ECON 4270 Distributive Justice
Lecture 4: Critique of welfarism
Rawls and liberal equality

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Economics and welfarism

Redistribution

Critique of welfarism

Policy implications of welfarism

Rawls: liberal equality

Rawls: a Kantian

The basic structure of society

The social contract

Economics and welfarism

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Normative economics:
Optimal allocation (use) of resources
Cost benefit analysis
Takes the framework of laws and ethical norms as given
Based on the Pareto principle
Identical preferences (The representative consumer)
Distributional analysis: more of a problem

Economic welfare theory (cont)

4

Utility theory: a convenient and powerful tool in both descriptive and normative theory.

When redistribution affects the size of the cake

5

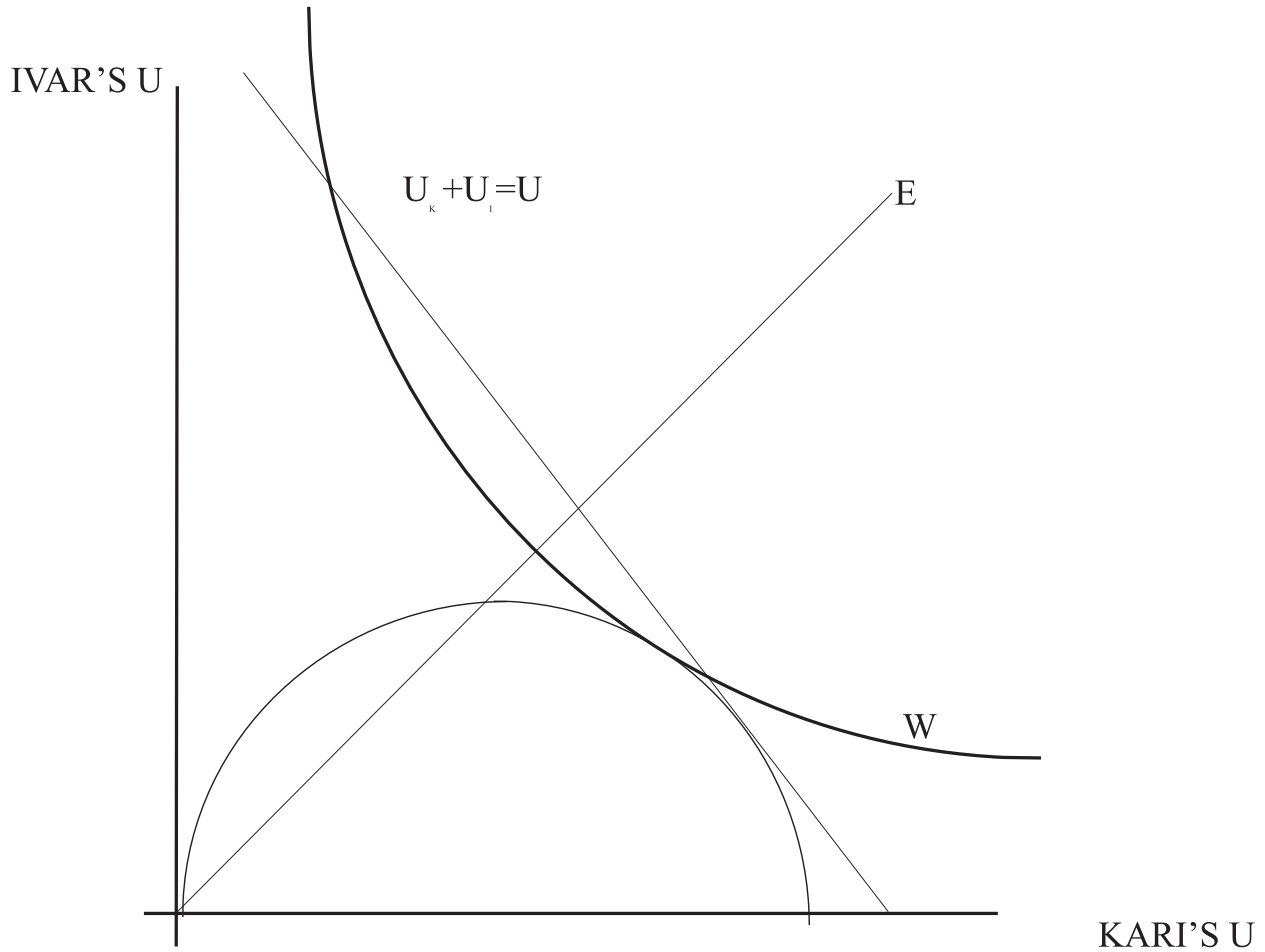

Figure 4.6

Critique of welfarism

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1. Unethical preferences
2. Expensive preferences
3. Adaptive preferences
4. No rights
5. No information about merits
6. Interdependent utilities
7. Soma

Unethical preferences

cf Harsanyi: should be excluded
not (necessarily) a problem when analysing income distribution (material welfare)

Expensive preferences

8
May be due to handicap or illness
or a preference for luxury
The two cases are morally different
(for most people?)

Adaptive preferences

9
Sour grapes (Jon Elster)
Indian widows (Amartya Sen)
Conscious, more or less rational choice
To be distinguished from
endogenous preferences
Preferences shaped by society,
and family

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No rights
No merits

Interdependent utilities

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When the utility of one person depends on the utility, or income or circumstances of another
Altruism
Envy
Keeping up with the Joneses
(Relative income)
Makes meaningless the idea of Pareto improvements

Soma

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Soma is a happiness pill imagined by Aldous Huxley
in Brave New World
Makes everyone feel happy, whatever their circumstances
cf Nozick's utility machine
Kymlicka p 14

Policy implications of welfarism

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Very radical in the 19th century
influential on liberalism
(John Stuart Mill)

The rich man in his castle
The poor man at the gate
God made them high and lowly
and ordered their estate

Policy implications of welfarism

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Will depend on knowledge/assumptions about
how society and the economy works
Example: Importance of economic incentives
Example: debate about the level of unemployment insurance
Money paid during sickness
Efficiency or inefficiency of markets

John Rawls and liberal equality

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John Rawls: A Theory of Justice (1971)
Changed the whole academic discourse about distributive justice
Is frequently misrepresented, particularly in economic textbooks,
So-called 'Rawlsian welfare function' describes him as a welfarist

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Rawls was the first in recent time to give a serious critique of utilitarianism

He did not know about welfarism in economic normative theory

Two criticisms:

1. Utilitarianism postulates individual welfare as a universal good. Does not allow for different conceptions of the good

2. Does not conform to the Kantian imperative that one person should never be considered solely as means to the ends of another person

Will become clearer later, I hope.

Rawls's liberalism

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A liberal society is a society which allows different,
conflicting
even not commensurable
definitions of the good
Note: Rawls shows that economic equality does not imply cultural, religious or other kinds of uniformity.

Rawls: a Kantian

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Two important Kantian tenets:
(categorical imperatives)

- You shall act so that your actions accord with a general rule you can accept
- No person should be treated solely as a means to the ends of other persons.

Kantian ethics is deontological (absolute rules) and concern personal ethics
Rawls's project: to apply Kantian ethics to the organisation of society

The basic structure of society

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Rawls theory of justice concerns
the basic structure of society
not day to day decisions about distribution and allocation of resources.
Which are the basic structures of society?

The basic structure of society

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- Citizenship and rights
- Ownership of property and natural resources
- Size and role of public sector
- Size and role of the market
- The family

An important premiss

21
The existence of an organised society
with laws and security
and division of labour
creates an economic 'surplus'
to the advantage of everybody
and in particular: to the advantage of the most well to-do.
Who have the most to lose
the least advantaged have the least to lose

The social contract

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A sort of constitution for constitutions describing the fundamental rules of society Should, according to Rawls, be unanimous and voluntary

The original position

23
Is a thought experiment,
a device for thinking about the social contract
The persons in the OP are to choose
unanimously
the social contract of a society they themselves would choose to live in.
They are to choose in enlightened self-interest

The veil of ignorance

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The persons do not know their position in society
They do not know what kind of persons the are (gender, talents, race etc)
They do not know their preferences
or their conception of the good

The veil of ignorance

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THICK VEIL OF IGNORANCE
(Harsanyi assumes preferences are known)
Why?
Rawls contends that our preferences are, at least to some extent, formed by the society we live in.
Endogenous preferences

Two basic principles

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1. Complete liberty for everyone to the extent that this liberty does not hinder the liberty of others
2. Economic equality except when inequality is to the advantage of all

The second principle is also called the difference principle
(See textbook for exact quotes)