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Distributive justice

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Abstract

Purpose – Catholic social teaching is predicated upon their notion of "social justice." In this perspective, the rich, as do the poor, have rights only to a bare subsistence level of income. Any wealth greater than this amount is owned by all of mankind, not by those who hold private property title to it. Rawls, a secular egalitarian, supports this notion with his concept of the veil of ignorance, according to which, if we did not know the future roles we would play in society, we would all choose moderate egalitarianism.

Design/methodology/approach – The present authors argue, along with the libertarian Nozick, that such redistribution is unjust, amounting to theft. It is also counterproductive to the supposed goals of the egalitarians, since the poor are much better off in societies that eschew such forced redistribution.

Findings – A possible reconciliation between libertarianism and Catholic social teaching is broached: as long as social justice applies only to members of this faith, it is not incompatible with the ethic of free enterprise and private property rights.

Originality/value – The paper sheds light on the views of the Catholic social teaching philosophy on distributive justice.

Keywords Social justice, Sociology

Paper type Research paper

The present paper utilizes the debate between Rawls (1971) and Nozick (1974) as a focus to shed light upon the views of the Catholic social teaching philosophy on distributive justice.

Studying current Catholic social teaching from an economic political philosophy perspective presents conflict. The conflict lies between the choices one can freely make, while respecting the rights of all others to theirs and those decisions based upon legislation that coerces people to give up their assets in a simplistic attempt at the betterment of society. As moral thinkers, we necessarily prefer choice to force. Catholics believe that the free market often fails when it comes to provision and equality for the poor of society. Because of these failures, Catholic social teaching often calls for legislation to correct such "inefficiencies." Therefore, a tension arises when discussing the benefits and consequences of distributive justice. The proper resolution to the conflict lies within the principles against coercion and in favor of individual choice.

Catholic social teaching perspective on distributive justice

Distributive justice in Catholic social teaching is part of a larger philosophy known as social justice, which involves the church's self-imposed duty toward all of mankind. More specifically, distributive justice deals with the inequalities of wealth under the free-enterprise system of economics. Inherent in this argument is the principle of the common use of goods. Catholic social thinkers argue that because God created the earth for man, we must all equal have ownership of it, and thus the same right to it.

We find a strong secular parallel to this view in Rawls (1971). He argues that under a "veil of ignorance" we would create a society encompassing more equality,

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particularly that pertaining to wealth. Rawls puts forth the hypothetical situation of social planners under a "veil of ignorance" – that is they are blind to bias – who plan out individual roles in society. What he means by this is that under the scheme through which we design the good society *de novo*, none of us know the roles in the economy to which we will be assigned. In this way, Rawls (1971) argues, an egalitarian society will develop. In addition, he maintains that inequality exists because natural traits, or assets, are "arbitrary from a moral point of view" and therefore, the current state of distribution is hence unjust.

Catholic social teaching (Centesimus Annus, 1991) is averse to such extreme social planning. The Catholic Church bases its position on the idea of subsidiarity – i.e. it is unjust to allow governments and "higher" institutions to take on actions and economic decisions that the "lower" social associations can do on their own (Zwick and Louise, 2001). Thus, social planning on a grand Rawlsian scheme is both unnecessary and unjust according to this philosophy. Instead of distributing wealth and assets equally among members of society, or in Rawl's case, no more unequally than is required for the betterment of the poorest members of society, the economics of Centesimus Annus calls for a living wage, in an attempt to provide justice for families. Catholic Social Teaching equates the living wage with that level of income needed to support a family. The employee, it is assumed, is defenseless against employers who dole out below-subsistence wages; thus, legislation is necessary to protect his rights (Centesimus Annus).

But what about the property rights of those who are in this way coerced into distributing their wealth among the poor? Catholic social teaching replies that surplus wealth is not owned by one man but must be shared by all those who need it[1]. In this tradition, because God created earth and man, we are only entitled to share what can be produced from earth among ourselves. In addition, according to left wing theologians, we have an obligation to give of our surpluses to those who are in need (Rowntree, 2001). Laborem Exercens (1981) argues for these positive rights, that we have an obligation to others in such a way that leads to "the right to life and subsistence." These positive rights have their basis in Lockean philosophy. For instance, in his first treatise, John Locke talks about the senselessness of gathering and hoarding excesses, which can only be left to spoil if not given away. Locke (1981) argues that man should only hold that which is necessary to him, anything over and above that is foolish. Catholic Social Teaching espouses a belief that man has a right to subsistence level of wages and only that level – anything above belongs to all in common.

In addition, when there exists a case of a person in desperate need, this teaching claims that such a person is being coerced. Thus, offering provisions of food, shelter, etc. to people with such dire need is required of those who hold surpluses. But, asking for work in return for these gifts is equivalent to slavery, since the person in desperate need has no other alternative. That is, if and only if the wealthy (those who produce the surpluses) would give away their excess to those in need, then the poor would then have no right to thievery of those goods. In this way, Catholics have a duty to the needy (Rowntree, 2001). Today, members of this religion are urged to not consult their own self-interest but rather that of the common good when making economic decisions. Often, demands by the Pope for legislation are intended to replace the decision-making process and charitable tendencies of individuals[2].

Political philosophy of distributive justice

One high profile critic of this perspective is Nozick (1974, p. 227) who argues that "rationality, the ability to make choices, and so on, are not morally arbitrary..." and because of this, we are able to compensate for the differences among us. Nozick (1974, p. 150), contra Rawls, maintains that not only is redistribution not necessary, but also it is unjust: "there is no more a distributing or distribution of shares than there is a distributing of mates in a society in which persons choose whom they shall marry." To attempt to redistribute assets is unjust on the basis that the question of who deserves what and how much are virtually unanswerable. In addition, the benefits of the affluent are disregarded in Rawls' argument that no one should hold more assets above anyone else, unless they are thereby providing a service to the poor. In free trade, people are free to make the choice of giving up some of their provisions in return for others. This results in what Rawls would claim as an inequality. However, Nozick argues that free trade is a positive sum game; we all benefit from it. Because a person willingly gives up his own provisions in exchange for another asset, he obviously values the other higher than the former. In addition, Catholic social teaching fails to address the unintended consequences of the coercive legislation that it proposes. Woods (2002, p. 13) states that:

> We must assume that the architects of Catholic social teaching consider the ill effects of such intervention to be either minimal or nonexistent, since that teaching nowhere makes moral provision for workers who will be priced out of the market by the implementation of state-imposed wage increases and improvements in working conditions.

The amount of subsistence level wages that Catholic social teaching today argues for is much higher than actual biological needs. In this view, subsistence wages are equated with the amount demanded under "living wage" levels. Given that a person can survive on "370 lb wheat flour, 57 cans of evaporated milk, 111 lb of cabbage, 25 lb of spinach, and 285 lb of dried navy beans" (Stigler, 1962, p. 3), obviously Catholic social teaching grossly overestimates the concept of a subsistence wage. This is largely due to the fact that productivity in industrialized nations is high and wages mirror that level. Wages will continue to go up so long as productivity is allowed to do so. Yeatts and Block (2000, p. 48) argue:

> If there is any obvious conclusion which must be drawn from an international economic comparison of countries, it is that the poor in rich nations are treated far more decently that those in the underdeveloped part of the world.

In addition, the Catholic Church violates its own principle of subsidiarity, when it assigns the task of income distribution to a higher association (the government) than necessary[3]. In free markets, a person is able to choose where he would like to work based on the total package of wages and benefits an employer offers. In this way, the individual is perfectly capable of deciding which wages he would like to receive in exchange for his work.

Instead of the Catholic Church's provision that a living wage (and other distributive justice-based policies) be enacted into legislation, society needs a more just policy. And that requires the absence of any legal impositions on other people's possessions whatsoever. The church's black and white view that poverty and starvation can only be solved through compulsion, and property rights violation is not based on justice, and certainly not economic theory. Instead of a coerced form of socialization, voluntary action of individuals needs to be promoted. If there is a true concern for the poor and their needs, paradoxically to some, it should be left to the individual to decide on whether to provide for them or not. Apart from the free enterprise system, the best poverty eradicator known to man, voluntary acts of giving – or charity – is not only an adequate way of dealing with social problem, but it is also a just one. La Bletta and Block (1999, p. 60) maintain that:

> Welfare[4] should be supplanted by private charity. The reason for this is twofold. First, dismantling public programs in the past has poured billions of dollars back into the private economy. Second, private charities which aid the poor are generally more humane, better distributed, and more effective than federal programs (Murray, 1984, p. 230).

If the government were efficient in allocating money derived from taxes to the poor, there might possibly be a pragmatic, if not a moral defense, for such activity. If, by chance, the government was effectively doling out money to those in need, and this was perceived to be so, then those individuals interested in giving would most likely contribute to the government rather than to private charity. Instead, people logically and rationally give instead to charitable organizations because it is perceived that they (for the most part) are more effective in allocating their collected funds to those in need (Olasky, 1992). Were this not seen to be true, charitable giving would be low, perhaps even nonexistent.

In addition, taxpayers often resist rendering even required taxes to the government, finding loopholes and sometimes evading taxes all together. Part of the reason for this is no doubt a wish to preserve wealth in the face of demands against it; but it does not stretch the imagination too much to assert that another motive for this behavior is to help the poor by reserving some of these funds for their aid through charity. This, at least, is compatible with the finding that charitable donations are high in the US in the face of government acts that presumably would render this giving unnecessary. In free markets, advocates for the poor can express their concern with a provision in an amount reflective of their true disquiet. No such congruency between concern and involvement can occur when government transfers money to the poor[5].

Locke argues that the poor have no right to thievery so long as the wealthy have provided for their subsistence. But, there is a paradox here. If those who produce a surplus fail to provide for those who need it, Locke's argument implies that the needy can steal that excess. In a Catholic social teaching perspective, stealing has never been considered a just action. By this argument, it logically follows that government, which takes from those who produce excess and give to those in need, acts as an agent of thievery.

A possible reconciliation

Modern Catholic social teaching and economic-based philosophy are not only at odds with each other on the issue of distributive justice but also are at opposite ends of the political spectrum. Catholic social teaching has a noble and well-intentioned basis in its concern over those of society who are unable to provide for themselves. And, even though this philosophy gets its momentum from the papacy in Rome, it is also written with secular liberal sentiment. That is, when a problem arises, those involved consider what law or new package of legislation can be created to remedy it. But this is hardly the only alternative. Economic science suggests that such legislation inhibits more than it helps. Legislation is coercion upon those who are unsuspecting or unwilling to give up their privately owned assets.

So how can consensus be found on the subject of distributive justice? It may very well lie in the simple prospect of "to each his own." Catholic social teaching is under the mandate of the Pope, the central authority to the Catholic Church, not any government. In addition, the Catholic Church is comprised of members who willingly partake in the institution and what it stands for. The reconciliation is that there is no need to coerce others into joining the faith and morality of the Catholic Church by imposing its will upon those who have not chosen to join its ranks. The whole basis of a religion's membership is on the act of free association, which violates no one's rights. Thus, if this religion wishes to impose upon its membership the duty to contribute to charity, well and good. People should be free to associate with one another on any mutually agreeable basis. But also, as part of the reconciliation, this religious organization (and all others as well, for that matter) would cease and desist from demanding, through law, that all other members of society adhere to these principles.

Interfering with the market system based on a Catholic social view is surely to please members of that religion, but what of others? By imposing a Catholic oriented morality upon the market system, an injustice arises because inevitably this will be made to apply to followers of other religions, and atheists. Alternatively, providing moral guidelines to live by for the members of the Catholic Church is in no way a coercive act if members are allowed to leave and join at will. Just as in the parallel case of the coercive acts of unions which demand legislation to protect higher-skilled workers, the Catholic Church uses legislative coercion when it mandates laws intended to protect the needy. Catholics, under the provision of free association, can require that their members adhere to a Catholic duty, to give of their surplus to those in need. To demand that governments enact that same will, however, is coercive. Thus, the act of giving to the poor is charity, when considering it from a legal perspective and a duty when looking at it from a Catholic point of view. A Catholic, in such a situation, is free to give of his assets to others in a charitable way. In the Church's eyes, it is the duty of the Catholic to give. To demand that same duty of non-Catholics is pure coercion.

Hostile takeovers

An interesting sidelight to this philosophical debate has arisen recently, in the wake of the Enron – Arthur Anderson – World.Com financial scandals: the claim that the disparity between the salaries of chief executive officers (CEOs) has been on the rise, while that of the man on the assembly line or behind the desk has fallen seriously behind, relatively speaking. First out of the batter's box on this one is Phillips (2002) who reports that income inequality was always too high, and that the situation in this regard has been worsening. Krugman (2002) picks up where Phillips left off focusing on one of the latter's many findings, to wit, that the income of the ten most highly paid CEOs has been inflated to truly unconscionable levels. States Krugman (2002):

> In 1981 those captains of industry were paid an average of $3.5 million, which seemed like a lot at the time. By 1988 the average had soared to $19.3 million, which seemed outrageous. But by 2000, the average annual pay of the top ten was $154 million. It's true that wages of ordinary workers roughly doubled over the same period, though the bulk of that gain was eaten up by inflation. But earnings of top executives rose 4,300 percent.

Is this some sort of "market failure," according to which business leader compensation in general, and the best ones of them in particular, are going to pull away from the average working stiff forever and ever? Not at all. Rather, this phenomenon stems from previous government interference with the free enterprise system. It is government regulation, not the invisible hand of the market, which is responsible for this divergence[6].

Let us agree, arguendo, with Krugman's implicit premise that these stratospheric salaries are not at all justified by productivity considerations. Does the market have any automatic feedback mechanism that would tend to undermine such uneconomic decisions? Indeed, it does. It is called a "hostile takeover[7]." When an executive of a company makes any decision that fails to maximize the present discounted value of the firm, e.g. the value of the shares, he sets his company up as a target for other investors who can better utilize the assets of the firm to this end. The CEO can err in many different ways: management, labor relations, marketing, supplier difficulties, etc. Pre-eminently, in the case we are considering, the error would be to grant himself a salary out of step with his own contribution to the productivity of the firm. When he does so, he renders his company into a sitting duck, a fat target for an entrepreneur who can take over the company, fire the president, hire an equally good one at a fraction of the artificially inflated salary, and profit.

Let us put this into other words. With stratospheric compensation, share value of the stock is lower than it would otherwise be with prudential salaries for upper management. This provides an entering wedge for the would-be take over artist. He can buy the company at the low stock price the inordinately high salary made possible. Then, kick out the profligate CEO, or at least reduce his salary to justified levels, and reap the profit between the low stock price and the high one, after he rationalizes salaries.

Manne (2002) puts the matter thus:

> The principle is simple: if a corporation is badly enough managed, its share price will decline relative to other companies in the industry. At that point it can be profitable for a new group to make a tender offer, bringing in more efficient leadership. Just the threat of a takeover provides incentive for managers to run companies in the interest of the shareholders (see also McGee and Block, 1989).

Well, so, why has this much vaunted market process not functioned? This story may sound good, even reasonable, might say the critic, but in the event this hostile takeover remedy for out of line salaries has not worked. By assumption, executive pay has never been so remarkably non-congruent with productivity considerations.

There is an answer to this objection: the reason the market has not functioned in this manner is that it has not been allowed to do so. The government, the very institution relied upon by Rawls, Krugman, and their ilk, to promote justice, has short circuited this mechanism, with a welter of restrictions against "hostile" takeovers.

Manne (2002) explains:

> For a brief period in the late '50s, until the mid-'60s, when modern hostile takeover techniques were perfected, we had a pretty much unregulated market for corporate control. Shareholders received on average 40 percent over the pre-bid price for their shares. But the chorus of screams by threatened executives and their lawyers became politically excruciating enough that Congress, in 1968, passed the Williams Act, which made it vastly more expensive for outsiders to mount successful tender offers. The highly profitable element of surprise was

> removed entirely. The even stronger inhibition on takeovers resulted from actions taken by state legislatures and state courts in the '80s. The number of hostile tender offers dropped precipitously and with it the most effective device for policing top managers of large, publicly held companies.

Then, too, there was the specter of what happened to Michael Milken, king of the junk bond and hostile takeover artists: he did a term in the pokey, thanks to the evil then district attorney of New York, Rudi Guliani, who later became mayor of the Big Apple. That unhappy and unsavory incident ought to give pause to any entrepreneur interested in taking over a company that pays its executives inordinate salaries on a "hostile" basis. Yet, without such a salutary, profit driven enterprise, many of them, there will be no respite in the divergence between salaries at the top and bottom, of which Krugman complains so bitterly. Truly, we have reaped the whirlwind in terms of CEO salaries, but cutting out the market's response to such shenanigans.

Conclusion

In conclusion, a common criticism of free markets is important to discern: self-interest rationales should not be equated with selfishness. It cannot be denied that to act in self-interest can include the interest of others. To give charitably is an example; to donate is to incorporate other's self interest into one's own. In addition, acting in self-interest that does not incorporate the common good is not selfish either; it is necessary for survival and happiness. We act in our self-interest every day when we purchase food, shelter, clothes, etc.

Acting selfishly, such as hoarding all excesses without concern for those who may need them, although it may not be desirable from a Catholic or other moral point of view, it is still consistent with free market principles so long as the person does not encroach upon other's property in doing so. It is a completely open question as to whether Bill Gates has contributed more to society by creating Microsoft, or by setting up the Gates Charitable Foundation[8]. Clearly, there is a difference between acting in one's own self-interest and acting selfishly. The market allows for both, providing that no one's property rights are violated. Catholic social teaching, however, demands not only of its members to not act selfishly, but also, through law, the same thing of everyone else. Thus, a tension can be seen between the two. Were the Catholic Church to limit its scope to its own realm, demanding the things it wishes only of those who voluntarily take part in the organization that would entirely resolve this dissonance. Regarding justice, it is possible that nothing is more unjust than coercion and nothing more gratifying than the ability to choose.

Notes

1. An inconsistency can be seen in this argument when one considers the seventh commandment (Exodus 20:15), "You shall not steal." If property can be stolen, it must first be owned. And, what is the essence of ownership if one cannot do what he pleases with it (i.e. set wages at market prices)?
2. It is important to make the distinction here between "charity" and "duty." When giving to the poor is defined as "duty" in Catholic Social Thought, charity – giving that is a voluntary action – is squeezed out.
3. The lower association would in this case be individuals and private firms.
4. Welfare is one of the most common forms of distributive justice in legislative action.

5. There is also the fact that a disproportionate amount of government money ostensibly earmarked for the poor goes instead to "study" the problem (Olasky, 1972; Sowell, 1983, 2000). This has given rise to the phrase "poverty pimps" which is almost an unwarranted attack on the latter, given that, at least ideally (Block, 1991, pp. 23-5), they can act in a voluntary manner, something impossible for government, based on compulsory taxation.
6. The salaries of professional athletes, musicians and actors have also been on a sharp upward incline in the last few decades. Curiously, there is little or no wailing and gnashing of teeth to be found in response to this phenomenon, certainly not anything like to feeding frenzy which has erupted in response to CEO salaries. One possible explanation is that egalitarians have a particular bias against business and commerce.
7. At first glance, there can be no such thing as a hostile takeover in the marketplace, since all commercial interaction takes place by definition on a voluntary basis. Whence springs "hostility" between a willing buyer and a willing seller? It eventuates from an altogether different direction. It is not the seller of stock, nor, yet, the buyer, who evinces any feelings of "hostility." Rather, it is the employee of the owner of the company (the stockholder), this very same CEO of whom we are hearing so much, who objects to this sale. As well he might, for the purpose of it is to fire him for running the company into the ground, or, at least, for not raising the value of the stock by as much as it otherwise would have been, due to the "greedy" salary he awarded to himself.
8. We should never lose sight of the fact that the latter would have been impossible without the former.

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