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Democracy and Economic Justice

THE INTERSUBJECTIVE VIEW OF THE PERSON AND THE PRINCIPLE OF EQUALITY

Social aspects of the person should have a salience that they are not usually accorded in considerations of relative distribution. When their relation is adequately taken into account, economic justice can be seen to be different from that which is ordinarily posited. Conceptions of economic justice differ on the question of the relative distribution of income. But they do not sufficiently consider how some social aspects of the person might bear on the question. This book develops the view that these aspects of the person affect the degree of equality that is involved in the conception of economic justice.

A revised understanding of economic justice, derived from social premises, can then have implications for the nature of democracy. These implications are, however, often discounted in theories of democracy. For example, the “procedural” theory of democracy does not incorporate considerations of economic justice, because it views democracy and economic justice as separate concepts by defining democracy solely in terms of political equality. This book, by contrast, postulates an integral relation between democracy and economic justice that leads to the inclusion of principles of distributive justice within democratic rule. I develop a “substantive” theory, holding that the just distribution of economic resources is a defining characteristic of democratic rule. The theory cannot simply be synthesized with existing concepts of economic justice, because new principles for regulating the distribution of income and wealth are needed. These may be developed by revising the ethics of reward for economic contributions and the ethics of economic community.

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Normative views of economic justice depend on theoretical analysis of economic society, since appropriate regulative principles for the economy emerge from the character of that society. How income should be distributed is partially a matter of who contributes (and to what extent) to the creation of economic value. Assessing contributions requires a theory of the determinants of economic value. Modern economics interprets contributions to value as the products of individual choices about how much or how hard to work, which career to undertake, and what qualifications or skills to acquire. In other words, it identifies contributions with individual differences in diligence, willingness to develop skills, and psychological attitudes toward risk taking. This approach justifies unequal remuneration and distribution of income.

But in my view, social influences on individuals play a more central role in actuality than they do in modern economic theory. They greatly affect the formation, character, and extent both of individuals' productive capacities and activities and of their other economic qualities and actions, such as consumer wants and purchases, that also help determine the value of goods and services. Social analysis reveals that economic agents subject to similar influences and conditions develop some of the same characteristics and undertake some of the same activities in producing or otherwise creating economic value. The argument that there are some equal attributes and actions and that they lead to equal contributions invites revision of conventional formulas of remuneration.¹ The long-standing tendency in modern economics to subordinate this consideration is comparable to leaving gravitation out of astrophysics.

In competitive markets, individuals receive incomes proportionate to the value of their productive contributions, according to conventional economists. Indeed, markets would not distort income distribution if forms of equal contributions were generally commodified and had prices attached to them, but this has not been the case. There are equal contributions in the economy that are like unpaid factors of creation of economic value. Economic agents are generally unaware of the uncommodified forms of equal contributions, so their moral reasoning usually stresses difference and what difference deserves: "If I work harder or better, why shouldn't I make more?"² But should not equal contributions neglected by the market be given their due?

Ethicists of contributions have proceeded largely in isolation from modern economic theory since 1870. They work mainly on the assump-

1. This proposition is not intended to deny that there are also unequal contributions that result from differential attributes and actions.
2. McClosky and Zaller 1984, pp. 120, 156.

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tion of classical political economy that the value of commodities is created entirely by producers. But modern or neoclassical economics has shown that consumers help to determine value, and ethics therefore needs to give greater consideration to the role of consumers when assessing contributions. The ethics of contributions can also benefit from a reinfusion of certain older themes in economic theory. The individualistic theory of consumer satisfaction – the so-called “utility” theory – in modern economics should be replaced by earlier (classical and Marxian) ideas about the social composition of agency – altered, however, to apply to consumers as well as to producers.

Distributive rules and forms of property can also be developed within the ethics of economic community. Capitalist systems possess, not only an overt dimension of individualism, but also a less obvious one of community, that morally entails a different distributive rule than does the former dimension. Competing economic actors simultaneously stitch together something of a community by engaging in common actions for certain common ends. Each one does things for others that they would otherwise have to do for themselves – the very essence of common action. The capitalist economy thus is a peculiar mass race where each contestant carries – and is carried by – the members of the other competing teams part of the way to the finish line.³

I refer here to a dimension of *genuine* community in capital-based market systems, not just a fragment, semblance, or second cousin of community. For it extends more widely and inheres more deeply in the economy than in the small-scale communities or external communities posited by communitarians. Arguably, all economic agents have a common goal of preserving and expanding capital, because all the goods and services that they desire hinge on the ongoing circuit of money and commodities, that is, on the circuit of capital.

The common actions sustaining that circuit are generated by socially influenced but individually willed actions. An element of cooperation arises between firms because they have to adjust their production processes to what other firms provide and need. Though opposed in some ways, capital and labor also unite to produce and gain portions of social wealth. Mutual adjustment is required for joint production. Laborers and managers of capital acquire skills and pattern their work for the efficient production of goods and capital. Moreover, since profits depend on sales, production and consumption are interrelated as well.

3. To be sure, runners in the economic race reach different finish lines, but these are all variations on the same theme, rather than utterly different pursuits. The participants win different-sized pieces of the same prize.

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While producers orient output toward the satisfaction of consumer wants, they also shape those wants by advertising their products and by other means.

Since capitalism is a society of mixed metaphors, with all its members in the same boat and yet pulling themselves up by their own bootstraps, principles of distribution should reflect both communal and individualistic aspects. Total social income should be distributed unequally to the extent that it is produced by distinct individual actions, and it should be distributed equally to the extent that it is created by the joint activity of people shaped by social conditions. Communitarianism can jeopardize property rights, but in my theory economic community proves compatible with the supreme ethical worth of individuals, and hence with their entitlement to rights. While liberal property rights derived from society as a plurality of distinct individuals sharply constrain redistribution, property rights based on a dimension of economic community come with strong redistributory strings attached.⁴

Absorbed into democracy through the ideal of rule for the people, these principles of distributive justice change the hue and cast of democracy as currently practiced.

DEMOCRACY AND REDISTRIBUTORY PROPERTY RIGHTS

The theory of justice and democracy that I propose introduces moral grounds for equalizing the distribution of a portion of total income and for forming a more egalitarian economic order than is available under current forms of capitalism. Although these considerations, if valid, warrant greater equality than do prevailing theories of economic justice and democracy, they do not support a strictly equal distribution of income. A different set of considerations justifies unequal accumulations of another portion of income.

The principle of equalizing a portion of income takes the form of a property right, an individual's right to own something. When redistribution has this form, titles to redistributed income are assigned to individuals rather than to the state. In this respect, they resemble traditional property rights, in contrast to later distributions undertaken by the liberal welfare state, where the reflux from progressive taxation or

4. Rawls's moral derivation of distributive rules from an assumed society of independent ("distinct") individuals precludes egalitarian distribution in most circumstances, since Rawls seems to believe that inequalities are just because they create incentives that increase social wealth, improving the lot of the worst off. See Rawls 1971, pp. 29, 151, 158.

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inheritance taxes often goes to the state, not to the individual. Such titles may therefore be termed “redistributory property rights.”

The individual’s entitlement may also be considered a property right because it has the same moral underpinning as a traditional property right. In the prevailing theory, individuals are assigned property because they are ethically entitled to it. Similarly, in my analysis, individuals have a redistributory property right because of their moral worth. Since entitlement is determined on the basis of individual qualities, the redistributory property right cannot be assigned to social aggregates, such as firms, communities, or states. The proposal for this right is then distinguished from any strategies according communitarian rights to social aggregates.

A right to an equalized portion of income does not obstruct or deny the operation of markets. It affects part of the income devoted to consumption but does not govern the revenues reinvested in a firm for the purchase of plant and equipment. While it selectively controls the distribution of one part of income, it otherwise leaves the distribution of income and revenue to market forces.⁵ Thus, in terms of professional economics, it does not impede the “law of value.”

The idea that individuals have a right to equal shares of part of total social income is not reflected in the actual world of democracy, which at present does not recognize this right or put it into practice. To interpret this state of affairs one needs to distinguish between nominal and true democracies. Countries that are conventionally known as democracies may or may not possess the defining characteristics of democracy, and I refer to countries that do not possess these characteristics as “democracies.” I omit the quotation marks for systems that have these defining features in some significant measure, even if the systems exist only in theory at this time. A theoretically derived system may qualify as a true democracy if it has the requisite characteristics even though it does not yet exist.

What is the significance of the fact that current “democracies” do not recognize a redistributory property right? Does it mean they are not truly democratic on this score? Or that they can be fully democratic without possessing such a right? Does it mean that they are democratic but unjust? Or finally, does it mean that they are both undemocratic and unjust in their failure to implement a redistributory property right?

Assuming that redistributory property is in principle a right, but not part of the democratic ideal, some might say its absence from current

5. On selective centralization of the distribution of income, see Dahl 1982, pp. 116–120.

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“democracies,” such as the United States, does not diminish their democratic standing. Because democratic rule does not require the majority to redistribute income if they do not want to, their disinclination to do so does not constitute a failure to achieve a democratic ideal. In this way of thinking, the redistributory right, though extrinsic to democratic ideals, may still have moral standing as part of economic justice. But even if it does, the demos is not obligated to institute it, according to some scholars, because economic justice is not morally superior to the principles of democracy; on the contrary, democracy is the highest court of moral appeal.

Other scholars who assume that the redistributory property right is ethically valid might hold that current “democracies” without this right, however democratic in principle, are not sufficiently just. In this view, the ideal of economic justice obligates people to implement the redistributory property right even though it is not part of democratic rule, because economic justice (subsuming the redistributory property right) is morally superior to democratic ideals.

Taking yet another position, I contend that current “democracies” that lack the redistributory property right do not qualify as true democracies along this dimension. But how can such a right be intrinsic to the idea of democracy? Democracy, it is often supposed, consists in majority rule, elections, and the rights involved in these processes, and the redistributory property right does not seem to fall into any of these categories. In my view, however, this right passes into democratic ideals over an internal bridge linking the concepts of democracy and economic justice. One of the main arguments of this book is that the democratic ideal of rule for the people morally requires the demos to maintain the principles of economic justice.

Part I examines the underlying assumptions – in particular the concept of autonomous persons – that justify unequal distributions of income and wealth in liberal theories of property. Parts II and III involve the development of alternative assumptions that justify a redistributory property right. Part II discusses property within the ethics of due-ness for economic contributions, arguing that the notion of socially formed persons affects calculations of due-ness in ways that lead to a more egalitarian form of property rights than is found in classical or welfare state liberalism. Part III focuses on property within another system of ethics, the ethics of economic community. The social theory concludes that capital-based market systems have a dimension of community, which supports a more equal distribution of income and wealth than does liberalism. Part IV integrates democracy and the redistributory property right.

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DISTRIBUTIVE JUSTICE AND THE DEVELOPMENT OF
 POLITICAL AND ECONOMIC THOUGHT

Theories of property and distributive justice are only as strong as their premises about individuals and society allow them to be. Problems in the premises unfortunately impair the ethical constructs reasoned from them. As I have already noted, many theories use overly individualistic concepts of the person that emphasize internal origins and causes of personal attributes and ends. While some acknowledge the social formation of the individual, they usually formulate it unsystematically, supplying an inadequate foundation for theories of property, because they fail to recognize that agents in an economic system are likely to be affected by the system itself. Despite some controversy about the effect of individualistic and unsystematic social premises on distribution and property, the subject has not yet been sufficiently examined.

It does not help that some scholars prefer to deflect the issue. They argue that social, communitarian, and liberal theories have no irreconcilable differences. As they see it, individualistic and social theoretical premises about the person are morally neutral, and the debate over them is sterile and devoid of normative significance. Their reaction to controversy, then, is to blur differences, minimize the deficiencies in premises, and underestimate the possible ramifications of the debate. In contrast, I suggest a focus on premises, convinced that principles of distribution must derive from them.

Excessively individualistic and unsystematically social premises about the person, when used in justificatory arguments, warp principles of distribution by skewing them in an inegalitarian direction. While a weakly formulated social concept of the person may point toward an egalitarian distribution of income and property, it cannot ground this principle firmly enough to prevent backsliding. But if the social concept of the person is strengthened and the correct inferences are drawn from it, it can securely underpin the egalitarian principle.

In liberal theories of property and distributive justice, the failure to give centrality to the social formation of the person may have several explanations, including a propensity for individualistic approaches. John Rawls, for example, treats social influence only as a background or peripheral issue. He and others give heuristic rationalizations for extreme postulates of subjective individuality that disguise their lack of substance.⁶ Neoclassical economists put forward a systematic account of

6. Rawls rationalizes the premise of the priority of choice to social influence on the ground that to do otherwise would bias the form of the community that would

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relations between commodity exchangers and producers, but their account is strangely asocial. Instead of rigorously analyzing the social formation of economic actors, these theorists build a conception of the system either from given preferences or from an unsystematic account of the social determination of individuals.

Neoclassical and Rawlsian theories represent the culmination of liberal thinking about property and distribution. Though somewhat diverse, they have common structural features: (1) a combination of abstract equalities shared by persons, who all have free will, and concrete differences in their wants, wills, and preferences, (2) an abstract community living under the same rights and freedoms and a concrete multitude with disparate ends. Echoing a classical liberal thesis about society, Rawls holds that “the plurality of distinct persons with separate systems of ends is an essential feature of human societies,”⁷ while Robert Nozick declares, “There is no social entity with a good. . . . There are only individual people, different individual people.”⁸ Foundational conceptions of society in liberalism usually lack concrete forms of commonalities and equalities among persons.⁹

In liberal theories, the dual premise of abstract equalities and concrete differences among persons gives rise to the familiar right to highly unequal amounts of income and wealth. The absence of concrete equalities among individuals’ conceptions of the good led the classical liberal Immanuel Kant to conclude that there could be no common principle of distribution of economic resources, and thus no principle of equalization of economic resources. Using the premise of separateness and difference

be chosen, not realizing that the premised priority of choice itself skews the reasoning about community. See Rawls 1971, p. 264.

7. Ibid., p. 29.
8. Nozick 1974, pp. 32–33.
9. Rawls 1971, p. 29. There is some recognition of community in Rawls’s theory, as when he says that society “is a cooperative venture for mutual advantage . . . typically marked by . . . an identity of interests” (p. 520). Moreover, he claims that his theory provides “a satisfactory framework for understanding the values of community” (p. 520). But Rawls does not concretely elaborate his conception of community, and the part that he does describe seems to be the opposite of a community. His method is to develop a conception of the good of community from the assumption of a “deep opposition of interests” (p. 521). But in this case his conception of community seems to be not, at base, a conception of community at all. It is hard to understand how one could deduce a conception of the good of community from a premise – the opposition of interests – that is antithetical to the stated purpose of the reasoning. It would be rather like deducing the moral implications of free will from the premise of instinctual behavior: completely inappropriate to the subject under consideration.

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among individuals, Nozick develops a neoliberal justification for Kantian rights as “side constraints” demarcating inviolable moral spaces around individuals that can not be breached without their consent. Because redistributive policies cannot secure unanimous agreement, they are effectively prohibited by these prior rights.¹⁰ Separate existence dissolves moral bonds among people, exempting individuals from any claims made by others to a share of their resources. In Nozick’s words, “The moral side constraints upon what we may do reflect the fact of our separate existences . . . that no moral balancing act can take place among us.”¹¹ The same standpoint infuses the anti-egalitarian rhetoric of neoliberal politicians, as in Margaret Thatcher’s famous quip, “There is no such thing as society, there are individual men and women . . .”¹²

Liberal theories are not wholly invalid – members of civil society have concrete differences and the abstract common goal of freedom – but the theories may be seriously incomplete. For it is possible that the social world contains, not only liberal features, but also concretely equal characteristics and concrete common ends. If concrete unity and concrete equality do in fact exist, the way to uncover them would be to analyze their social formation. Then their distributive implications could be explored.

Hegel pioneered the analysis of systemic forms of social influence and disclosed some concrete forms of equalities and commonalities. Although others had studied social influence, he was unique in demonstrating that socially generated concrete equalities and commonalities are universal to the members of civil society, not characteristic only of subsets of the aggregate. He wrote,

The particular person is essentially so related to other persons that each establishes himself and finds satisfaction by means of the others, and at the same time purely and simply by means of the form of universality.¹³

A particular end . . . assumes the form of universality through this relation to other people and it is attained in the simultaneous attainment of the welfare of others.¹⁴

The fertility of the soil varies, . . . one man is industrious, another indolent. But this . . . arbitrariness generates universal characteristics.¹⁵

10. Nozick 1974, pp. 30–33, 48–51, 149–160.

11. *Ibid.*, p. 33.

12. Thatcher 1993, p. 626.

13. Hegel 1952, para. 182, pp. 122–123.

14. *Ibid.*, add. 116 to para. 182, pp. 266–267.

15. *Ibid.*, add. 120 to para. 189, pp. 268–269.

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The fact that I must direct my conduct by reference to others introduces here the form of universality. It is from others that I acquire the means of satisfaction and I must accordingly accept their views.¹⁶

The universality of concrete equalities and commonalities within civil society is important because it can yield general rules of distributive justice and property, not merely optional ethics for small groups.

Laying another foundation for the social theory of rights, Hegel reconciled the classical liberal antinomies of social determination and self-determination by showing that the fundamental social influences – produced by and for the essential constitutive relations of civil society – do not violate self-determination, despite their having a huge formative impact. In his analysis of self-seeking within an exchange system, for example, Hegel showed that individuals have to be socially conditioned in accordance with the requirements of mutual dependence in order for this system to exist, but that individuals thus determined can still realize their own ends. Moreover, although the multiplication of wants through exposure to the products of the division of labor constitutes a social determination of wants, it also expands the individual's range of choice and freedom. The reconciliation of social determination and self-determination was logically necessary to the theory of rights, for if social determination overrode self-determination, individuals would lack the quality that confers supreme ethical worth and entitles them to rights. Few theorists before or since Hegel rivaled his handling of this treacherous issue.

For a long period Hegel's thought was closed out of the "open society" (a society that officially tolerates freedom of thought) because his views allegedly have an affinity with the "closed society." Scholars in the 1970s and 1980s rediscovered it, creating a sort of Hegel renaissance.¹⁷ Though he does indeed provide some grounds for a social theory of rights, his reasoning has serious limitations. Equalities and commonalities among economic agents are not sufficiently developed, concretized, and elaborated, since they are not formulated within a developed theory of the system of economic relations. Another problem is his failure to give serious attention to the natural moral implication of these concrete equalities and commonalities: that there should be an equal distribution of some property and income.¹⁸

16. *Ibid.*, add. 123 to para. 192, p. 269.

17. For the view that Hegel's philosophy is a harbinger of totalitarianism, see Popper 1963. On Hegel's contribution to a social theory of rights, see Benhabib 1977. Pelczynski 1971 exemplifies the Hegel renaissance.

18. He was, of course, aware of this possible implication, but he dealt with it only cursorily.