



CHAPTER 3

JUSTICE AND ECONOMIC DISTRIBUTION

INTRODUCTION

IT SEEMS STRANGE TO RECALL THAT UNTIL THE early years of the twentieth century, there was no federal tax on personal income. Only when the Sixteenth Amendment to the U.S. Constitution was adopted in 1913 did Congress gain the right to tax people's income. Since then, the income tax laws have grown enormously complex. At around 70,000 pages, the federal tax code is more than two and a half times longer than it was in 1985.¹ Lawyers study for years to master the intricacies of the system, and most people with middle incomes or better require professional assistance to file their annual tax forms.

Because the tax rules do so much to shape the character of our economy and the distribution of income and wealth across the country, their fairness is frequently a political issue—thus the controversy over Congress's 2013 decision to raise the top marginal tax rate from 35 to 39.6 percent. This made it what it had been back in 2000, but it now applies only to income over \$400,000. Still, if you are wealthy, that tax rate might seem high to you. However, as Table 3.1 shows, until Ronald Reagan lowered it, the tax rate for the wealthiest individuals had been 63 percent and, until the early 1960s, it had been 91 percent.

When President Reagan reduced taxes on the wealthy, he also eliminated some important tax loopholes. But the most significant feature of his personal tax philosophy was its rejection of the principle of “progressivity”—namely, that the wealthy ought to pay taxes at a higher rate than the poor. Today's income tax system, with seven different tax brackets, remains progressive, but some complain that in reality those who are less well-to-do often end up paying more. One of the people making this charge

is—surprisingly enough—Warren Buffett, the nation's second richest man. Recently, he says, he earned \$46 million but paid only 18 percent of it in federal tax, whereas the average tax rate paid by his employees, whose salaries range from \$60,000 to \$750,000, was 33 percent. Buffett is convinced that this is no statistical fluke. In fact, he is willing to bet anyone \$1 million (to be paid to a charity selected by the winner) that the average tax rate (income and payroll) paid by the 400 wealthiest people in the country is lower than that paid by their secretaries and receptionists.²

Still, it remains true that America's wealthier citizens pay the bulk of the nation's income tax—for the simple reason that most of the nation's income goes to them. The richest 1 percent of the population receives nearly \$1 out of every \$4 generated by the U.S. economy.³ The 1 percent's average after-tax income is \$1.3 million, whereas the bottom 20 percent averages less than \$18,000 a year.⁴ This is part of a trend over the past thirty years toward an increasingly unequal distribution of national income in the United States, with those who are already well off now getting a larger share of the pie than ever before. Today the after-tax income of the richest 20 percent of income earners is greater than that of the bottom 80 percent combined.⁵ The income of the top 0.1 percent is even more dazzling. They receive in a day and a half about what the bottom 90 percent earn in a year.⁶

From World War II through 1980, the inflation-adjusted income of the median family more than doubled, but since then it has been relatively flat despite the fact that more wives have entered the workforce.⁷ In fact, adjusted for inflation, wages for men remain

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THE RICHEST 1 PERCENT
receives nearly \$1
out of every \$4.
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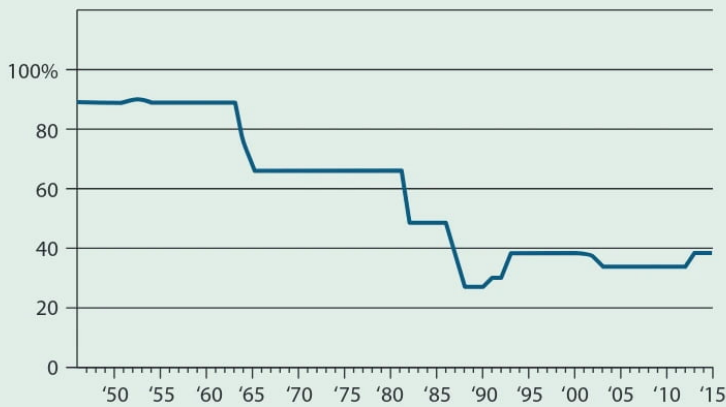


Table 3.1 Top Marginal Income Tax Rate

below their 1973 peak.⁸ This is despite the fact that per capita economic production in the United States has expanded by 93 percent.⁹ In contrast, middle-level managers have fared much better, and top executives have done spectacularly well. *Forbes* magazine calculates average annual CEO pay (salary, bonuses, and long-term compensation) at the 500 largest American companies to be \$10.5 million.¹⁰ This dwarfs what CEOs receive in other countries, such as Japan.¹¹

Since 1980 the compensation of the top American CEOs has grown from 42 times to more than 300 times greater than that of the average person working under them.¹² The median weekly salary of full-time workers is \$776.¹³ If the average CEO works 60 hours a week and 52 weeks a year, then he or she earns that much every fourteen minutes. Since 1990 CEO pay has gone up by 571 percent. In comparison, corporate profits have grown by a relatively modest 114 percent, and the average worker's pay, adjusted for inflation, has barely budged.¹⁴ A schoolteacher who made \$31,000 in 1990 would now make \$177,000 if teachers' salaries had grown at the same rate as CEO pay.

While those on top do better than ever, life continues to be a struggle for people in the middle and lower echelons. Indeed, according to some economists, the lack of middle-class income growth is "the defining issue of our time."¹⁵ Although our economy has created millions of new jobs in the last two decades, most of them pay relatively low wages.¹⁶ That's one reason the middle class has shrunk.¹⁷ Productivity gains have gone predominantly to investors, not to wage earners, with capitalists grabbing a larger share of the national income at the expense of workers.¹⁸ Whereas output per hour and real hourly compensation rose hand in hand from 1950 to 1980, U.S. Department of Labor statistics indicate that since then compensation has lagged behind.¹⁹ Although the

average American family works hard—twelve weeks more each year than thirty years ago²⁰—many families have trouble coping. Most American jobs do not pay enough to support a full household or to provide what most people feel are necessities,²¹ and the number of people who define themselves as "have-nots" has increased.²² For a variety of reasons, moreover, people's incomes are more volatile, and their lives less economically secure, these days. For example, the chance that a person or family will experience a year-to-year drop in income of more than 50 percent has almost doubled since the 1970s (from one in twenty to about one in eleven).²³

These trends are even more alarming when set against the background of the extremely unequal distribution of wealth in this country. The top 1 percent (about one-and-a-half million families) not only receives a disproportionate share of the national income but also owns nearly 40 percent of the nation's total net worth. That's double the share of total national wealth owned by the top 1 percent in 1976 and is more than that owned by the entire bottom 90 percent of U.S. households. This economic elite owns half of all stocks, mutual funds, financial securities, and trusts; two-thirds of all business equity; and 36 percent of nonresidential real estate.²⁴ In contrast, the bottom 60 percent of Americans owns only 5 percent of the nation's wealth, and the lowest 40 percent less than 1 percent.²⁵ Moreover, the richest of the rich have pulled even farther away from everyone else. The top 0.01 percent (about 16,000 families) possesses \$6 trillion in assets; that's equal to the combined wealth of the bottom two-thirds of the country.²⁶

Although the United States has always prided itself on being a land of opportunity, it has less upward mobility than do most English-speaking or Western European nations.²⁷ In particular, Americans on the bottom rung are more likely to be stuck there, with less chance of getting ahead than their counterparts in other advanced nations.²⁸ "You can't take solace anymore in the American dream of working hard and migrating up through society," says William J. McDonough, president of the Federal Reserve Bank of New York.²⁹ Or as one Federal Reserve Bank economist puts it, "The apple falls even closer to the tree than we thought."³⁰

One reason, of course, is that parents work very hard to transmit their advantages to their children, especially with respect to education, a crucial determinant of future income. These days, social class increasingly determines access to college.

Three-quarters of the students at the nation's top 146 universities hail from the richest fourth of the nation. Only 3 percent of them come from the bottom income quartile and only 10 percent from the bottom half of the income scale. This means that at an elite university you are twenty-five times more likely to run into a rich student than a poor one.³¹ Even at the better state universities, the number of students from families making more than \$100,000 has increased to 40 percent. In general, qualified high school graduates from low-income families are only one-third as likely to complete a bachelor's degree as are students from families earning \$75,000 or more.³²

There is nothing inevitable about declining social mobility or about large inequalities in income and wealth. They are not brute facts of nature, even in market-oriented societies. For example, the distribution of income in Germany and Japan is far more equal than that in the United States, even though both are just as thoroughly capitalist, and an American is three times more likely to be poor than is someone in Italy.³³ Rather, political choices determine how income and wealth are distributed and what sort of assistance is given to those who are struggling to get by. The United States simply chooses to spend a smaller percentage of its GDP than European countries do in combating inequality and pursuing policies intended to assist the bottom half of society to advance.³⁴ That's why, for example, 17 percent of America's children live in poverty but only 3 percent of Norway's do.³⁵ More generally, it is the reason that income inequality, according to CIA figures, is greater in the United States than it is in Europe or Russia or even countries such as Tunisia or Egypt that recently rebelled against their oligarchs.³⁶ How much inequality and what sort of socioeconomic disparities a society is willing to accept reflect both its moral values and the relative strength of its contending social and political forces.

This chapter focuses on the subject of economic justice, which concerns the constellation of moral issues raised by a

society's distribution of wealth, income, status, and power. Ethical questions arise daily about these matters. Is it just, for example, that CEOs pull in astronomical salaries and help themselves to enormous benefits when this reduces the profits of stockholders, who own the company? Or, to take another issue, thanks to modern technology, today's hospitals are able to perform life-prolonging feats of medicine that were undreamed of only a couple of decades ago, but these services are often extraordinarily costly. Who, then, should have access to them? Those who can afford them? Any who need them? Those who are most likely to benefit?

LEARNING OBJECTIVES

Chapter 2 discussed several basic moral theories and the general principles of right and wrong associated with them. This chapter focuses on the more specific topic of justice and economic distribution—that is, on the principles that are relevant to the moral assessment of society's distribution of economic goods and services. Although the topic is an abstract one, it is particularly relevant to the study of business ethics, because it concerns the moral standards to be used in evaluating the socioeconomic framework within which both business and nonbusiness organizations operate. Specifically, this chapter will examine these topics:

1. The concept of justice, its relation to fairness, equality, rights, and what people deserve, and some rival principles of economic distribution
2. The utilitarian approach to justice in general and economic justice in particular
3. The libertarian theory, which places a moral priority on liberty and free exchange
4. The egalitarian social-contract theory of John Rawls

THE NATURE OF JUSTICE

Justice is an old concept with a rich history, a concept that is fundamental to any discussion of how society ought to be organized. Philosophical concern with justice goes back at least to ancient Greece. For Plato and some of his contemporaries, justice seems to have been the paramount virtue or, more precisely, the sum of virtue with regard to our relations with others. Philosophers today, however, generally distinguish justice from the whole of morality. The complaint that something is unjust is more specific than that it is bad or immoral. What, then, makes an act, policy, or institution unjust? Unfortunately,

Questions of justice typically focus on fairness, equality, desert, or rights.

the terms *just* and *unjust* are vague, and different people use them in different ways. Still, talk of justice or injustice typically focuses on at least one of several related ideas: fairness, equality, desert, and rights.

First, **justice** is often used to mean *fairness*. Justice frequently concerns the fair treatment of members of groups of people or else looks backward to the fair compensation of prior injuries. Exactly what fairness requires is difficult to say, and different standards may be pertinent in different cases. If corporate manager Smith commits bribery, he is justly punished under our laws. If other managers commit equally serious crimes but are allowed to escape punishment, then Smith suffers a comparative injustice because he was unfairly singled out. But Smith and other white-collar criminals are treated unfairly and thus unjustly, although this time for the opposite reason, if stiffer sentences are meted out to common criminals for less grave offenses.

One way unfairness creates injustice occurs when like cases are not treated in the same fashion. Following Aristotle, most philosophers believe that we are required, as a formal principle of justice, to treat similar cases alike except where there is some relevant difference. This principle emphasizes the role of impartiality and consistency in justice, but it is a purely formal principle because it is silent about which differences are relevant and which are not. Furthermore, satisfying this formal requirement does not guarantee that justice is done. For example, a judge who treats similar cases alike can succeed in administering fairly and nonarbitrarily a law that is itself unjust (like a statute requiring racial segregation).

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SUMMARY

Justice is one important aspect of morality. Talk of justice and injustice generally involves appeals to the related notions of fairness, equality, desert, and rights. Economic or distributive justice concerns the principles appropriate for assessing society's distribution of social benefits and burdens, particularly wealth, income, status, and power.

Related to Aristotle's fairness requirement is a second idea commonly bound up with the concept of justice: *equality*. Justice is frequently held to require that our treatment of people reflect their fundamental moral equality. While Aristotle's formal principle of justice does not say whether we are to assume equality of treatment until some difference between cases is shown or to assume the opposite until some relevant similarities are demonstrated, a claim of injustice based on equality is meant to place the burden of proof on those who would endorse unequal treatment. Still, the premise that all persons are equal does not establish a direct relationship between justice and economic distribution. We all believe that some differences in the treatment of persons are consistent with equality (punishment, for example), and neither respect for equality nor a commitment to equal treatment necessarily implies an equal distribution of economic goods.

Despite equality, then, individual circumstances—in particular, what a person has done—make a difference. We think it is unjust, for example, when a guilty person goes free or an innocent person hangs, regardless of how others have been treated. This suggests that in addition to equal or impartial treatment, justice has a third aspect, the idea of *desert*. Justice requires that people get what they deserve or, as a number of ancient moralists put it, that each receive his or her due.

This is closely related to a fourth and final idea—namely, that one is treated unjustly when one's moral *rights* are violated. John Stuart Mill, in fact, made this the defining characteristic of injustice. In his view, what distinguishes injustice from other types of wrongful behavior is that it involves a violation of the rights of some identifiable person:

Whether the injustice consists in depriving a person of a possession, or in breaking faith with him, or in treating him worse than he deserves, or worse than other people who have no greater claims—in each case the supposition implies two things: a wrong done, and some assignable person who is wronged. . . . It seems to me that this feature in the case—a right in some person, correlative to the moral obligation—constitutes the specific difference between justice and generosity or beneficence. Justice implies something which it is not only right to do, and wrong not to do, but which some individual person can claim from us as a moral right.³⁷



Federal Bureau of Prisons/Getty Images

The Alderson Federal Prison Camp in West Virginia housed domestic guru Martha Stewart. Similar to this detention center, Butner Federal Correctional Institution, where convicted Ponzi-schemer Bernie Madoff is serving his sentence, is the type of institution that has come to be known as a “country-club prison.” How is this sort of description likely to affect some people’s notion of just desert and equality of justice?

RIVAL PRINCIPLES OF DISTRIBUTION

Justice, then, is an important subclass of morality in general, a subclass that generally involves appeals to the overlapping notions of fairness, equality, desert, and rights. Turning to the topic of **distributive justice**—that is, to the proper distribution of social benefits and burdens (in particular, economic benefits and burdens)—we see that a number of rival principles have been proposed. Among the principles most frequently recommended as a basis of distribution are these: to each an equal share, to each according to individual need, to each according to personal effort, to each according to social contribution, and to each according to merit. Each one of these principles has its advocates, and each seems plausible in some circumstances, but only in some. There are problems with each. For example, if equality of income was guaranteed, then the lazy would receive as much as the industrious; however, effort is hard to measure and compare, and what one is able to contribute to society may depend on one’s luck in being at the right place at the right time. And so on. No single principle seems to work in enough circumstances to be defended successfully as the sole principle of justice in distribution.

It often seems that we simply employ different principles of distributive justice in different circumstances. For example, corporations in certain industries may be granted tax breaks because of their social contribution whereas welfare payments generally rest on need, and business firms typically base promotions on meritorious performance. Moreover, multiple principles may often be relevant to a single situation. Sometimes they may pull in the same direction, as when wealthy professionals such as doctors defend their high incomes simultaneously on grounds of superior effort, merit, social contribution, and even (because of the high cost of malpractice insurance) need. Or the principles may pull in different directions, as when a teacher must balance effort against performance in assigning grades to pupils. Some philosophers are content to leave the situation here. As they see it, there are various equally valid, *prima facie* principles of just distribution—equality, need, effort, and so on—and one must try to find the principle

Some philosophers believe that there are a number of equally valid principles of just distribution. We must determine which one best applies in a given situation.

that best applies in the given circumstances. If several principles seem to apply, then one must simply weigh them the best one can.

In his book *Spheres of Justice*, Michael Walzer pursues a more sophisticated version of this pluralistic approach.³⁸ Skeptical of the assumption that justice requires us to implement (in different contexts) some basic principle or set of principles, Walzer argues

that different goods ought to be distributed for different reasons, in accordance with different procedures, by different agents; and that all these differences derive from different understandings of the social goods themselves—the inevitable product of historical and cultural particularism.³⁹

Different norms and principles govern different distributive spheres, and these norms and principles are shaped by the implicit social meanings of the goods in question. He continues:

Every social good or set of goods constitutes, as it were, a distributive sphere within which only certain criteria and arrangements are appropriate. [For example], money is inappropriate in the sphere of ecclesiastical office. . . . There is no single standard [against which all distributions are to be measured]. But there are standards (roughly knowable even when they are also controversial) for every social good and every distributive sphere in every particular society.⁴⁰

As Walzer sees it, distributive criteria are determined by the particular historically shaped social meanings of the goods in question. The philosophical task is to tease out the inner logic of each type of good, thus revealing the tacit, socially shared values that govern (or should govern) its distribution.

Walzer's historically informed discussion of topics such as medical care or dirty and degrading work are rich and intriguing, but his view implies that when it comes to issues of distributive justice, the best philosophers can do is to try to unravel the implicit, socially specific norms that govern the distribution of different goods in a particular society. Many contemporary philosophers disagree. They believe that we should step farther back than Walzer does from existing norms and social arrangements and seek some general theory of justice in economic distribution, on the basis of which we can assess current social practices. Three such theories are the utilitarian, the libertarian, and the Rawlsian (egalitarian).

SUMMARY

Economic distribution might be based on pure equality, need, effort, social contribution, or merit. Each of these principles is plausible in some circumstances but not in others. In some situations, the principles pull us in different directions. Dissatisfied with a pluralistic approach, moral philosophers have sometimes sought to develop more general theories of justice.

Other philosophers seek a general theory of economic justice. The utilitarian, libertarian, and Rawlsian theories are important examples.

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THE UTILITARIAN VIEW

For utilitarians, as Chapter 2 explained, happiness is the overarching value. Whether one assesses the rightness and wrongness of actions in terms of how much happiness they produce, as an act utilitarian does, or uses happiness as the standard for deciding what moral principles a society should accept as the basis for determining right and wrong, as a rule utilitarian does, happiness is the only thing that is good in and of itself. On that utilitarians are agreed.

Earlier we considered John Stuart Mill's idea that injustice involves the violation of the rights of some identifiable person. This is what distinguishes it from other types of immoral behavior. But if injustice involves the violation of moral rights, how does a utilitarian like Mill understand talk of rights? According to Mill, to have a right to something is to have a valid claim on society to protect me in the possession of that thing, either by the force of law or through education and opinion. And I have that valid claim in the first place because society's protection of my possession of that thing is warranted on utilitarian grounds. "To have a right, then, is . . . to have something which society ought to defend me in the possession of. If the objector goes on to ask why it ought, I can give

him no other reason than general utility.”⁴¹ What utilitarianism identifies as rights are certain moral rules, the observance of which is of the utmost importance for the long-run, overall maximization of happiness.

Accordingly, Mill summed up his view of justice as follows:

Justice is a name for certain classes of moral rules which concern the essentials of human well-being more nearly, and are therefore of more absolute obligation, than any other rules for the guidance of life; and the notion which we have found to be of the essence of the idea of justice—that of a right residing in an individual—implies and testifies to this more binding obligation.

The moral rules which forbid mankind to hurt one another (in which we must never forget to include wrongful interference with each other’s freedom) are more vital to human well-being than any maxims, however important, which only point out the best mode of managing some department of human affairs.⁴²

Although justice for Mill was ultimately a matter of promoting social well-being, not every issue of social utility was a matter of justice. The concept of justice identifies certain important social utilities—that is, certain rules or rights, the upholding of which is crucial for social well-being.

For utilitarians, then, justice is not an independent moral standard distinct from their general principle. Rather, the maximization of happiness ultimately determines what is just and unjust. Critics of utilitarianism contend that knowing what will promote happiness is always difficult. People are bound to estimate consequences differently, thus making the standard of utility an inexact and unreliable principle for determining what is just. Mill, however, did not see much merit in this criticism. For one thing, it presupposes that we all agree about what the principles of justice are and how to apply them. This is far from the case, Mill argued. Indeed, without utilitarianism to provide a determinate standard of justice, one is always left with a plethora of competing principles, all of which seem to have some plausibility but are mutually incompatible.

As an example, Mill pointed to the conflict between two principles of justice that occurs in the realm of economic distribution. Is it just or not, he asked, that more talented workers should receive a greater remuneration? There are two possible answers to this question:

On the negative side of the question it is argued that whoever does the best he can deserves equally well, and ought not in justice to be put in a position of inferiority for no fault of his own; that superior abilities have already advantages more than enough . . . without adding to these a superior share of the world’s goods; and that society is bound in justice rather to make compensation to the less favoured for this unmerited inequality of advantages than to aggravate it.⁴³

This argument sounds plausible, but then so does the alternative answer:

On the contrary side it is contended that society receives more from the more efficient labourer; that, his services being more useful, society owes him a larger return for them; that a greater share of the joint result is actually his work, and not to allow his claim to it is a kind of robbery; that, if he is only to receive as much as others, he can only be justly required to produce as much.⁴⁴

Here we have two conflicting principles of justice. How are we to decide between them? The problem, Mill said, is that both principles seem plausible:

Justice has in this case two sides to it, which it is impossible to bring into harmony, and the two disputants have chosen opposite sides; the one looks to what it is just that the individual should receive, the other to what it is just that the community should give.⁴⁵

Mill believed that justice concerns certain rules or rights that are vitally important for human well-being.

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SUMMARY

Utilitarianism holds that the maximization of happiness ultimately determines what is just and unjust. Mill contended, more specifically, that the concept of justice identifies certain rules or rights—the upholding of which is crucial for promoting well-being—and that injustice always involves violating the rights of some identifiable individual.

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Each disputant is, from his or her own point of view, unanswerable. “Any choice between them, on grounds of justice,” Mill continued, “must be perfectly arbitrary.” What, then, is the solution? For Mill, the utilitarian, it was straightforward: “Social utility alone can decide the preference.”⁴⁶ The utilitarian standard must be the ultimate court of appeal in such cases. Only the utilitarian standard can provide an intelligent and satisfactory way of handling controversial questions of justice and of resolving conflicts between competing principles of justice.

UTILITARIANISM AND ECONOMIC DISTRIBUTION

The utilitarian theory of justice ties the question of economic distribution to the promotion of social well-being or happiness. Utilitarians favor whichever economic system will bring the most good for society as a whole. But what system is that? Utilitarianism itself, as a normative theory, provides no answer. The answer depends on the relevant social, economic, and political facts. A utilitarian must understand the various possibilities, determine their consequences, and assess the available options. Obviously, this is not a simple task. Deciding what sort of economic arrangements would best promote human happiness requires the utilitarian to consider many things, including (1) the type of economic ownership (private, public, or mixed); (2) the way of organizing production and distribution in general (pure laissez faire, markets with government planning and regulation, or fully centralized planning); (3) the type of authority arrangements within the units of production (worker control versus managerial prerogative); (4) the range and character of material incentives; and (5) the nature and extent of social security and welfare provisions.

As a matter of historical fact, utilitarians in the early nineteenth century tended to favor free trade and the laissez-faire view of Adam Smith that unregulated market relations and free competition best promote the total social good.⁴⁷ Today it is probably fair to say that few, if any, utilitarians believe happiness would be maximized by a pure nineteenth-century-style capitalism, without any welfare arrangements. However, they are not in agreement on the question of what economic arrangements would in fact maximize happiness. Nonetheless, many utilitarians would favorably view increased **worker participation** in industrial life and more equal distribution of income.

Worker Participation

In his *Principles of Political Economy*, originally published in 1848, Mill argued for the desirability of breaking down the sharp and hostile division between the producers, or workers, on the one hand, and the capitalists, or owners, on the other. Not only would this be a good thing, it was also, he thought, something that the advance of civilization was tending naturally to bring about: “The relation of masters and workpeople will be gradually superseded by partnership, in one or two forms: in some cases, association of the labourers with the capitalist; in others, and perhaps finally in all, association of labourers among themselves.”⁴⁸ These developments would not only enhance productivity but also—and more important—promote the fuller development and well-being of the people involved. The aim, Mill thought, should be to enable people “to work with or for one another in relations not involving dependence.”⁴⁹

By the association of labor and capital, Mill had in mind different schemes of profit sharing. For example, “in the American ships trading to China, it has long been the custom for every sailor to have an interest in the profits of the voyage; and to this has been ascribed the general good conduct of those seamen.” This sort of

Utilitarianism doesn't tell us which economic system will produce the most happiness. That question hangs on the social, economic, and political facts.

association, however, would eventually give way to a more complete system of worker cooperatives:

The form of association, however, which if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and workpeople without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves.⁵⁰

In *Principles*, Mill discussed several examples of successful cooperative associations and viewed optimistically the future of the cooperative movement:

Eventually, and in perhaps a less remote future than may be supposed, we may, through the cooperative principle, see our way to a change in society, which would combine the freedom and independence of the individual, with the moral, intellectual, and economical advantages of aggregate production; and which . . . would realize, at least in the industrial department, the best aspirations of the democratic spirit.⁵¹

What that transformation implied for Mill was nothing less than “the nearest approach to social justice, and the most beneficial ordering of industrial affairs for the universal good, which it is possible at present to foresee.”⁵²

Greater Equality of Income

Utilitarians are likely to be sympathetic to the argument that steps should be taken to reduce the great disparities in income that characterize our society today. They are likely to believe that making the distribution of income more equal is a good strategy for maximizing happiness. One reason is that inequality appears to be correlated with various social ills. More equal societies, such as Sweden and Finland, with a relatively narrow gap separating their richest and poorest citizens score higher on various indices of social well-being. In terms of infant mortality, life expectancy, malnutrition, obesity, teenage pregnancy, economic insecurity, personal anxiety, and other measures, they fare better than do societies like the United States that have greater inequality.⁵³ There is also evidence that equality promotes economic growth.⁵⁴

Another reason utilitarians tend to favor greater inequality of income goes back to what economists would call the **declining marginal utility of money**. This phrase simply means that successive additions to one’s income produce, on average, less happiness or welfare than did earlier additions.

The declining utility of money follows from the fact, as Professor Richard Brandt explains it, that the outcomes we want are preferentially ordered, some being more strongly wanted than others:

So a person, when deciding how to spend his resources, picks a basket of groceries which is at least as appealing as any other he can purchase with the money he has. The things he does not buy are omitted because other things are wanted more. If we double a person’s income, he will spend the extra money on items he wants less (some special cases aside), and which will give less enjoyment than will the original income. The more one’s income, the fewer preferred items one buys and the more preferred items one already has. On the whole, then, when the necessities of life have been purchased and the individual is spending on luxury items, he is buying items which will give less enjoyment. . . . This conclusion corresponds well with commonsense reflection and practice.⁵⁵

The obvious implication is that a more egalitarian allocation of income—that is, an allocation that increases the income of those who now earn less—would boost total happiness. Brandt, for one, therefore defends equality of after-tax income on utilitarian grounds, subject to the following exceptions: supplements to meet special needs,

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SUMMARY

Utilitarians must examine various factual issues to determine which economic system and principles will best promote social well-being or happiness. Many utilitarians favor increased worker participation and a more equal distribution of income.

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supplements necessary for incentives or to allocate resources efficiently, and variations to achieve other socially desirable ends, such as population control.⁵⁶ Brandt states that this guiding principle of distribution is of only *prima facie* force and may have to be balanced against other principles and considerations. Still, it illustrates the point that utilitarians today are likely to advocate increased economic equality.

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THE LIBERTARIAN APPROACH

Whereas utilitarians associate justice with social utility, philosophers who endorse what is called **libertarianism** identify justice with an ideal of liberty. For them, liberty is the prime value, and justice consists in permitting each person to live as he or she pleases, free from the interference of others. Accordingly, one libertarian asserts: “We are concerned with the condition of men in which coercion of some by others is reduced as much as possible in society.”⁵⁷ Another maintains that libertarianism is “a philosophy of personal liberty—the liberty of each person to live according to his own choices, provided he does not attempt to coerce others and thus prevent them from living according to their choices.”⁵⁸ Such views show clearly the libertarian’s association of justice with liberty and of liberty itself with the absence of interference by other persons.

Libertarians refuse to restrict individual liberty even if doing so would increase overall happiness.

Libertarians firmly reject utilitarianism’s concern for total social well-being. Utilitarians are willing to restrict the liberty of some, to interfere with their choices, if doing so will promote greater net happiness than not doing so. Libertarians cannot stomach that approach. As long as you are not doing something that interferes with anyone else’s liberty, then no person, group, or government should disturb you in living the life you choose—not even if its doing so would maximize social happiness.

Although individual liberty is something that all of us value, it may not be the only thing we value. For the libertarian, however, liberty takes priority over other moral concerns. In particular, justice consists solely of respect for individual liberty. A libertarian world, with a complete commitment to individual liberty, would be a very different world from the one we now live in. Consider the following: The government registers young men for military service and can, if it chooses, draft them; laws prevent adults from viewing certain kinds of pornography and from ingesting substances that the legislature deems harmful or immoral (such as marijuana and cocaine); and the state imposes taxes on our income to—among many other things—support needy citizens, provide loans to college students, and fund various projects for the common good. From a libertarian perspective, none of these policies is just.

Given the assumption that *liberty* means “noninterference,” libertarians generally agree that liberty allows only a minimal or “night-watchman” state. Such a state is limited to the narrow functions of protecting its citizens against force, theft, and fraud; enforcing contracts; and performing other such basic maintenance functions. In this view, a more extensive state—in particular, one that taxes its better-off citizens to support the less fortunate ones—violates the liberty of individuals by forcing them to support projects, policies, or persons they have not freely chosen to support.

SUMMARY

The libertarian theory identifies justice with liberty, which libertarians understand as living according to our own choices, free from the interference of others. They reject utilitarianism’s concern for total social well-being.

NOZICK’S THEORY OF JUSTICE

Although libertarians differ in how they formulate their theory, the late Harvard professor Robert Nozick’s *Anarchy, State, and Utopia* is a very influential statement of the libertarian case.⁵⁹ Nozick’s challenging and powerful advocacy of libertarianism has stimulated much debate, obliging philosophers of all political persuasions to take the libertarian theory seriously. His views are thus worth presenting in detail.