Imagine a society in which fifteen percent of the children live in poverty, many people are homeless, and where the infant death rate in some cities is similar to that of Third World countries. In this same society there are people who have many millions of dollars and are pursuing even greater wealth. Should any limits be placed on how much wealthier the richest people can become while there are still children living in poverty?

Examples such as this one force us to confront the morality of vast economic inequalities in our own country. Is there any moral justification for allowing some people to live in abject poverty while others have wealth far beyond their needs?

Political and ethical thinkers have disagreed widely on this question. The difference between capitalism and socialism is fundamentally a disagreement about the moral justification of different ways of distributing wealth. Like any action or policy, the distribution of wealth can be addressed morally by the two major approaches to ethical theory, utilitarianism and formalism. The two approaches conflict, but not in neat and simple ways. It is not as if all utilitarians favor capitalism and all formalists favor socialism (or the other way around). Some utilitarians and some formalists favor capitalism, and other utilitarians and other formalists favor socialism. We need to sort out the arguments they offer.

The Utilitarian Approach to Economic Justice

Utilitarians, of course, judge any policy by whether it produces the greatest possible balance of good over bad for all people. The utilitarian conception of justice is simply the maximization of good over bad consequences. Utilitarians do not consider the distribution of benefits and harms as a matter of independent importance.

Some utilitarians favor a capitalist system on the grounds that it produces more total wealth than any other possible system. Thus, even if there are vast inequalities between rich and poor, there will be enough people doing well to outweigh the suffering of those who are impoverished. Moreover, utilitarian capitalists tend to argue that the average welfare is higher in a capitalist system than in any other. As we have seen, preference utilitarians have a special reason to favor a capitalist or free-market system since the decision about what products will be produced is based on the intensity of people's desires. Ideally, a capitalist system functions to maximize the satisfaction of people's desires.

A utilitarian might oppose capitalism for a number of reasons. She might simply disagree about the empirical claim that capitalist economies produce greater wealth. More interesting and convincing is the argument that greater wealth does not necessarily correlate with greater human welfare. This might be true for a number of reasons. Though more money sometimes correlates with greater good (or happiness), other things being equal, someone with a thousand times more money than he needs is not likely to be a thousand times happier (or more satisfied) than someone who has just enough. On the other hand, someone who has only one-half what he truly needs is likely to be tremendously less well off than someone who has enough for all basic necessities. Therefore, it would be inappropriate to calculate the plus and minus points for an economic system based on something like “one dollar,
one point.” A dollar means a lot more to a poor person than to a wealthy one, so when large amounts of the society's wealth go to the already-rich, it does not actually produce the same amount of good as if that wealth went to the poor. The result is that a system like capitalism could produce more total wealth than any other system, yet not produce as much human good.

A “happiness” utilitarian might even concede that capitalism satisfies people's desires to the greatest possible extent but claim that it is not the morally best system because it does not promote the most genuine happiness. People often desire things that fail to make them happy. Capitalism might satisfy those desires, but another system that evaluated which desires are most worth satisfying—that is, which desires truly promoted happiness—would be judged morally superior. Such a critic might point to the large portion of our own economy that is devoted to such things as cigarettes, alcohol, soft drinks, and cosmetics. Resources devoted to these products may satisfy people's cravings but probably do not produce as much genuine happiness as money going toward housing, medical care, or education.

Those who defend capitalism on preference-utilitarian grounds would challenge the “happiness” utilitarian to come up with an objective standard of human happiness. They would intensely oppose the government's making that decision rather than letting each individual decide for herself. They would argue that there can be no standard of the good for each person other than what that person himself wants. Though this approach does maximize individual choice, it may overestimate the difficulty of deciding what makes people genuinely happy. If any one of us could decide, for the whole society, whether a certain sizable proportion of its resources should go for cigarettes or for education, using the promotion of human happiness as a standard, the decision might not be so difficult to make.

**The Formalist Approach to Economic Justice**

Ethical formalists claim that utilitarians have no understanding of justice. According to the formalist, “justice” as a concept does not refer merely to the amount of good versus bad that a policy creates. Rather, it focuses specifically on the distribution of benefits and burdens. It judges some ways of distributing economic resources to be fairer or most just than others. The focus of the rest of this chapter is on non-utilitarian conceptions of economic justice.

When formalists consider how resources should be distributed, they focus not on consequences but on rights. To ask what economic rights people have is to inquire about what they are entitled to or what they deserve. This approach is fundamentally different from looking at results. For example, if we ask what could ethically justify the existence of multi-millionaires in a society with impoverished people, a utilitarian might refer to the good effects on the society of providing an incentive to people to become rich. The utilitarian might also claim that if the number of rich people is great, their happiness might outweigh the suffering of the poor enough to justify the system of inequality. The formalist, on the other hand, will ask whether there is something about the wealthy people that makes them more deserving of wealth or whether being able to keep large amounts of wealth is a moral right that certain people have.
ECONOMIC LIBERTY VERSUS ECONOMIC EQUALITY

Different ideas about economic justice can be thought of on a continuum, each end of which emphasizes a different economic right. At one extreme are people who stress economic liberty, the right of people to own and keep whatever wealth they earn. If this right is considered absolute, then taxation is a form of theft because it is forcing people to give up wealth that properly belongs to them. The right to economic liberty is conceived as a right of a person to be the sole judge of what to do with her own wealth or property.

At the other end of the continuum is the right of economic equality, the equal right of all people to have at least their basic needs met, or perhaps even a right to have equal wealth. Even in its more moderate form, the right to economic equality requires substantial governmental taxation. For example, if we say that all persons have an equal right to decent nutrition, adequate housing, and basic medical care, then the wealthy must be compelled to pay taxes to support these programs. The right of economic liberty and the right of economic equality are always in potential conflict, and each economic system must find someplace on the continuum between emphasizing one right or the other.

In American culture we tend to value both rights. Economic liberty appeals to our individualistic values, the right of people to “go as far as they can,” relying on their own resources. But we also have a sense of being a community where each person has some obligation to others, especially those who are in need. We tend to think that it is a governmental—that is, public—responsibility to be sure that no one starves in a country as wealthy as ours. Because we try to find a balance between the two ends of the continuum, both of the major political parties are somewhere in the middle, liberals and Democrats tending to emphasize economic equality, and conservatives and Republicans stressing economic liberty. Socialists would be at the extreme “left” end of the scale, and Libertarians would be at the far right. Socialists give little or no weight to property rights, and Libertarians deny that people have any right to have their basic needs met.

**Economic Equality**

Right of people equally to have (at least) basic needs met. Providing for the poor (through taxation) is a public responsibility.

*Emphasis on community*

**Economic Liberty**

Right of people to own and keep wealth. Freedom from taxation. Satisfying needs of the poor is not a public responsibility.

*Emphasis on individualism*

Socialist  Liberal  Conservative  Libertarian
The controversy over the justice of different economic systems illustrates the problem of conflicting rights. Advocates of each position face the challenge of giving reasons why some rights are more important than others. The conflict between the right to economic equality and the right to economic liberty is not only a conflict between rights but a disagreement about which of two kinds of rights is more important. Economic liberty is a negative right because it implies a negative obligation, an obligation to refrain from doing something; in this case, to refrain from thwarting a person’s pursuit of wealth. Economic liberty is a right to be free from governmental interference by government or other people. On the other hand, the right to have basic needs met is a positive right because it implies a positive obligation, a duty to act in a certain way rather than to refrain from acting. Economic equality implies an obligation on the part of government (which means, ultimately, all of us in the community) to provide the resources to meet people’s basic needs.

Economic Justice and American Politics

Many of the controversies in American politics are traceable to philosophical differences over which kind of right is more important. Libertarians and conservative Republicans tend to argue for the primacy of economic liberty, the right to be free from governmental interference. Thus they tend to oppose governmental regulation on business in areas like environmental protection and worker health and safety. Libertarians even oppose public parks and public education because these governmental services require taxing people to pay for these services, whether they would freely choose to pay or not. On the other hand, socialists and liberal Democrats tend to emphasize that people have a positive right to certain things from government, such as basic medical care, adequate nutrition, clean air, and a guaranteed level of safety in the workplace. They are therefore more likely to favor taxation to pay for these goods and governmental regulation of business to insure that people are protected from hazards.

American political candidates tend to seek support by moving closer to the middle rather than the ends of the spectrum. Thus none of last year’s Presidential candidates opposed all governmental regulation or advocates complete equality of medical care or wealth. Nonetheless, you often heard Democrats like Al Gore talk about a (positive) right to some level of medical care, which means government must find tax money to pay for these services. And you more often heard Republicans and George Bush advocate large tax cuts, which inevitably implies a smaller role for the federal government in areas such as environmental protection and education.

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