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
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Utility theory: a convenient and powerful tool in both descriptive and normative theory.
When redistribution affects the size of the cake

Figure 4.6
Critique of welfarism

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

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

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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
Critique of welfarism

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No rights
No merits
Interdependent utilities

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
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

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.
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

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

- 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

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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

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

The persons do not know their position in society
They do not know what kind of persons they 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

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)