). Redistributing, but preserving the incentives related to greater efforts such as earning more income



Economic Justice:

John Rawls' Theory of Justice

- **CRITIQUES**
- **Strict egalitarians:** don't treat anyone differently
- **Utilitarians:** doesn't maximize utility
- **Libertarian:** infringes on liberty through taxation, etc.
- **Desert-based** theorists argue to reward hard work even when it doesn't help the disadvantaged

