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The Choice of Economic Systems in the Rawlsian Original Position

Abstract

Rawls' consideration not to include the choice of economic systems as part of a theory of justice is inconsistent with his comments on redistribution and the political effects of economic inequality. When Rawls' discussion of economic systems, and his discussion of economic inequalities are examined, it is apparent that the selection of economic systems is a pertinent topic for a theory of justice. The propensity for the primary social good of self-respect to be satisfied can be affected by the selection of economic systems. Rawls has incorrectly determined the selection of economic systems to be unimportant if different economic systems can be more advantageous to the satisfaction of self-respect than others. When socialism and Rawls' version of regulated capitalism are compared socialism is a maximin solution, and accordingly will be selected by people within the original position under the veil of ignorance.

Introduction

In this paper I will argue that Rawls comes close to endorsing socialist control over the means of production in *A Theory of Justice* and that socialist control over the means of production is a maximin strategy when compared to private property ownership. The reason why Rawls does not actually endorse socialist control over the means of production, and consider socialism as a maximin strategy, is due to two reasons, first, because he lessens the difference between socialism and capitalism by outlining a heavily regulated capitalism as the version of capitalism he endorses; and, second, he does not sufficiently address the impact of the capitalist mode of production on the achievement of self-respect, perhaps the most important primary good.

This paper will be structured in three parts. The first part will review Rawls' comments in *A Theory of Justice* (which I will call *Theory* for the rest of the article) on different economic systems and why he considers the difference between economic systems as inconsequential. This section will also be an overview of Rawls version of regulated capitalism. The second part will be a review of what Rawls considers to be important to people in their social arrangements, which is the satisfaction of their self-respect through the achievement, or the assurance of attempts at achieving, their long-term goals. In the third section of the paper I will argue that socialism is a maximin strategy when compared to Rawlsian regulated capitalism because socialism provides people a better chance at achieving self-respect than Rawlsian regulated capitalism.

I: Rawls' Comments on Economic Systems

Rawls' perspective, when considering economic systems, is from the standpoint of justice. Justice, for Rawls, is what would be selected under the unbiased, and thus fair, conditions of the original position, with the veil of ignorance in effect (Rawls, 1999, 10-13). The veil of ignorance prevents people from having knowledge about their abilities and social position. This condition thus allows them to be unbiased in their selection of social rules, or as Rawls calls them, principles of justice. Rawls considers the selection of either capitalism or socialism as follows:

Which of these systems and the many intermediate forms most fully answers to the requirements of justice cannot, I think, be determined in advance. There is presumably no general answer to this question, since it depends in large part upon the traditions, institutions, and social forces of each country, and its particular historical circumstances. The theory of justice does not include these matters. (Rawls, 1999, 242).

This seems to be an odd comment since the concept of justice is defined by Rawls as: “The concept of justice I take to be defined, then, by the role of its principles in assigning rights and duties and in defining the appropriate division of social advantages (Rawls, 1999, 9).” This definition would lead one to think that the choice of economic systems would play a large role in people’s selection processes under the veil of ignorance, since social advantages are shaped by the decision making structures of an economic system. Furthermore, the assigning of rights and duties are also shaped by how control over resources structures people’s success in exercising their rights and fulfilling their duties.¹

Under the veil of ignorance people don’t know what their abilities are but they do know “the principles of economic theory (Rawls, 1999, 119).” If this is the case they would know about the range of inequalities in capitalist countries and socialist countries. They would know about theoretical versions of capitalism and socialism. They would also know the history of the economic fates of different countries. With all this knowledge available why would the selection of an economic system not be a matter for a theory of justice?

The answer to this question can be found in Rawls’ consideration of the difference between capitalism and socialism. Rawls thinks that the key difference between the two economic systems is the degree of public ownership of the means of production (Rawls, 1999, 235). Both capitalist and socialist systems can use markets for the allocation of jobs and consumption goods (Rawls, 1999, 239). But, socialism will use planning by a public body to determine investment decisions, whereas this function is relegated to private owners of the means of production within capitalism (Rawls, 1999, 239). Rawls also thinks that prices will not be determined by incomes under socialism whereas they will be determined by incomes within capitalism (Rawls, 1999, 241).

¹ Daniels discusses how inequalities of wealth may make equal liberty impossible. See Daniels (n.d.).

These seem like substantial differences that would greatly affect people's prospects of "social advantages." Also, Rawls thinks that market failures are possible with the usual problems of free riders, externalities, inequality, and the under-funding of public goods (Rawls, 1999, 235-240; Rawls, 1996, 266-7). If people who live within a capitalist system would be subject to inequality, unemployment, underinvestment, and crises, then the selection of socialism would appear to be the better choice.

After Rawls introduces and discusses the differences between socialism and capitalism and discusses the problems of market failure he then goes on in the next section of *Theory* to discuss what distributive institutions would be selected by people if capitalism was the economic system they, seemingly, know would be the economic system they would exist in. Rawls assumes capitalism as the mode to be discussed "since this case is likely to be better known (Rawls, 1999, 242)."

The economic institutions that people would select to regulate their capitalist economic systems are manifold. The government would "insure equal chances of education and culture (Rawls, 1999, 243)." A social minimum of income would be provided for those sick or unemployed and minimum incomes would be provided for everyone (Rawls, 1999, 243, 244, and 252). The state would oversee prices to keep them "workably competitive and to prevent the formation of unreasonable market power" and maintain full-employment (Rawls, 1999, 244). Also, the state would use taxation "to correct the distribution of wealth and to prevent concentration of power detrimental to the fair value of political liberty and fair equality of opportunity (Rawls, 1999, 245)." Rawls thus thinks that with these institutions in place "many socialist criticisms of the market economy are met" and "the worst aspects of so-called wage slavery are removed (Rawls, 1999, 248)."

Most importantly for Rawls' overall appraisal of distribution is the mechanism called the difference principle. The difference principle limits types of inequality by permitting, as a principle of justice, only inequalities that yield gains for the worst off (Rawls, 1999, 53). Rawls thereby thinks that the economic outcomes for all people in society will be linked (Rawls, 1999, 70). Inequalities are permitted only if there are to the benefit of all, or at least the worst off, but this distributive principle itself does not limit the range of inequality. Accordingly, any inequalities that benefit all are permitted by the difference principle (Rawls, 1999, 470). Obviously the difference principle alone will not be selected by people in the original position, since it would permit extreme disparities in the accumulation of wealth. Without a social minimum, a full-employment policy, and redistributive taxation the choice of capitalism is not advantageous.

In review, the reason why Rawls' thinks the selection of economic systems is not a topic for a theory of justice is because the problems of inequality, private property ownership, and market failure can be limited by regulation of the economy by the state. But, I think that Rawls has not left the selection of economic systems open to "the traditions, institutions, and social forces of each country, and its particular historical circumstances (Rawls, 1999, 242)." Rather, what Rawls offers as a selection is not between capitalism and socialism, but rather between socialism and a very regulated capitalism. In actuality, the selection provided is not for the people in the original position; it is a selection by Rawls according to what he finds to be the most well-know economic system. Rawls, thus, goes with the current opinion and, apparently, the dispositions of his readership. But, the choice between Rawlsian regulated capitalism and socialism becomes more pronounced once we consider other aspects of Rawls' political philosophy.

II: Rawls Comments on Self-Respect and Inequality

When people consider what their social world should be like, when they are in the original position, the most important element is the satisfaction of their self-respect. Rawls describes self-respect as:

First, ...it includes a person's sense of his own value, his secure conviction that his conception of his good, his plan of life, is worth carrying out. And second, self-respect implies a confidence in one's ability, so far as it is within one's power, to fulfill one's intentions. (Rawls, 1999, 386).

Also, Rawls considers the good of a person's life, the achievement that produces self-respect, as:

The main idea is that a person's good is determined by what is for him the most rational long-term plan of life given reasonably favorable circumstances. A man is happy when he is more or less successfully in the way of carrying out this plan. (Rawls, 1999, 79).

I think one can accordingly understand the relationship between a person's good and self-respect as follows: 1. The good for humans is a long-term plan of life. 2. People have self-respect when their long-term plan of life is achieved or they have good reasons to think their long-term plans could be achieved.

What is the relationship between Rawls understanding of people's goals and the selection of economic systems? If people desire self-respect and self-respect is gained when their long-term plans are achieved, or its achievement is reasonably assured, then people's access to resources will affect their prospects for self-respect, since all actions are dependent on access to resources. Thus, the selection of economic systems is important to people if they are concerned with the gaining of self-respect, because the satisfaction of self-respect is dependent on long-term plans being realized or assured. This realization or assurance of long-term plans requires access to resources whose availability is determined according to the decision making structure of the

economic system one finds oneself in. This especially appears to be the case because Rawls considers humans, in general, to have a conception of their personal good that requires the performance of complex actions or abilities, as opposed to a good which is achieved through simple actions or with abilities requiring little development (Rawls, 1999, 373).

This kind of human good that is satisfied through complex actions is called the Aristotelian Principle. Rawls describes it as follows:

... other things equal, human beings enjoy the exercise of their realized capacities (their innate or trained abilities), and this enjoyment increases the more the capacity is realized, or the greater its complexity. (Rawls, 1999, 374).

And, Rawls describes humans' desires according to the Aristotelian Principle as:

The Aristotelian Principle is a principle of motivation. It accounts for many of our major desires, and explains why we prefer to do some things and not others by constantly exerting an influence over the flow of our activity. Moreover, it expresses a psychological law governing changes in the pattern of our desires. Thus the principle implies that as a person's capacities increase over time..., and as he trains these capacities and learns how to exercise them, he will in due course come to prefer the more complex activities that he can now engage in which call upon his newly realized abilities. (Rawls, 1999, 375).

People desire to satisfy their self-respect through the achievement of complex abilities. Since Rawls thinks it is not politically stable to determine the good for individuals, what people pursue is up to them within the limits of justice (Rawls, 1999, sections 50 and 68). Knowing the psychological motivation of the Aristotelian Principle, but not knowing their own preferences for complex activities when they are under the veil of ignorance, people would wish to preserve access to resources for all people that would not depend on social position or natural ability, since this would be to their advantage when they cannot calculate the probabilities of their social position. The intention of the original position is to harmonize, within the demands of justice, social stability and people's individuality. Rawls indeed thinks that the aligning of people's

desires with the general good of society can only go so far. But, people can desire a society that enables them the best possible circumstances to achieve their own individual plans. People can rationally choose the reconciliation of interests (Rawls, 1999, 498).

This is exactly what Rawls intends with the economic institutions and principles of opportunity and distribution listed above. But, as I will argue for in the next section, if the achievement of self-respect is a key motivation for people, and they gain self-respect when they perform complex actions, can we really say that the selection of an economic system is unimportant for a theory of justice when the access to resources will directly affect people's chances to achieve self-respect?

III: Socialism as a Maximin Strategy

In review, first, Rawls thinks that the selection between the economic systems of capitalism and socialism is not a topic of justice because he reduces the difference between them by presenting a heavily regulated capitalism as one of the choices. Second, Rawls' appraisal of what is important to people and their motivations, self-respect and complex long-term plans, brings into doubt that the selection of economic systems is not a topic for a theory of justice. The later point makes it apparent that the selection of economic systems is important for a theory of justice and would be a topic of choice for people in the original position under the veil of ignorance. I will argue that the maximin strategy will be the selection of socialism over capitalism for the following reasons:

1. Greater control over investment.
2. Greater control over the workplace.
3. A social equality that extends beyond equal citizenship.
4. A greater chance at achieving ones complex long-term goals.
5. A greater chance at obtaining or being assured that one's self-respect will be satisfied.

Socialism will increase the prospects of the worst off in society because control over investment decisions would be state policy subject to democratic constraints. This point makes all the difference between Rawlsian regulated capitalism and socialism since investment decisions can be made to promote ways of life that are beneficial to a few or to greater numbers of people. People who have poor skills and weak prospects at developing their skills will not gain as much from market transactions where they will be out competed by others. But, most importantly they will be at the mercy of development policy that seeks profitability over maintaining a modern industrial base that develops products intended to meet needs.² People, in the unbiased situation of the veil of ignorance, realize that pursuing their long-term goals requires societal wide coordination. The private provisioning of investment planning has never been, nor ever will be, up to the task (Galbraith, 2009, 164-175). The ability for a populace to have control over investment decisions will be maximin superior to private control over investment.

Democratic control over the workplace will be superior, or just possible, under a democratic socialism. Rawls does not discuss workplace management by the workers themselves, but this would be an important means for people to develop complex abilities and to achieve their long-term goals. If people can strive toward their long-term goals as part of their paid labor then their major psychological motivation will have a greater chance at being satisfied under socialism than under regulated capitalism. Also, if some people's long-term goals were strictly achievable outside of paid employment workplace democracy would provide a sounder basis for the provisioning of flexible schedules and reduced work hours, thus enabling a greater chance to satisfy one's self-respect.

² On this point see Baran and Sweezy (1966) chapter 5.

People will have a greater chance at attempting to complete their long-term goals and thereby achieving self-respect under socialism because of the above reasons. Since many long-term goals, if not all of them, require access to resources socialism will improve people's access to resources by (the nature of a socialized economic system) preventing people from being separated from the means of production. If people can never be separated from control over the means of production this increases their chances to achieve self-respect. Rawls' regulated capitalism does provide income and employment guarantees. But, guaranteed control over the means of production is a superior maximin solution.

To reiterate, the differences between the economic systems of Rawlsian regulated capitalism and socialism is significant when it comes to the satisfaction of people's self-respect. The satisfaction of self-respect is a major factor in the construction of the principles of justice. If economic systems can significantly affect the chances people have to satisfy their self-respect then the selection is a topic for a theory of justice; and accordingly, should be decided within the original position. Under the veil of ignorance people would choose socialism as the superior maximin solution, because it provides the most extensive protections for the worst off and should do a better job at fostering a common citizenship through the elimination of significant wealth holdings.

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