

# Economic Justice: John Rawls

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## John Rawls(1921-2002)

Rawls is a liberal egalitarian. Liberal because he defends individual rights and economic liberties. Egalitarian because he claims equality must play a central role in the distribution of costs and benefits of social cooperation. Marx claimed— for example, in *On the Jewish Question*— that liberal capitalist societies ascribed to citizens formal liberties undermined by the inequalities produced by capitalism. Rawls takes this criticism seriously, and maintains that political rights must be secured substantially as well as formally. In practice, this means that inequalities must not grow too large to ensure everyone the same opportunity to exert political influence.

## **A Theory of Justice**

Rawls' book *A Theory of Justice* was published in 1971, revised in 1990 and totally reconfigured the debate among anglo-american political theorists. Many of the other theories we will consider are objections or counter-objections to Rawls. In what follows we will also use his *Justice as Fairness. A Restatement*. (2001).

## Primary goods.

Rawls criticises utilitarianism (then dominating Anglo-American political philosophy) because a) it allows the welfare of some individuals to be sacrificed to the welfare of the rest. b) we should distribute not welfare, but **primary goods**.

Primary goods are goods everyone wants: who has more of them is better off.

## **Primary goods** are

- (1) personal rights and freedoms,
- (2) the opportunity to achieve power and authority in their working life,
- (3) income and wealth,
- (4) social bases of self-respect.

**Social bases for self-respect:** people must feel secure that the position they have in society will be respected, and that pursuing one's life ideal (conception of the good) is worthwhile. Civil rights are central to securing the social bases of self-respect.

## Two Principles of justice in a well-ordered society

Note: these principles do not apply to individuals in their everyday life but to the basic structure of society.

- **First Principle (Liberty Principle):** Each person has the same absolute claim to a fully adequate scheme of equal basic liberties, which scheme is compatible with the same scheme of liberties for all;
- **Second Principle (Fair Equality of Opportunity Principle):** Social and economic inequalities must respect two conditions:
  - Offices and positions must be open to all under fair equality of opportunity;
  - They are to be to the greatest benefit of the least-advantaged members of society (**the difference principle**).

## The Liberty Principle

The Liberty Principle guarantees everyone the rights normally established in the constitutions of liberal democracies: right to life, freedom, and security for one's own person, liberty of conscience, freedom of speech and assembly, property rights, and the right to vote.

The Liberty Principle also states that everyone must be ensured **equal opportunity to hold public office and to influence elections**. These rights cannot be guaranteed formally, but must be guaranteed substantially. Rawls' distinction between formal and fair value of equal political liberties is inspired by K. Marx.



## **Too much inequality is ruled out by the Liberty Principle.**

With large inequality, there will always be a danger that the wealthiest disproportionately influence political power. The best off may, for example, threaten to withdraw their investment in a local community or give large donations to political parties to ensure their own interests.

Rawls recommends measures such as public financing of political parties, limits on donations to candidates and parties and equal access to the media. But these measures will not be enough ( and will not come into being) in the presence of too great concentration of capital.

## **The second principle is about socio-economic goods.**

The principle of fair equality of opportunity (EO) is more demanding than the principle of formal equality of opportunity imposed by law in many countries, which only requires that all kinds of discrimination based on her race, religion etc. are forbidden. To get more women into their ranks, orchestras started in the 1970's to use blind auditions. This has led to a dramatic increase in hirings of females. Experiments show that people with same CV but non european names get fewer job offers in Europe and US. So even formal EO is difficult to achieve.

## Fair equality of opportunity

This requires also that anybody should be given the possibility to become best qualified i.e. that one must correct for disadvantages due to social background, e.g. by having access to education.

One argument for equality of opportunity (both formal and fair) is **efficiency**. Another argument is (unsurprisingly!) **fairness**. Rawls thinks that people who have the same abilities and motivation should have the same prospects, this view is very common in today's western societies (or even in China!).

## **In practice**

He also believes that unless the institution of the family is abolished fair EO is almost impossible to achieve. In most societies, children from richer families have more education and higher probability of holding prestigious positions. Empirically we now know societies with less income inequality also tend to have more social mobility(e.g. Denmark vs the US). So less inequality is a precondition for fair equality of opportunity.

## Moral Arbitrariness of Talent

Differences in innate abilities and drive will entail that some end up with more than others. Many would think that one deserves what one acquires by virtue of one's talent. Rawls does not agree. This view is more controversial. He thinks that the talent and character with which one is born is arbitrary from a moral point of view. This is why the principle of fair equality of opportunity must be supplemented by the difference principle. Inequality arising from remunerating the talented if the fruit of their work improves **also** the condition of the worst off is justifiable.

## Liberty principle

It has been objected to Rawls that giving a minimum to the worst off a huge amount to the best off and nothing to those in the middle would be an improvement. **But:** if the huge amount to the best off reduces the political agency of those in the middle this may infringe the liberty principle which takes precedence over the FEO principle.

## Equality and Efficiency

Rawls attempts to reach a compromise between two views on just distribution: the first view proposes equal material distribution between all **(equality of outcomes)**. Humans are morally equal, and equality of material goods is the best way of maintaining this moral equality. This view is opposed by those who believe the wealth in a society will increase if we allow those who produce more to earn more.

The **difference principle** incorporates an incentive argument: differences in rewards will expand the economic pie, which also favors the worst off. This is the idea of trickling down growth.

Thus, the difference principle strikes a middle ground because it incorporates an egalitarian impulse while being oriented towards efficiency. Growth is however not good in itself but only if it favors (also) the worst off. Moreover a key primary good is a sense of self worth. "Trickling down growth in self worth" may be more difficult to achieve than trickling down material growth.



## **A stable society**

Rawls believes that a stable society needs everyone to believe that the fundamental rules of its organization are just. He thinks that the second principle will be accepted by all. The worst off will accept inequalities because they work for their advantage. The best off will accept to share part of their advantages because they will 1) be advantaged anyway 2) also see that talent, like family background and luck are morally arbitrary 3) recognize that their income is not attained in isolation, but is the fruit of social cooperation.

**The principles of justice are lexically ordered.** That means that the first principle (the liberty principle) must be completely satisfied before the second principle whose first part must be satisfied before the second. Fair equality of opportunity must be satisfied before the difference principle can be applied.

**The difference principle is not the only one relevant for just distribution.** Starting with the liberty principle, we have built an argument against economic inequalities as they can hinder people from participating in politics on a par with others, or be elected to political office. For instance today in western democracies while 2/3 of electors do not have a tertiary education degree very few without such a degree sit in parliaments. Moreover, there is strong evidence that large economic inequalities in society negatively impact fair equality of opportunity.

## Who are the worst off?

Rawls suggests two possible ways to identify them: 1) to pick a particular social group, for example, unskilled workers, and then include in the group of the worst off anyone with the same (or lower) level of income. 2) to base the choice on income relative to others. At the OECD anyone with less than half the median income is below the poverty line ( in Italy 12.8% of the population in 2021).

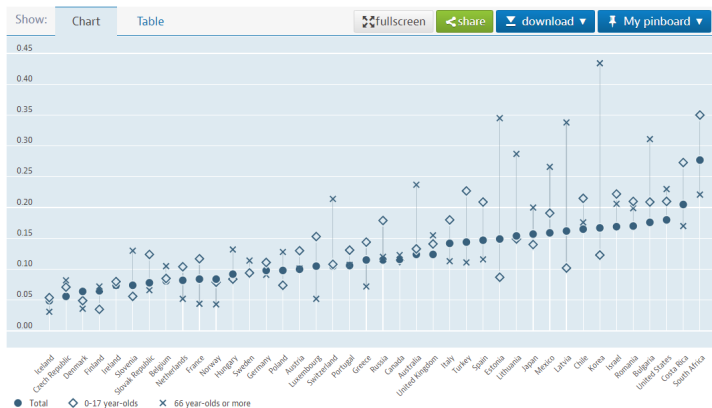


Figure: OECD data

Poverty

<https://data.oecd.org/inequality/poverty-rate.htm?msclkid=88b4571bcf1711ecbe27fc8162cb6d51>

Rawls sees distributive justice as a question of how to distribute the fruits of social cooperation between people who are willing and able to work. What about people who cannot work, i.e. the disabled? Rawls thinks that the question of what duties we have to those who do not participate in the production is secondary. This can be discussed: for instance in the face of automation which risks pushing more and more people out of the labour force. General point is a just society must not only distribute justly what it produces but be organized so as to allow people to contribute to production widely defined: for instance civic engagement is essential ( e.g. Power and Progress by D. Acemoglu and J. Robinson 2023, The Third Pillar by R. Rajan 2019).

**Employment rate** Total, % of working age population, Q1 2022 or latest available

Source: Labour: Labour market statistics

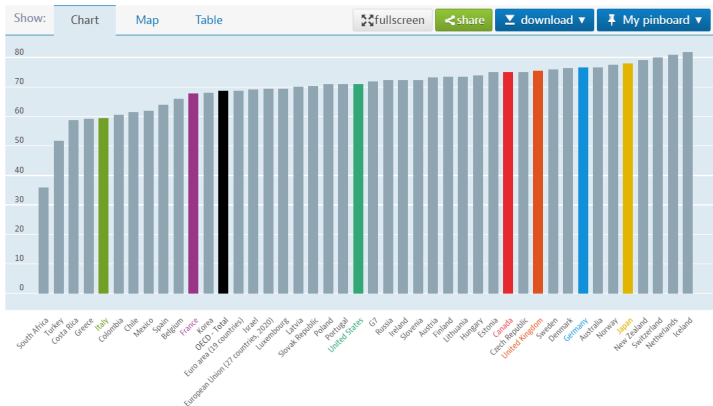


Figure: OECD Data

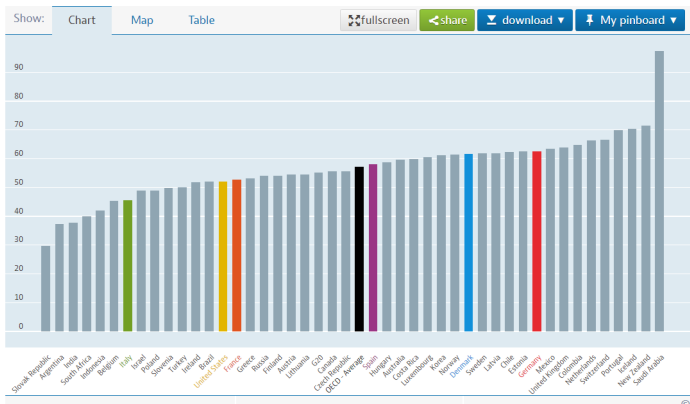
## Employment

<https://data.oecd.org/emp/employment-rate.htm#indicator-chart>

## Employment by education level

Below upper secondary, % of 25-64 year-olds, 2021 or latest available

Source: Education at a glance: Educational attainment and labour-force status



EmploymentEducation

<https://data.oecd.org/emp/employment-by-education-level.htm#indicator-chart>



## Democratic Equality

Rawls compares a society organized on the basis of his two principles (Democratic Equality) to other two kinds of ideal societies.

1) **the system of natural liberty** (a free market society). Everyone is ensured formal liberty and formal equality of opportunity. No remedy for individual differences in advantages due to natural endowments, family background or luck.

This society is unjust because these factors are “arbitrary from a moral point of view”

2) **liberal equality (meritocracy)**. In this society there is fair equality of opportunity

Many believe that they deserve what they earn thanks to their talent and effort. But Rawls radically challenges this opinion. We do not deserve our ticket in the national lottery anymore than in the social lottery.

## Effort – Talent – Luck

Inequality may be due to three factors: .

Effort: e.g.hours spent working or studying. ( do you think any kind of work or study counts the same? What about enjoying them?)

Talent: natural abilities appreciated by one's society ( eg. looks, physical strength, courage, whatever).

Pure luck: birth privileges etc.

In fact it is difficult to distinguish between the three: Rawls stresses that even being more or less capable of effort is partly naturally or socially determined ( depends on physical and mental health as well as cultural attitudes acquired in the family and through education).

So our efforts can be incentivized but this does not mean that we deserve these incentives. Democratic equality means that inequalities due to talent and effort will be admitted on the basis of the second principle (i.e . because it is efficient).

## Meritocracy

In the second chapter of *A Theory of Justice* discusses the 1958 satirical novel "The Rise of the Meritocracy: 1870-2033" by the English sociologist Michael Young, who invented the word. Young imagines the United Kingdom in 2034 on the brink of revolution; hereditary privileges have long been abolished. A high-quality education and subsequently roles of power and responsibility are allotted on the basis of multiple rounds of standardised tests. In Young's phantasy the result is a toxic blend of arrogance of the upper class, proud of their deserved success, and resentful humiliation of everyone else, those who didn't make it and that finally rebel against the cognitive elite.

## **Meritocracy!**

In spite of being born as a term of censorship not of praise (and of the firm condemnation by Rawls), the principle that economic and social advantages should track effort and talent has enjoyed wide support in the last half century. Indeed its double promise of efficiency at the social level and fairness at the individual level seems difficult to renounce.

## Meritocracy?

In the face of the rise of economic inequality in most advanced nations the principle has started to be scrutinised more closely. Among the most vocal critics are Yale Law School professor Daniel Markovits (The Meritocratic Trap 2020) and Harvard Bass professor of government Michael Sandel (the Tyranny of Merit 2020). They argue that meritocracy can foster a particularly destabilizing form of inequality: a lower social position in a meritocratic society is particularly hard to bear, because it implies the losers deserve their defeat, so that insult is added to injury. Indeed they claim that Trump's election as well as Brexit can be at least partially explained by the resentment of the losers of globalization against the hubris of the meritocrats.

So Rawls's (and Young's) critical stance on Meritocracy has certainly acquired a new urgency today.

## **Social Contract Theory I**

In the third chapter of *A Theory of Justice*, R develops an argument for his two principles inspired by the social contract tradition represented by Thomas Hobbes (1588– 1679), John Locke (1632– 1704), Jean-Jaques Rousseau (1712-78 ), Immanuel Kant (1724-1804) and others.

In this tradition the state is seen as legitimate if people in the state of nature(i.e. in the absence of a political organization) would have created it through a social contract from which all the essential rights and duties of citizens could be logically deduced.

## Social Contract Theory II

For **Hobbes**, the state of nature is the “war of every man against every man,” Existence in the state of nature is “solitary, poor, nasty, brutish, and short.” To escape from this people transfer their self-sovereignty to the Leviathan. For **Locke** people have natural rights ( life, liberty, and property) and the government is only useful to better ensure their enjoyment. **Rousseau** believed that humans led a happy life in the original state of nature but they ‘ came to realize that the development of their nature, the realization of their capacity for reason, the fullest experience of liberty, could be achieved only by a social contract which established a system of cooperation through a law-making and enforcing body.’

## The Original Position

The concept of the original position plays in Rawls's argument a role similar to that of the state of nature in previous contractualism. Parties in the original position are behind a “veil of ignorance”. i.e. they have no knowledge about personal traits and place in society. The principles to be chosen must be: general, universal in application, public (known to everyone), have on ordering, permanent.



## **A Veil of Ignorance I**

Rawls writes the following about the original position:

"Among the essential features of this situation is that no one knows his place in society, his class position or social status, nor does any one know his fortune in the distribution of natural assets and abilities, his intelligence, strength, and the like. I shall even assume that the parties do not know their conceptions of the good or their special psychological propensities."

## **A Veil of Ignorance II**

The veil of ignorance ensures impartiality even if agents are assumed to be self-interested, i.e. they do not impose "their own conception of the good" to society. They incorporate the point of view of any individual they could happen to be.

## Uncertainty Aversion

Rawls holds that parties in the original position will seek to minimize the loss they, in the worst case, might be subject to. The maximin rule for decisions under risk consists in adopting the choice whose worst outcome is better than the worst outcomes of the other choices. This rule may be very reasonable in the original position given that parties a) face not risk but uncertainty about what kind of society one will be in and about what role in this society one and one's offspring will find herself in 2) their choice is existential and final ( cannot be changed).

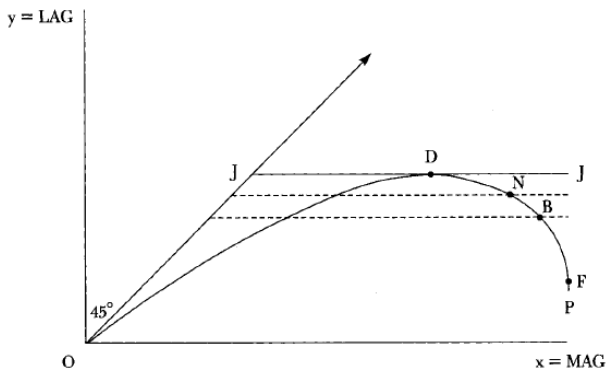
## **An Equal and Symmetrical Position I**

Rawls also justifies the difference principle by saying that as the parties decide from an equal and symmetrical position, equality is a natural starting point, the default choice. However if some form of inequality increases efficiency so as to benefit everybody why should it be forbidden?

## **An Equal and Symmetrical Position II**

**But:** since equal division is the benchmark, those who gain more are to do so on terms acceptable to those who gain less, and in particular to those who gain the least and who have so to speak, a veto power.

Figure 1



In this figure ( From Justice as Fairness) the distances along the two axes are measured in terms of an index of primary goods, with the x-axis the more advantaged group (MAG), the y-axis the less advantaged (LAG). D is the efficient point nearest to equality. N is the Nash point, where the product of the indexes of primary goods are maximized, and B is the Bentham point, where the sum is maximized. The set of efficient points goes from D to the feudal point F.

## Principles of Justice

Taken together, the principles of justice best embody the idea of citizens as free and equal. They can see each other as equals only when the principle of fair value of political participation and fair equality of opportunity are in place and when they understand that inequalities are to their own advantage. Infringement of these principles harm the individuals' self-respect, making them feel dominated, apathetic or bitter, which is bad in itself and dangerous for social stability.



## **Institutional Arrangements I**

Rawls became more and more concerned with specifying which institutional arrangements would best realize the principles. This effort culminated in *Justice as Fairness: A Restatement*. (2001). Here, Rawls distinguishes between five different types of social system or regimes: Laissez-faire capitalism, state socialism, welfare state capitalism, property owning democracy, and liberal socialism

## **Institutional Arrangements II**

All these regime types can be evaluated using the two principles of justice. Laissez-faire capitalism (aka system of natural liberty), is not concerned with ensuring fair value of the political liberties or fair equality of opportunity. Market outcomes are seen as just so long as formal equality of opportunity exists.

State socialism violates the principle of fundamental rights by its lack of democratic procedures.

**Institutional Arrangements III.** From his Theory of Justice, Rawls was thought to consider a comprehensive welfare state to be the best institutional arrangement. The welfare state provides a safety net for those who need health services or have no income and guarantees everyone the right to an education.

## **Institutional Arrangements IV**

But are capitalist welfare states just? Rawls did not think so. Even the Nordic welfare states, used as models the world over, allow too much concentration of capital: few privileged have control over the means of production. Since economic resources are often convertible into political power, Rawls argues that even generous capitalist welfare states violate the most important principle of justice: basic liberties for all.

## **Institutional Arrangements V**

If welfare states are not just, what is the alternative? Rawls argues that both liberal socialism and property owning democracy can satisfy the principles of justice. Liberal socialism is characterized by publicly owned means of production and workers-controlled companies. However, Rawls does not thoroughly discuss this kind of regime, and focuses instead on property owning democracy, so defined by the economist James Meade in *Efficiency, Equality, and the Ownership of Property* (London: G. Allen and Unwin, 1964).

## **Institutional Arrangements VI**

In a property owning democracy, property is continuously distributed by means of state intervention ( e.g. by taxing inheritances and wealth, capital income etc. ) to avoid concentrated economic power. Meade writes: " A man with much property has great bargaining strength and a great sense of security, independence and freedom; and he enjoys these things not only vis-à-vis his propertyless fellow citizens but also vis-à-vis the public authorities. He can snap his fingers at those on whom he must rely for an income; for he can always live for a time on his capital. The propertyless man must continuously and without interruption acquire his income by working for an employer or by qualifying to receive it from a public authority. An unequal distribution of property means an unequal distribution of power and status even if it is prevented from causing too unequal a distribution of income " (Meade, James E. (1993): Liberty, Equality and Efficiency. New York. New York University Press.

## Institutional Arrangements VII

Everyone must be guaranteed a social minimum, not just to provide their basic needs, but also to be a member of society on equal terms with everyone else. Rawls also opens up for the possibility that workers, to a greater extent than at present, must be able to own the companies in which they work, and he argues for more democracy in the workplace.

**But:** Rawls stands by property rights ( not of means of production though), and is less critical of the market than are traditional socialists.

## **Institutional Arrangements VIII**

The logic of capitalist welfare states entails compensation for the worst off ex post. This risks the creation of an underclass. The logic of property owning democracy, in contrast, is to equip citizens with the resources they need for full participation from the beginning. Property owning democracy therefore requires predistribution and not just redistribution ( not Rawls's terms): Predistribution is about limiting pre-tax income inequality, while redistribution is about more well-known mechanisms such as tax on income and wealth.



## **Institutional Arrangements IX**

An example of predistribution would be changing the laws protecting intellectual property rights so reducing monopoly power. Another example is imposing a minimum wage. A key measure is investing heavily in education (starting from pre kindergarten). The goal of both predistribution and redistribution is to ensure the spread of capital. Capital here also means human capital (not Rawls' term), something everyone is allowed to possess because property owning democracy requires full access to high-quality education for all.

## **An important Aside**

Rawls insists ( for instance in chap 2 of TG) that a society must invest in education for all, not only to raise efficiency ( as implicit in the concept of human capital) but to give all equal means to participate in the culture of their society.

## On Growth

(J 63): "A further feature of the difference principle is that it does not require continual economic growth over generations to maximize upward indefinitely the expectations of the least advantaged (assessed in terms of income and wealth). That would not be a reasonable conception of justice. We should not rule out Mill's idea of a society in a just stationary state where (real) capital accumulation may cease"

## **On Economic and Social Inequalities I.**

(J130) (a) "it seems wrong that some or much of society should be amply provided for, while many, or even a few, suffer hardship, not to mention hunger and treatable illness."

(b)"A second reason for controlling economic and social inequalities is to prevent one part of society from dominating the rest. When those two kinds of inequalities are large, they tend to support political inequality."

## **On Economic and Social Inequalities II.**

(c) "Significant political and economic inequalities are often associated with inequalities of social status that encourage those of lower status to be viewed both by themselves and by others as inferior. This may arouse widespread attitudes of deference and servility on one side and a will to dominate and arrogance on the other....But is the inequality wrong or unjust in itself? It is close to being wrong or unjust in itself in that in a status system, not everyone can have the highest rank. Status is a positional good, as is sometimes said."

## Justice as Fairness

Summing up: Rawls can be said to propose a radically egalitarian ideal.( J 132)"in a society well ordered by the principles of justice as fairness, citizens are equal at the highest level and in the most fundamental respects. Equality is present at the highest level in that citizens recognize and view one another as equals. Their being what they are—citizens—includes their being related as equals; and their being related as equals is part both of what they are and of what they are recognized as being by others. Their social bond is their public political commitment to preserve the conditions their equal relation requires."