

JUSTICE AND ECONOMIC SYSTEMS (DeGeorge)

We can distinguish good and bad economic systems from good and bad actions within those systems

Slavery is an economic system

Slave owners may treat their slaves well (Jack Good) or brutally (Simon Legree), and so might reasonably be termed more or less moral, within that system

Still, it might seem odd to call *any* slave owner moral, since any economic system based on slavery is itself immoral

Even if the slave holders *believe* slavery is acceptable, *objectively*, they are wrong



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In the economic system of contemporary society, bad employers may:

- discriminate against ethnic or other groups
- pay very low wages
- fire workers when they burn out, and so on

Another, good employer in contemporary society would:

- not discriminate in this way
- pay decent wages
- have a retirement plan.

Still, just as with the slavery system, we can and should ask whether our own system is objectively just

People do not commonly question their own economic system

Why?

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MORAL EVALUATION OF ECONOMIC SYSTEMS (Test case)

Some economic systems, such as slavery, are clearly immoral

We want to distinguish between a practice that occurs *within* an economic system, and the system itself

The practice of slavery: “a relation between people and a way of treating people” (113)

The economic system of slavery: “that economic system in which the slave relation is the fundamental productive relation” (113)

Though slavery can exist within a non-slavery economic system, it would be deemed *immoral* in that system

Structural analysis of systems: “involves looking at the basic structures and practices of the system, because the system is defined by its structures and practices” (114)

We can reasonably ask in such an analysis whether the transactions in such a system are fair or just

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End-state approach to economic systems: examines systems in terms of its effects (personal, moral, etc.) on the people within the system

Both structural analysis and end-state approaches can be evaluated in utilitarian or deontological terms

Slavery is an economic system “in which the fundamental productive relation is the owning of one human being, the slave, by another, the master” (114)

This system treats the slave as an “object to be used” (114)

Analysis of relations: From a deontological view (e.g. Kant’s) the master-slave relation is immoral:

The maxim of slavery: “Treat human beings who have the status of slaves as possessions” contradicts the second Categorical Imperative”

A utilitarian approach would also *likely* condemn a slave-based system since the harm caused to slaves (physical, loss of dignity, loss of freedom, etc.) is very great

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Analysis of actions: we need to examine just those actions that are *specific to*, and *characteristic of*, the institution of slavery

Here, masters would treat their slaves as property, and not as beings that are ends in themselves

One possible (utilitarian) defence of slavery: It's possible that a slavery-based system could produce at least as much happiness as any alternative

An imaginary post-nuclear holocaust, in which a privileged few had been shielded from radiation and still have their wits

The greater part of humanity is dull-witted and unable to preserve themselves

In such a case, perhaps an institution based on slavery could save humanity

Critique:

- (i) our moral intuitions aren't really developed for such unusual circumstances

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(ii) thus we need to know *how dull* are these slaves?

- can they decide between some choices that face them?
- can they be made to work without making them into slaves?
- How do we know that there really is no other alternative to slavery?

Historical experience with actual slavery makes this scenario implausible:

Slavery wasn't created for the good of everybody, nor were slaves better off than they were before

Response: Greece and Rome, founders of modern, Western, civilization were slave-based systems

Perhaps, slavery was a necessary stage on the road to contemporary society

But the mere fact that these societies used slavery, doesn't prove that slavery was the best way for them to advance, everything considered

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A more plausible explanation for the existence of slavery is that some people are naturally domineering (or lazy)

Best counter to such approaches: They seem to make whatever actually happened = the right thing to happen

But this would make evaluation completely empty

"Whatever is, is right"

A more sophisticated historical justification: Slavery is only necessary in the early stages of human development

After that, it's anachronistic, causing much more harm than good, and so is *no longer* justifiable

E.g. the Civil War in the US

Response: While this is possible, it's not proved that there *truly* was no alternative to slavery, and it clearly conflicts with current values

In any case, at present, there are clear alternatives, and so slavery is (no longer, if it ever was) an acceptable system

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MORAL EVALUATION OF CONTEMPORARY SYSTEMS

Our modern economic systems are typically (different) mixtures of capitalistic and socialistic elements

We can see that racial discrimination and separation (e.g. South Africa's *apartheid*) is not essential to capitalism, since there are many other capitalistic societies that are not discriminatory in this way

In parallel, while socialism under Stalin also involved totalitarianism, many other socialistic societies, such as Sweden (Canada?) are not totalitarian

So totalitarianism is not an essential element of socialism

Economic systems exist within political systems

So political factors can affect the moral quality of the economic system, either positively or negatively

To evaluate capitalism or socialism we need to construct models of each

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We will try to be sure that the models contain only necessary elements

Perhaps, even though a system is immoral, some of its necessary elements can be tweaked to see whether we can construct an analogue that is moral

If this can't be done, then the system is "inherently immoral"

Next we will examine whether our models are actually used in any contemporary societies

ECONOMIC MODELS AND GAMES

The Game of Economics: Some systems have slaves and masters, others the bourgeoisie and the proletariat, other commissars and workers, and so on

Models of these systems will identify the role of people in the system, how prices change, how tax rates affect things, etc.

Games, themselves, are abstract things, and so are not moral or immoral

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But economic systems affect how people interact, and this is morally relevant

Question: In games, where everyone starts out equally, and follows the rules, we allow for winners and losers, but can we (always) accept this in the game of life? (119)

A CAPITALIST MODEL

Classical capitalism is a model that has never existed in pure form, but its essential features are worth studying

The three necessary features of classical capitalism:

1. "an available accumulation of industrial capital
2. private ownership of the means of production, and
3. a free market system" (119)

Available Accumulation of Industrial Capital

Barter systems don't produce excess of value, and so no accumulation of capital

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Capital must be available together with a system to manufacture goods

Thus Capitalism did not exist before the Industrial Revolution

Though industrialization is **essential** to capitalism, other systems also use it

So they also suffer its downsides: pollution, division of labour, obsolescence, workplace monotony, etc.

Our model isn't concerned with the historical question of how the capital became accumulated, since accumulated capital is an assumption of the model

Private ownership of the means of production

Not all systems with private ownership are capitalistic: they must also have large-scale industrial production

Private ownership of the means of production \neq private personal property, but "factories, plants, corporations, business, transportation and communication facilities, raw materials, and large, commercially farmed tracts of land" (120)

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"Public" ownership in the stock market is still really private ownership, since "the public members [shareholders] hold their shares privately" (121)

True social ownership of the means of production "would mean ownership by member of the society in general, insofar as they are members of the society" (121)

Private ownership in capitalism also entails that not everyone owns the means of production

Most people are wage earners, who "sell their labour in order to earn money to keep themselves and their families alive, and to buy whatever else they wish with their disposable income." (121)

This model includes as private ownership both those cases where the owners run the company (as with, say, Jimmy Pattison) or in which the owners (major shareholders) hire professionals to manage the business

One moral question: Should a private group of people own e.g., the world's natural resources?

Shouldn't these belong to everyone?

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Another: Since all goods are produced with the help and knowledge of others, by “what right are they individually appropriated and used for individual rather than for social good?” (121)

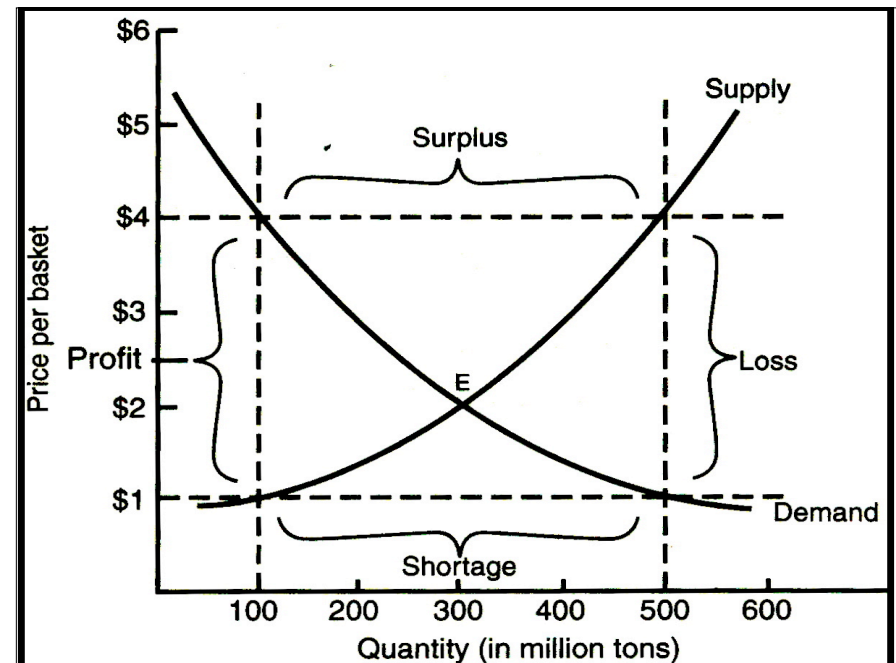
Wages:

- (i) wage earners are typically deeply dependent on their employers; but should any individual have such power over others?
- (ii) what is a fair or just wage?
- (iii) what is exploitation?
- (iv) does much of the profit made on selling goods, at presumably their true value, belong to workers who made those goods?
- (v) Is the owner-worker relation like the slave-master relation?

A Free-Market System is:

- 1. a market “that is not controlled either by government or by any small group of individuals” (122)

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Prices and wages are determined by the market mechanism of “supply and demand”—the less common a good or a skill is, and the more it is wanted, the higher the price

2. *Competition*: anyone can enter the market, as buyer or seller.

Products in demand cause many to attempt to produce those products

Consumer preference for lower prices encourages efficiency to enable this

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3. *Free movement of resources to meet demands*

Some moral questions: What does it mean for a transaction to be fair and free?

Fairness in transactions requires (among other things) that “both sides have all the appropriate knowledge” (123)

- But then should *caveat emptor* be a part of a capitalist system?
- Is a transaction fair, if one side has been more efficient or shown more initiative, since this creates an advantage?
- Does a worker freely choose a job, if the wages are merely enough to get by on (subsistence) and the worker has no other (or better) employment choice?

Competition?

- Does competition treat people as mere means or as ends?
- Does it psychologically undermine cooperation and helpfulness?
- Does it promote the vices of selfishness and inconsideration?

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Structural problems

- Do free markets naturally evolve into monopolies?
- Can these forces be blunted or remedied within the system, say by government?
- Does government involvement turn capitalism into socialism?

CAPITALISM AND GOVERNMENT

Since economic systems are always embedded in political and cultural contexts, we can't morally evaluate them on their own

Six different mixes of capitalism and government

1. **Laissez-faire capitalism (Libertarianism):** The only morally legitimate role for government is to protect business from threats

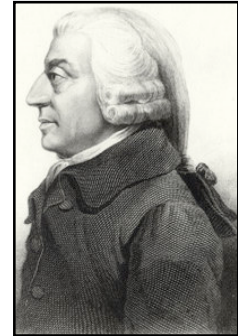
Taxation and regulation are not justified

Adam Smith's "invisible hand" is the most efficient way to provide for the needs of society

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Argument: With a free market and private ownership, buyers will seek what they want at the lowest possible price; so businesses that produce what consumers want, at the best price, will prosper.

To keep prices low, businesses will seek to cut back on the costly resources they use; hence the free market produces what people want, at the cheapest price, with the most efficient use of resources.



Adam Smith's "invisible hand" argument: "...by directing that industry in such a manner as its produce may be of the greatest value, [the individual] intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end that was no part of his intention. By pursuing his own interest he frequently promotes that of society more effectively than when he really intends to promote it" (74)

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Smith's argument from competing self-interest: "It is not from the benevolence of the butcher, the baker, and the brewer that we expect our dinner, but from their regard for their own self-interest. We address ourselves not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their own advantages" (72)

Will businesses that behave unethically be (sufficiently) punished by market forces?

The *laissez-faire* model has no clear mechanism to meet the needs of those who aren't part of the business world

Nor does it show how "business activities can be kept fair and honest despite the temptations and tendencies toward profitable, unfair practices" (124)

2. **Government favours business over rest of society:** Marx's view of the true nature of the relation between business and government

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"Government protects profits, regulates what labour is allowed and not allowed to do, taxes enterprises at a lower rate than workers, guarantees profits through subsidies and contracts" (124)

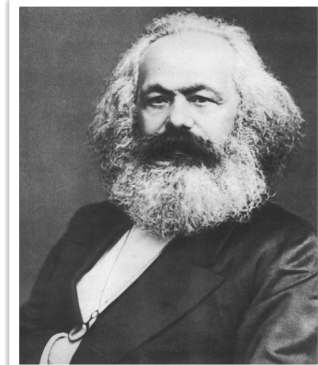
Such a system is clearly immoral

3. Governmental Protectionism: The role of government is to protect nationally based businesses from foreign competition

On the plus side: If it helps to keep a companies independent of foreign control, and produces local goods and jobs

Minus: If protectionism is done just for the sake of the local businesses and not for everyone in the society

Protectionism is also bad if it harms people in other countries



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4. **Government referees and regulates the economy:** it makes sure competition is fair, defines the laws and rules of the system, raises taxes to pay for common goods, and to provide for those ignored by the market system

5. **Government-business partnerships** (as in contemporary Japan)

Both government and (successful) businesses work together to promote the general welfare and to deal with foreign competition

6. **Government as a player in the market:** government runs certain industries, such as transportation, health, etc. "where competition would be inefficient, where economy of scale is important, or where compatibility of equipment is a necessity"

This version of capitalism is closest to socialism

Overall lesson: Some significant degree of government involvement is necessary to make a capitalist system run well

The devil is in the details

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A SOCIALIST MODEL

Three features of a socialist economic system:

1. Industrial base
2. Social ownership of the means of production
3. Centralized planning

INDUSTRIAL BASE: Historically, (modern) socialism comes after capitalism, and so is best seen as also involving an industrial society

SOCIAL OWNERSHIP OF THE MEANS OF PRODUCTION

Compatible with private ownership of *personal* goods

Two realistic models of social ownership: state or worker ownership

Since state ownership is most common, we need to examine the relation between government and the people

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- *Can* such a government exploit its own people?
- *Can* such a government distribute goods unjustly?

Regarding worker ownership: since capitalist systems don't prohibit it, for worker ownership to be clearly socialist, it would have to "be the dominant form of ownership rather than a marginal one" (128)

CENTRALIZED PLANNING

An economic system can involve some centralized planning and some free-market elements and still be socialist

Difficulties: Having enough information about peoples' wants and needs to direct industry to meet these

Von Mises and Hayek (Libertarian economists): It is impossible in principle for governments to allocate resources as well as the market, since it's impossible for governments to have enough information and capacity to calculate consumer demands:

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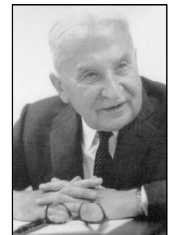
Von Mises and Hayek claimed that any such government agency would have to know the continually changing desires of consumers, the materials producers would need to make all these desired products, and so on.

No current organization has this amount of information or computational power

The implication is that the market is its own information gatherer and computer

But the Swedish economist, Oskar Lange showed *theoretically* that a central planning board could efficiently distribute resources without such involved calculations

The planners would only need reports on the sizes of the inventories of producers and price their commodities accordingly. Surplus inventories would indicate that lowering of prices was necessary



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One proposal for the role of government: The government gets involved in those areas of life that are essential for people's well being and whose basic structure is well-understood: e.g. education, health, transportation, policing, fire fighting etc. but not in those where people make simpler choices about what they merely prefer e.g. phones, TVs, etc.

What about housing?

COMPARISON OF MODELS AND SYSTEMS

- Our analysis has not yet determined whether capitalism or socialism have inherently immoral elements
- We don't yet know how economic models mix with political (and legal) systems.
- Perhaps these systems can influence the economic systems to make them morally better (or worse)

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Proponents of capitalism say that it encourages:

- Individual freedom
- initiative
- innovation
- risk taking
- production of goods
- social productivity

Critics of capitalism say that it encourages:

- exploiting workers
- corruption of basic human values
- waste
- gross inequalities
- environmental degradation

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Supporters say socialism promotes:

- equality
- work security
- minimized inequalities of wealth and income
- meeting people's basic needs—e.g. food, shelter, health, education.

They argue that since the state is the major employer in socialism, and since the state is (ideally) directly answerable to its citizens, it will not be (necessarily) driven to exploit its workers

Critics say socialism leads to:

- paternalism ("nanny state")
- economic inefficiency
- stifling individual initiative

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ECONOMIC SYSTEMS AND DISTRIBUTIVE JUSTICE

If there is more than one economic system that is not immoral, then which one we choose will depend on which values we prefer

Still, any politico-economic system can develop immoral elements, and these need to be removed as they arise

Distributive justice involves giving each person their due, and this involves treating equals equally and unequals unequally

Different accounts of justice evaluate "equal" and "unequal" differently

In capitalism: People are treated as "equal" if they are given *equality of opportunity* to make their "fortune"

The capitalist system rewards risk-taking (for some people)

Capitalism also (frequently) rewards:

hard work, initiative, energy, intelligence, and similar qualities that are valuable in the marketplace.

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“But as long as there is equality of opportunity, and as long as rewards are sufficient to generate productive activity, justice has been served”

We get: “From each as he wishes to participate, to each as his participation is successful” (130)

In a socialist system: justice consists in meeting people’s needs and in contributing to society according to one’s ability

“From each according to his ability, to each according to his need” (130)

Socialism emphasizes equality of reward, though it makes some allowances for differences of contribution (not nearly so large as in capitalism)

DeGeorge points out that different sorts of justice are appropriate to different enterprises

Some require winners and loses; others involve sharing in the common wealth

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OECD JUSTICE CATEGORIES

Poverty prevention

Access to Education

Labor market inclusion

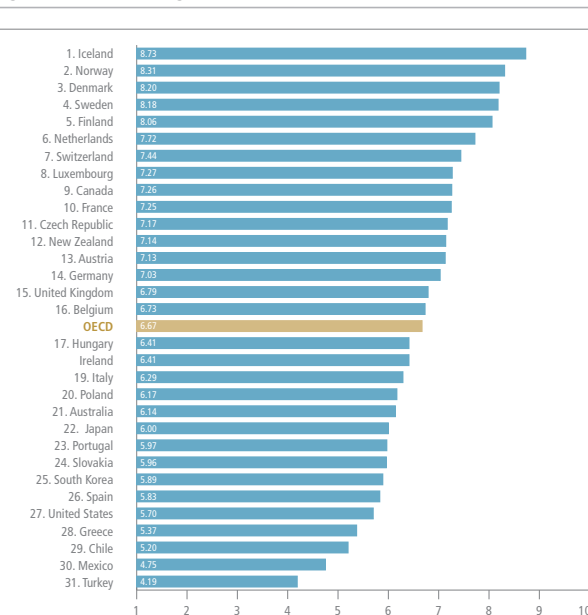
Social cohesion and non-discrimination

Health

Intergenerational justice

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Figure 1a: Social Justice (weighted index)



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Discussion:

- (1) Argue for the ideally just economic system. This system should incorporate elements from our capitalist/socialist systems discussion.
- (2) Locate your system on the capitalist/socialist axis.
- (3) How does your system answer objections raised by the other approaches?

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