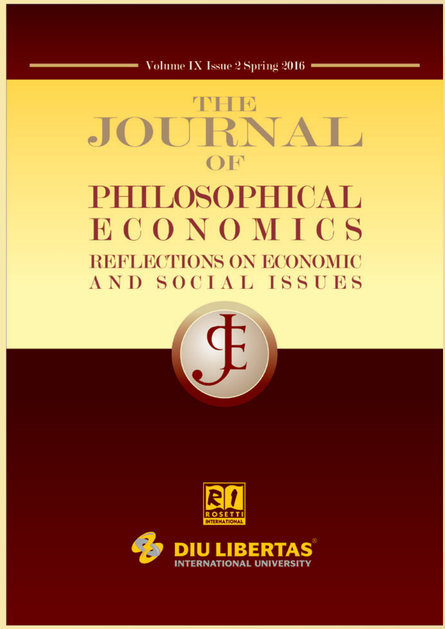
THE JOURNAL OF PHILOSOPHICAL ECONOMICS: REFLECTIONS ON ECONOMIC AND SOCIAL ISSUES

Volume IX Issue 2 Spring 2016

ISSN 1843-2298



Rawls and Piketty: the philosophical aspects of economic inequality

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Abstract: This paper discusses a key contemporary problem, that of inequality. Certainly, the most visible inequality today is economic inequality, which is not only a characteristic found today, but is also the result of a long historical development. The problem arises when inequality becomes artificial (produces itself) and thus becomes a matter of social sciences and humanities. At this point, the question of economic inequality becomes a non-economic issue and thus opens the possibility of formulating such principles that will be able to reduce the issue to a minimum. This paper discusses this possibility, while referring to Thomas Piketty's book on capital in relation to John Rawls's principles of justice to which Piketty refers to.

Key words: inequality, fairness, justice, Homo economicus, difference principle, egoist, sense of justice.

Received: 4 April 2016

Sunajko, Goran (2016), 'Rawls and Piketty: the philosophical aspects of economic inequality', *The Journal of Philosophical Economics: Reflections on Economic and Social Issues*, IX: 2, 71-84

Introduction

Regarding the issue of whether economics is an economic question, perhaps the best answer can be found in Heidegger's (2002:9) response to the technique that is not a technical issue. The reason for this is that science does not think. Heidegger writes that history, for example, explores a period of time in every way possible and yet never actually explores history. That Man will never find what history is by the historical way; likewise, the mathematician will never do mathematics by the mathematical way. The essence of such areas as history, art, poetry, language, nature, Man and God remains inaccessible to science. So much as science does not have access to these matters, it must be said that it does not think. So thinking *(das Denken)* is something that is the basis of any science, but exceeds its defined boundaries. In fact, thinking (or to think), according to Heidegger, means to 'put itself once again in question' and that is exactly what is not the case in ordinary science engagement. Science and Man should, in fact, be partnered rather than Man used as a research object of science. In the same way, we can come to the conclusion that the issue of economic inequality is not an economic question, but rather a philosophical question. This does not mean that the importance of economics is secondary, but only that economy (economics) does not see the essence of inequality. The problem of economic inequality is a general problem of society. Piketty (2014: 2) wrote that 'that the distribution of wealth is too important an issue to be left to economists, sociologists, historians, and philosophers. It is an interest to everyone, and that is a good thing.'

From the very beginning of philosophical considerations of human society, the fundamental cause of inequality has been private property. The concept of the state in the Modern Age separates ownership (private property) from authority (government) and results in the requirements for the exercise of the rights of people, regardless of property status. Contrary to Hobbes, Locke (1828: 115) believed that the institution of property is the natural base of individual freedom that precedes the state and that the state is there only to maintain it. Contrary to both, Rousseau (1992: 222) wrote the most popular critique of private property but this famous critique is not fundamental to our problem, which is that of inequality. This problem is better seen in Rousseau's (1992: 167) distinction between natural and social inequality. There is no doubt that Man with his forces sought to remedy natural inequality by growing social and political institutions that are supposed to correct natural inequality. But Rousseau concludes that in such a bid, Man developed the wrong institutions and inequality became even worse. This is where the problem of inequality lies. However, what is most important is Rousseau's attempt to show that Man by nature is determined by the principle of self-preservation, as was also considered by the English empiricists (especially Hobbes). But what sets Rousseau apart is the fact that he sees that self-preservation through the whole political community by the general will is contrary to selfish particular will. According to Rousseau, Hobbes was wrong in turning the logic of self-preservation into private self-preservation. [1]

What is crucial to our discussion on inequality is Rousseau's *citoyen-bourgeois* distinction. It is important because, according to Rousseau, the political community is not a community of private owners *(bourgeois)* but the political community of the citizens *(citoyens)*. This means that only citizens can have a general will that is sovereign because it is directed toward political community as a whole. This is exactly the problem that bothered Marx (1976a: 347–377) on which he wrote in *Zur Judenfrage*. In his *Zur Kritik der Hegelschen Rechtsphilosophie*, Marx (1976b: 203–333) tried to solve the problem of the bourgeoisie who must take power into their own hands. What Marx left unresolved is the question of how, almost overnight, the *bourgeois can* become *citoyen* who will lead the transformation of a class society (economic) to a classless society (political and finally non-political). It becomes clear that inequality can be solved only institutionally, but cautiously, as seen from Marx's example.

So we find what Rousseau wrote, that every inequality of institution must increase the natural inequalities of the human species, to be important. He means that the problem can be solved only by fair and just institutions, much as Rawls did. In his recent book, *Capital in the Twenty-First Century*, Thomas Piketty not only examines all the economic reasons for economic inequality, but indicates the direction of philosophical consideration on the phenomenon of inequality, especially Rawls's theory of justice and property-owning democracy. But before we discuss Rawls's and Piketty's considerations of the question of inequality and connect them to their answers, let us briefly look at Raj Patel's study that denies the widely accepted and dominant theory of Man as a natural economic being - *Homo economicus*, or *bourgeois*. For such a hypothesis, he blames English empiricist philosophers, especially John Stuart Mill , seeing them as apologist of classical political economy, and contemporary Nobel Prize winner Gary Becker, who wrote in his book, *The Economic Approach to Human Behavior*, that every human behavior (politics, family, crime) is determined by economic reasons of benefit. On the basis of scientific research in psychology, sociology, and medicine, Patel (2009: 25) argues the opposite thesis: that Man is not naturally *Homo economicus*. Man is rather an altruistic being who is conscious of his life in the community. According to Patel, *Homo economicus* does not exist; we would philosophically say he is the non-being. He (It) is artificially created imagination; Mill's monster produced by a market society. It was further taken up by one of the giants of twentieth-century economic thinkers, Gary Becker, who claimed that the economic approach provides a useful framework for understanding all human behavior.

According to Patel, Becker's conclusions are based on false assumptions: that Man is *Homo economicus* by nature and this therefore demonstrates several interesting scientific elements about human behavior. Beyond systematic irrationality, Becker's assumption about preferences being the same across all societies does not hold water. For example, in many North American indigenous cultures, generosity is a central behavior in a broader social and economic system. [2] Patel also finds that new experiments in neuroscience and primatology suggests that we are now wired to be entirely selfish all the time and that humans have evolved complex behaviors that include in-built desires for altruism and fairness, as well as selfishness and avarice. Such experiments show Man's innate altruism. With Patel's examples, we have tried to demonstrate the unsustainability of the thesis of Man as *Homo economicus* by nature, but also the fact that unfairness becomes a crucial common problem when it is artificially created by the wrong institutions. It is unfairness as inequality in distribution and opportunities that will be the subject of our further elaboration on Pikkety's and Rawls's positions.

Thomas Piketty's discourse on inequality

In his recent and widely popular book, Thomas Piketty (2014) claimed that putting the distributional question back at the heart of economic analysis is necessary. Piketty showed the proportion between capital growth and poverty that caused inequality and focused his analysis on not only the causes of inequality, but also the solutions that he sees in the progression of the principles of the welfare state, especially the introduction of the principle of true equality through progressive taxation at the global level. Here we find it necessary to show briefly some of his conclusions regarding the causes of inequality. He believes that the distribution of wealth is one of today's most widely discussed and controversial issues and asks: 'Do we really know about its evolution over the long term or do the dynamics of private capital accumulation inevitably lead to the concentration of wealth in ever fewer hands, as Marx believed in nineteenth century?' He also asks whether the balancing forces of growth, competition, and technological progress lead in later stages of development to reduced inequality and greater harmony among the classes, as Simon Kuznets thought in the twentieth century. Piketty claims that modern economic growth and the diffusion of knowledge have made it possible to avoid the Marxist apocalypse but have not modified the deep structures of capital and inequality. He sees a danger in this fact (2014: 1):

> When the rate of returns on capital exceeds the rate of growth of output and income, as it did in the nineteenth century and seems quite likely to do again in the twenty-first, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values in which democratic societies are based.

His important answer is that democracy can regain control over capitalism and ensure that the general interest takes precedence over private interests, while preserving economic openness and avoiding protectionist and nationalist reactions. That way is possible, according to John Rawls's principles of justice, as he himself pointed out, especially in the chapter on the welfare state. Piketty shows the reasons that led to inequality in a number of comparative studies, but to us it is important to discuss some issues of inequality. According to Piketty, the first serious studies on inequality began in the nineteenth century, especially with Malthus, Ricardo, and Marx. In a way we are in the same position at the beginning of the twenty-first century as our forbearers were in the early nineteenth century; we are witnessing impressive changes in economies around the world, and it is very difficult to know how extensive they will turn out to be or what the global distribution of wealth will look like several decades from now. The economists of the nineteenth century, Piketty (2014: 16) considers, deserve immense credit for placing the distributional question at the heart of economic analysis and for seeking to study long-term trends.

> Their answers were not always satisfactory, but at least they were asking the right questions. There is no fundamental reason why we should believe that growth is automatically balanced. It is long since past the time when we should have put the question of inequality back at the center of economic analysis and begun asking questions first raised in the nineteenth century. For far too long, economists have neglected the distribution of wealth, partly because of the Kuznets's optimistic conclusions and partly because of the profession's undue enthusiasm for simplistic mathematical models based on so-called representative agents.

As a main result of his research, Piketty has pointed out two major conclusions. The first is that one should be wary of any economic determinism in regard to inequalities of wealth and income. He agrees with Rousseau that the history of the distribution of wealth has always been deeply political, and it cannot be reduced to a purely economic mechanism. The resurgence of inequality after 1980 is due largely to the political shifts of the past several decades, especially in regard to taxation and finance. The history of inequality is shaped by the way economic, social, and political actors view what is just and what is not, as well as by the relative power of those actors and the collective choices that result. It is the joint product of all relevant actors combined. The second conclusion that Piketty (2014: 376) points out is that the dynamic of wealth distribution reveals powerful mechanisms pushing alternately toward convergence and divergence. Furthermore, there is no natural, spontaneous process to preventing destabilizing, inegalitarian forces from prevailing permanently.

> One conclusion is already quite clear, however: it is an illusion to think that something about the nature of modern growth or the laws of the market economy ensures that inequality of wealth will decrease and harmonious stability will be achieved.

So we need an active institution that will be able to decrease inequality – a new kind of a welfare state that Piketty discusses in the chapter, 'A Social State for the Twenty-First Century.' He claims that today, in the second decade of the twenty-first century, inequalities of wealth that had supposedly disappeared are close to regaining or even surpassing their historical highs. The new global economy has brought with it both immense hopes (such as the eradication of poverty) and equally immense inequities (some individuals are now as wealthy as entire countries). He asks if we can imagine a twenty-first century in which capitalism will be transcended in a more peaceful and more lasting way or must we simply await the next crisis or the war: 'Can we imagine political institutions that might regulate today's global patrimonial capitalism justly as well as efficiently?' (Piketty 2014: 471). The ideal policy for avoiding an endless inegalitarian spiral, Piketty considers, is a progressive global tax on capital. It would also expose wealth to democratic scrutiny, which is a necessary condition for effective regulation of the banking system and international capital flows: 'A tax on capital would promote the general interest over private interests, which may well be the alternative to this ideal policy. But the truly global tax on capital is no doubt a utopian ideal' (Piketty 2014: 471).

However, Piketty thinks that a regional or continental tax might be tried. But we must first answer, what is the role of government in the production and distribution of wealth in the twenty-first century and what kind of a social state is most suitable for the age? Many observers deplore the absence of any real return of the 'state' to managing the economy, while others believe that the return of state interventionism is dangerous for the free-market economy. Piketty warns that the possibility of greater state intervention in the economy raises very different issues today than it did in the 1930s, because the influence of the state is much greater now than it was then; indeed, in many ways greater than it has ever been. This is why today's crisis is both an indictment of the markets and a challenge to the role of government (2014: 474):

> Both the antimarket and antistate camps are partly correct: new instruments are needed to regain control over a financial capitalism that has run amok, and at the same time the tax and transfer system that are the part of the modern social state are in constant need of reform and modernization, because they have achieved the level of complexity that makes them difficult to understand and threatens to undermine the social and economic efficacy.

What we find crucial is that Piketty notes that modern redistribution does not consist of transferring income from the rich to the poor. It rather consists, according to his 'logic of rights', of financing public services and replacement incomes that are more or less equal for everyone, especially in the areas of health, education, and pensions that are the main elements of the welfare state. In the latter case (pensions), the principles of equality often take a form of quasi proportionality between replacement income and life-time earnings. For education and health, there is real equality of access for everyone regardless of income (or parents' income), at least in principle. Modern redistribution is built around a logic of rights and a principle of equal access to a certain number of goods deemed to be fundamental -- this is mainly Rawls's position. While Piketty calls his position the 'logic of law', Rawls called it a 'difference principle.' This is one of two main principles of justice that we will analyze.

Piketty's position is philosophically and politically relevant and he himself shows the relevance of his right-based approach in various national political and philosophical traditions. For example, the US Declaration of Independence asserts that everyone has an equal right to the pursuit of happiness and the French Declaration of the Rights of Man and the Citizen (article I) also proclaimed that men are born free and equal in rights. In the first case, our modern belief in fundamental rights to education and health can be linked to this assertion, and in the second case (the French Declaration) it is the statement that 'social distinctions can be based only on common utility' that is relevant. According to Piketty (2014: 480), this is a central tension of any right-based approach: how far do equal rights extend?

> Do they simply guarantee the right to enter into free contract–the equality of the market, which at the time of the French Revolution actually seemed quite revolutionary? And if one includes equal rights to an education, to health care, and to a pension, as the twentieth-century social state proposed, should one also include rights to culture, housing, and travel?

Piketty continues that the second sentence of the French Declaration formulates a kind of answer to the question above, because in a sense it reverses the burden of proof: equality is the norm and inequality is acceptable only if based on 'common utility'.

Today we can interpret this phrase more broadly. One reasonable interpretation, according to Piketty (2014: 480), is:

> ...that social inequalities are acceptable only if they are in the interest of all and in particular of the most disadvantaged social groups. Hence basic rights and material advantages must be extended to insofar as possible to everyone, as long as it is in the interest of those who have the fewest rights and opportunities to do so. The 'difference principle' introduced by the US philosopher John Rawls in his *Theory of Justice* is similar in intent. And the 'capabilities' approach favored by the Indian economist Amartya Sen [3] is not very different in its basic logic.

We end with Piketty's conclusion that such questions will never be answered by abstract principles or mathematical formulas. The only way to answer them is through democratic deliberation and political confrontation. Therefore, let us briefly consider Rawls's concept of justice, especially the 'difference principle' that Piketty mentioned as a crucial.

John Rawls's 'Difference Principle' concept as a possible solution

First of all, Rawls (2001:20) defines the concept of equality in a way that citizens are regarded as *equal* in that they are all regarded as having, to the essential minimum degree, the moral powers necessary to engage in social cooperation over the span of their lives and to take part in society as equal citizens. Having these powers to this degree, according to Rawls, is the basis of equality among citizens as persons. That is, since we view society as a fair system of cooperation, the basis of equality is having, to the requisite minimum degree, moral and other capacities that enable us to take part fully in the cooperative life of society. Before we analyze a difference principle, it is necessary to outline some of the concepts of Rawls's theory of justice that led to our subject. Of course, it should be noted that Rawls's system cannot be understood without some of its fundamental concepts (Original Position, Veil of Ignorance, Principles of Natural Duty, etc.), but in this case it would be enough to understand the idea of the Two Principles of Justice that we find important. [4]

What is crucial is the fact that Rawls is not an idealist, like Rousseau was, in the sense that one is good by nature and thus will follow only the general will. However, neither is he a utilitarian in the sense that one will follow only the particular will. We find his concept rational because he includes human egoism, but he also believes, like Patel does, that people have a sense of justice and the effective desire to apply and to act from the principle of justice and so from the point of view of justice: 'Thus, what is to be established is that it is rational (as defined by the thin theory of good) for those in a well-ordered society to affirm their sense of justice as regulative of their plan of life' (Rawls 2009: 497). Rawls shows that an egoist's final ends are related to himself (his wealth and position, his pleasures and social prestige, and so on) and so long as he remains an egoist he cannot pursue these for the just Man's reasons. Having these reasons is inconsistent with being an egoist. The main idea of his theory of justice is that the principles of justice for the basic structure of society are the object of the original agreement. There are the principles that free and rational persons, concerned with furthering their own interests, would accept in an initial position of equality as defining the fundamental terms of their association. This way of regarding the principles of justice, Rawls calls fairness.

In a hypothetical situation, what Rawls calls the 'veil of ignorance', no one knows his place in society, his class position or social status, nor does anyone know his fortune in the distribution of natural assets and abilities, his intelligence, strength, and the like. Rawls even assumes that the parties do not know the extension of their conceptions of good or their special psychological propensities. This ensures that no one is advantaged or disadvantaged in the choice of principles by the outcome of natural chance or the contingency of social circumstances. This kind of 'ignorance' is very similar to Kant's (1868: 39–42) Categorical Imperative (more precisely, a moral law) that rests on the analytic proposition that is *a priori* free of any empirical reality. Rawls believes that under such conditions, all (parties) will adopt the two basic principles of justice, which Piketty mentioned above. The first requires equality in the assignment of basic rights and duties, while the second holds that social and economic inequalities of wealth and authority are just only if they result in compensating benefits for everyone, 'and in particular for the least advantaged members of society' (Rawls 2009: 497). The condition to these principles is again a 'sense of justice' according to which systems of ends are not ranked in value and each Man is presumed to have the requisite ability to understand and act upon whatever principles are adopted. Together with the veil of ignorance, these conditions define the principles of justice as those which rational persons, concerned to advance their interests, would agree as equal when none are known to be advantaged or disadvantaged by social and natural contingencies.

So two of Rawls's (2009: 53) principles of justice are:
First: each person is to have an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others.
Second: social and economic inequalities are to be arranged so that both are (a) reasonably expected to be to everyone's advantage and (b) attached to position and offices open to all.

The second principle is especially interesting to us as it applies to the distribution of income and wealth and to the design of organizations that make use of differences in authority and responsibility. The crucial point that Rawls emphasizes is that while distribution of wealth and income need not be equal, it must be to everyone's advantage and, at the same time, positions of authority and responsibility must be accessible to all. It is important that these principles are arranged in serial order with the first principle prior to the second. This ordering means that infringements of the basic equal liberties protected by the first principle cannot be justified or compensated for by greater social and economic advantages. Finally, in regard to the second principle, distribution of wealth and income and position of authority and responsibility should be consistent with both basic liberties and equality of opportunity. As well as Piketty, Rawls concludes that the solution of the problem of inequality and the principle of distributive justice is a matter of political decision. So he concludes that the 'social resources must be released to the government so that it can provide for the public goods and make the transfer payments necessary to satisfy the difference principle' (Rawls 2009: 246).

Conclusion

In this paper, we attempted to discuss the problem of inequality as a fundamental contemporary problem. From the very beginning of social development, the problem of inequality has occupied a key position in philosophical discussions, but its essence has not changed even today, as is shown briefly by Piketty. We presented some research which argues that Man is not *Homo economicus* by nature, as is shown by Patel. Therefore, inequality is an artificial construct created by and through social institutions, which means that the problem of inequality can be solved only by correcting social institutions. In Piketty's conclusions, we see the need for a new type of welfare (social) state that will reduce inequities and inequalities among men and classes. According to this concept, Rawls's understanding is that social and economic inequalities of wealth and authority are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society. This can be done not by reducing the role of the state (the public sector), but rather by strengthening the state's role toward a much fairer society so as to have a 'sense of justice' according to Patel's and Rawls's conclusions. So it seems we need the state to ensure equality and that any further kind of restriction of the state's role means there is no state at all.

Endnotes

[1] 'But above all things let us beware concluding with Hobbes, that man, as having no idea of goodness, must be naturally bad; that he is vicious because he does not know what virtue is; that he always refuses to do any service to those of his own species, because he believes that none is due to them; that, in virtue of that right which he justly claims to everything he wants, he foolishly looks upon himself as proprietor of the whole universe' (Rouseau 1992: 182).

[2] One anecdotal account, that Patel recounts, examines what happened when boys from white and Lakota communities received a pair of lollipops each. Both sets of boys put the first one straight in their mouths. The white boys put the second one in their pockets, while the Native American boys presented it to the nearest boy who did not have one. This shows that culture can shape how resources are accumulated and distributed and dictates the social priority of saving over sharing. But the experiment also reminds us that the opposite of consumption is not thrift but generosity.

[3] Sen (2009: 291) pointed out that there are different theories of equality and that they can be entirely diverse (focusing on equal income or equal treatment of everyone's rights or utilities). They may be in conflict with each other, but they still have the common characteristic of wanting equality of something.

[4] Alan Thomas (2016) has very recently considered the problem of new inequality within the Rawls and Piketty distinction.

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