



The political economy of equality

Distributive Justice and the
further Critique of Liberalism

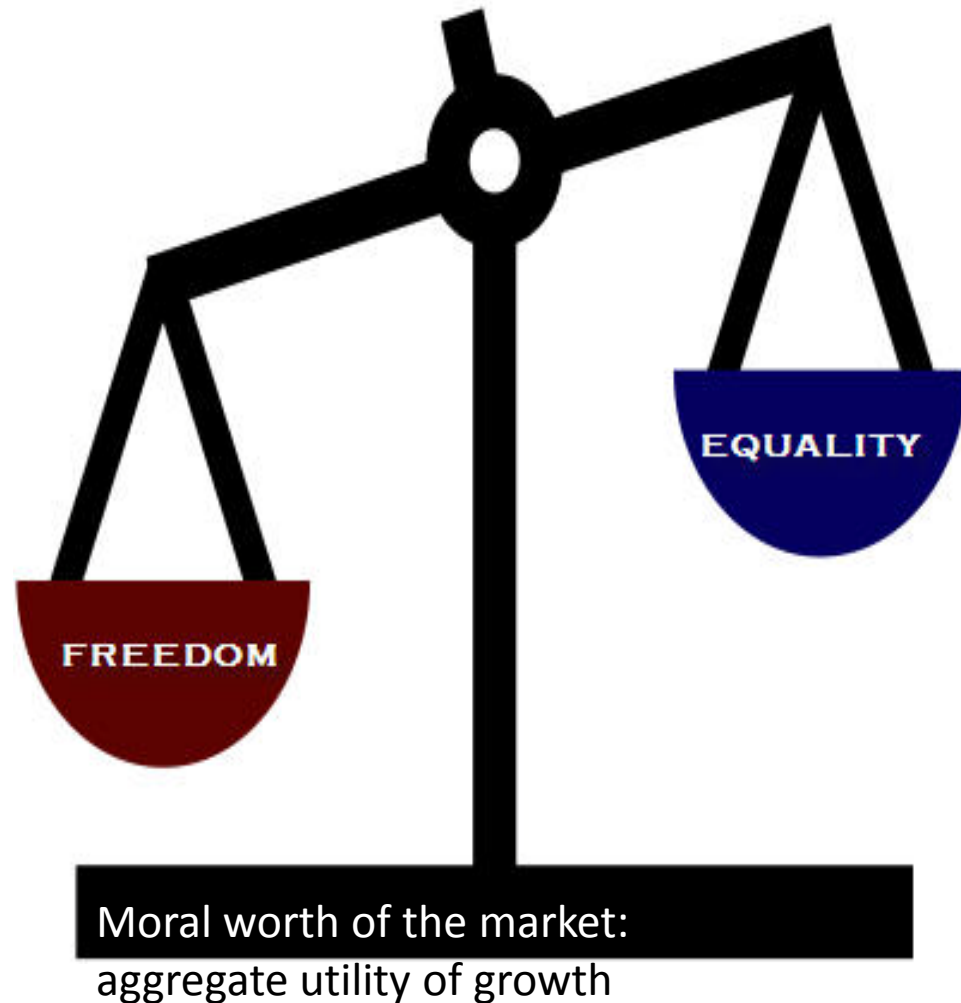
What do we deserve?

Political Economy Questions

- Who are we?
- Are we really free?
- What do we deserve? What is “justice” in the allocation of resources?
 - The Market System
 - Equality of opportunity
 - The principle of redistribution



For most classical liberals, both political and economic, Freedom Trumps Equality



Review: **CRITIQUE** of Econ. Liberal Theory

Key Assumption is the rational individual who wants Freedom:

NO WE ARE IRRATIONAL AND UNFREE... INSTITUTIONS NOT INDIVIDUALS ARE KEY ACTORS....WE LIVE IN HIERARCHIES

voluntary exchange **NO EXCHANGE IS MANIPULATED** *with no state interference* **NO! STATES ARE KEY ACTORS IN MARKETS**

Price Mechanism (information about value+ lowers transaction costs **NO! PRICE DEVALUES**)

Competition guarded by Rule of Law

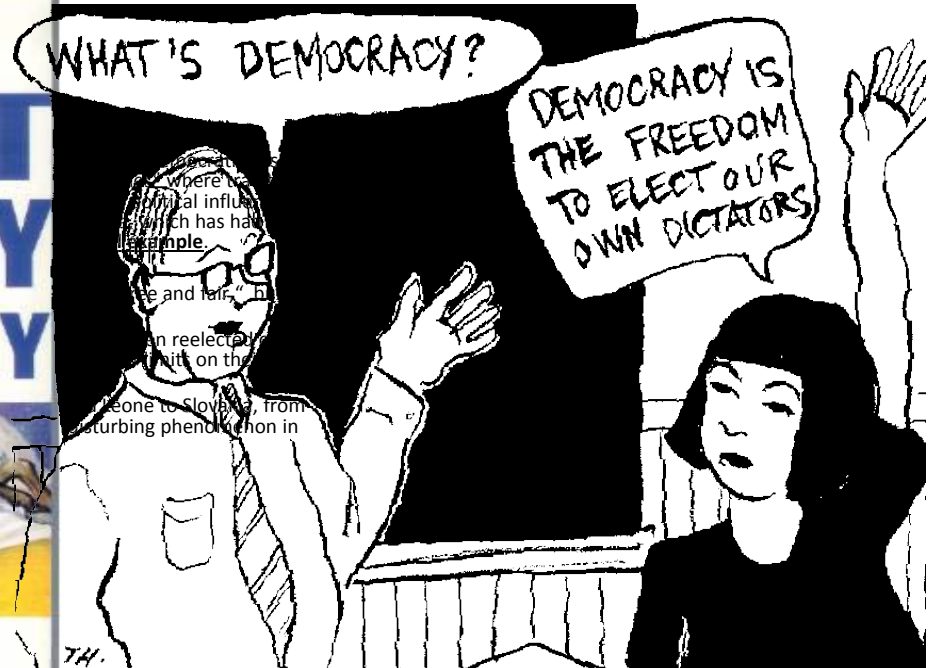
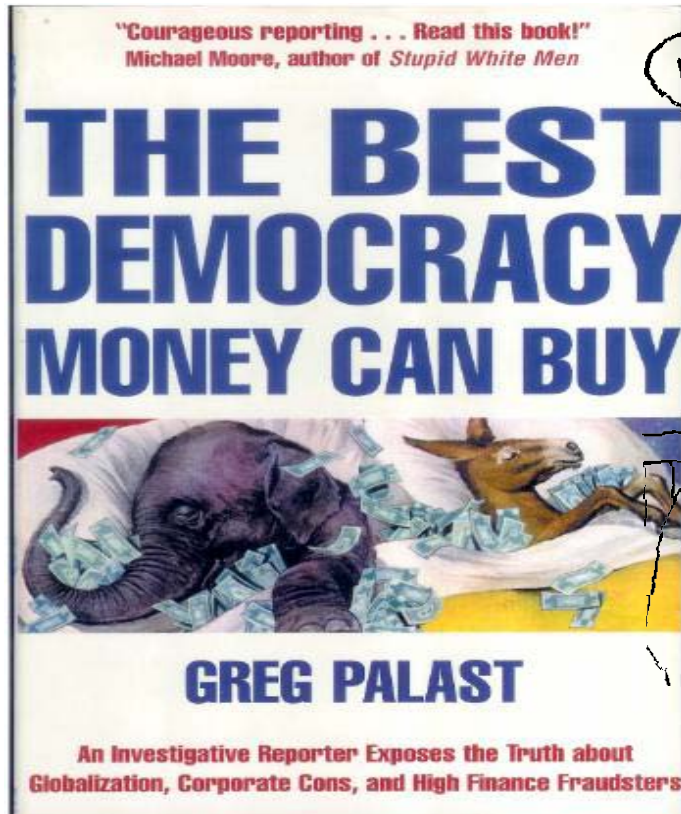
Efficiency → Growth → Better life for all **NO! DOUBLE MOVEMENT!**



The link between markets and democracy: how we define democracy

Dysfunctional Democracy

Illiberal Democracy



Do Markets and (even liberal) Democracy complement each other? Not necessarily

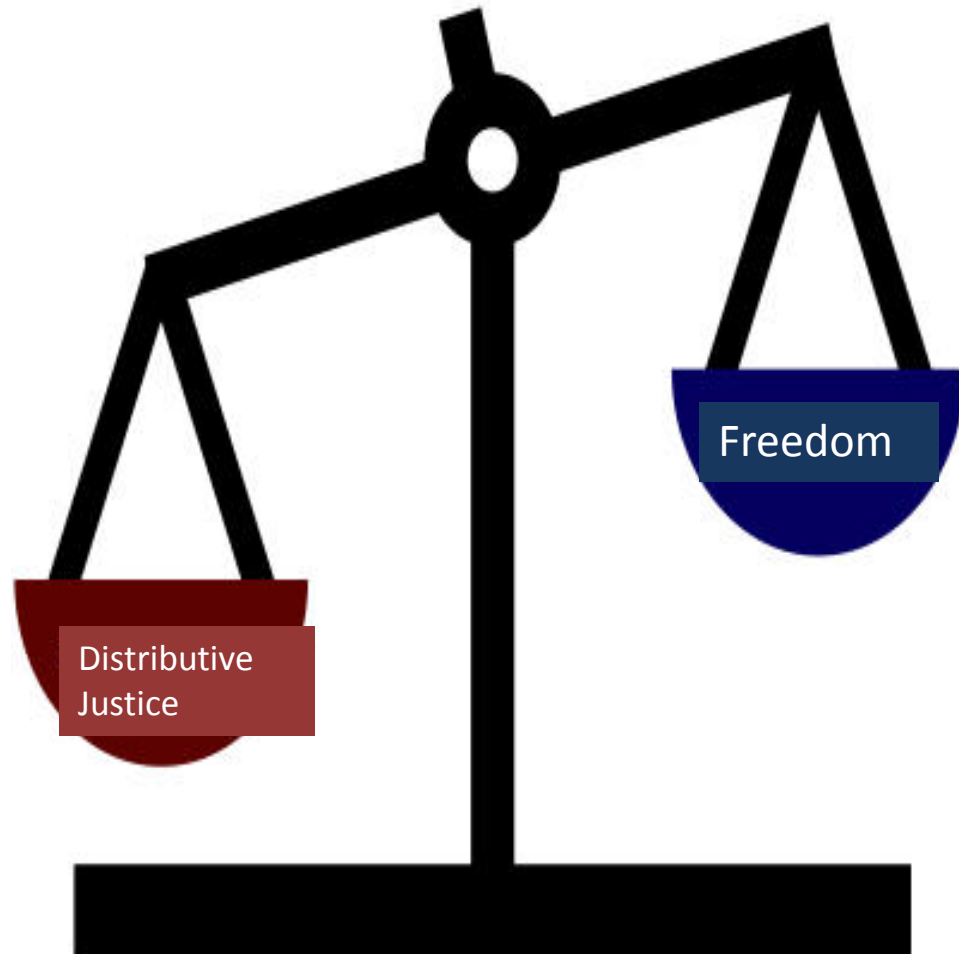
- 1. Economic Liberal: Democracy is bad for Markets (instability and rent-seeking populist pressures) soooo...

Authoritarian Governments stabilize markets

- 2. Political Liberal: Markets are bad for Democracy (inequality destroys freedom and wealth concentration destroys democracy) sooooooooooooo

Democracy requires public ownership and planning

Distributive Justice Theories







\$25 million....Is it Fair?



“Original Position”

- “the Rawlsian device of the "original position" has proved useful. In the hypothetical original position, which is an imagined state of primordial equality, individuals are seen as arriving at rules and guiding principles through a cooperative exercise in which they do not yet know exactly who they are going to be (so that they are not influenced, in selecting social rules, by their own vested interests related to their actual situations, such as their respective incomes and wealth).”
----Amarta Sen

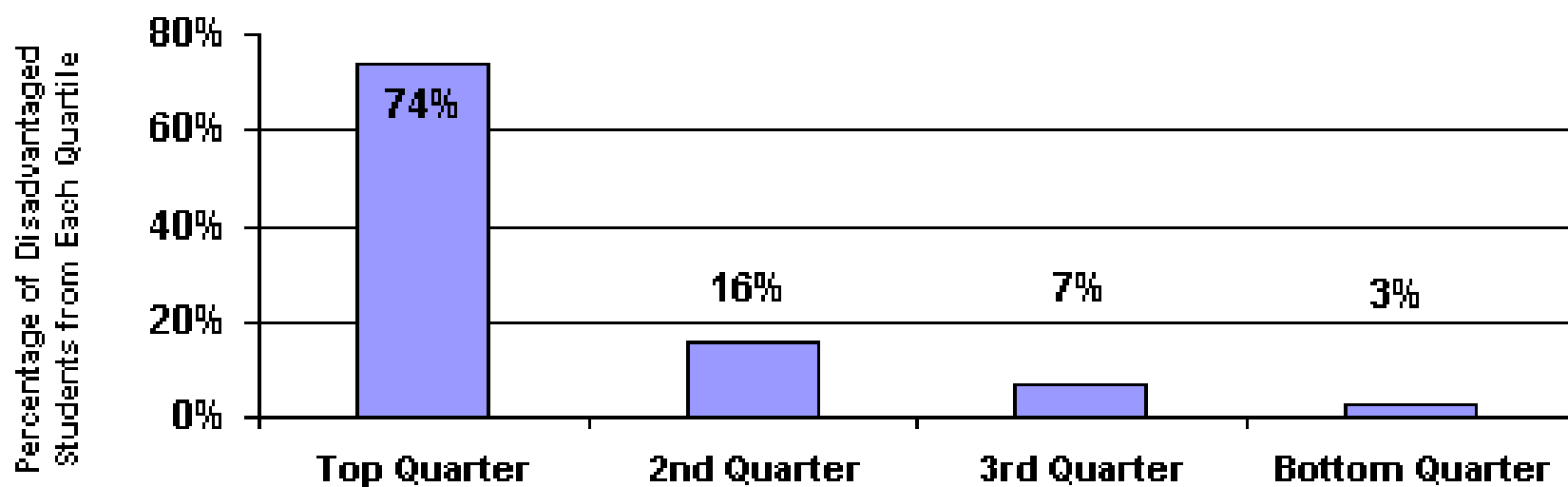


Political Liberals says that in the original position, rules won't be Arbitrary (Arbitrary means rewards and punishments that enhance or diminish life prospects are based on factors for which people can claim no credit or blame)

- Justice is Blind. It applies to all equally. (original position)
- Equality of opportunity is Necessary. (equity—fairness—based on merit)
- is it enough? (level playing field)
- Does it still leave room for arbitrary factors that create inequality?
- Redistributive Principle

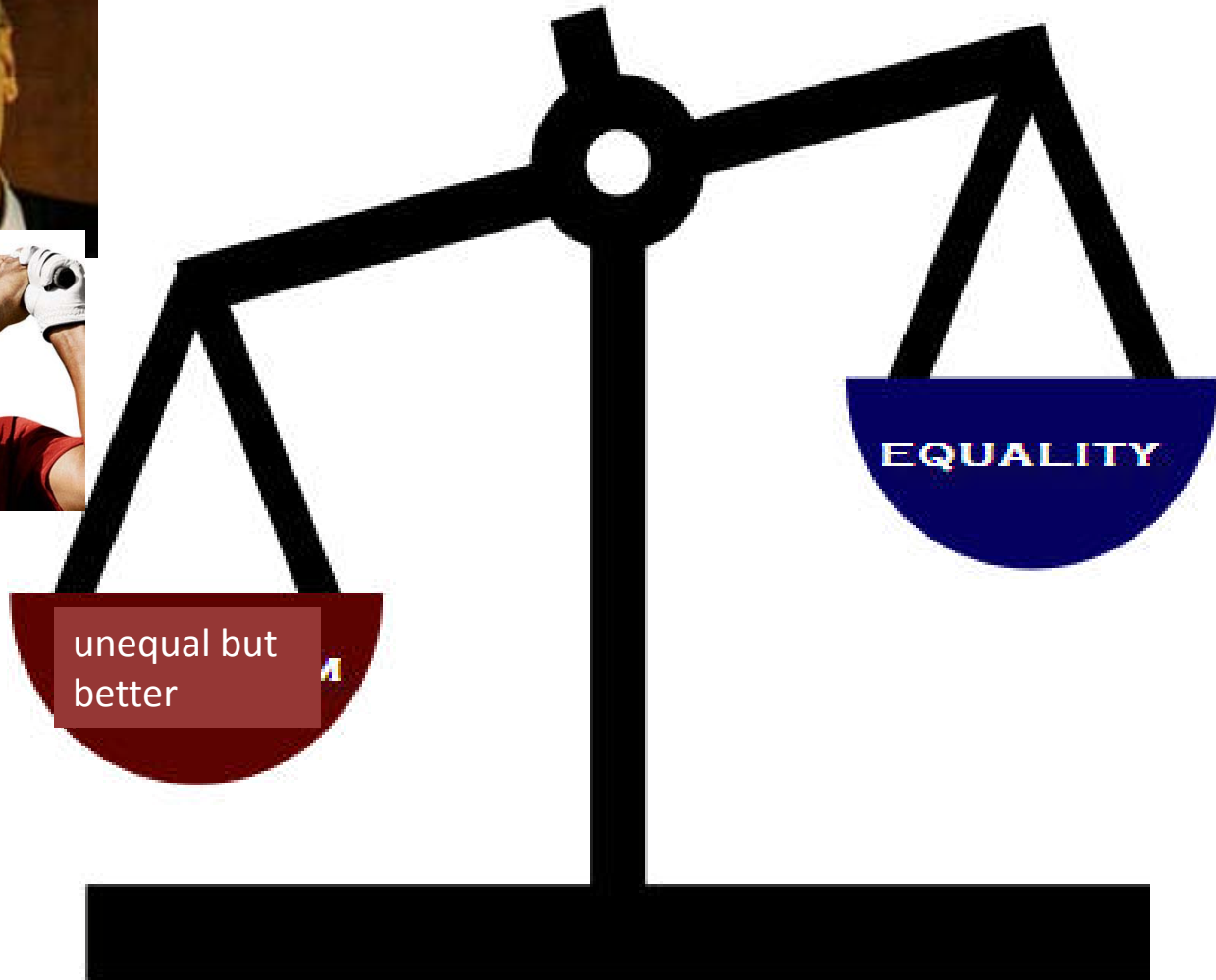


Socioeconomic Status of Students in Selective Colleges



Percentage of Disadvantaged Students Admitted to Selective Colleges
by High School Class

Redistributive Principle



What do we deserve?

- “Those who have been favored by nature. . .may gain from their good fortune only on terms that improve the situation of those who have lost out. No one deserves his greater natural capacity nor deserves a more favorable starting place in society. But, of course, this is no reason to ignore, much less to eliminate these distinctions. Instead, the basic structure can be arranged so that these contingencies work for the good of the least fortunate. No one should gain or lose from his arbitrary place in the distribution of natural assets or his initial position in society without giving or receiving compensating advantages in return.”



The Market system

- Economy : Market provides entitlements but not what we necessarily deserve

Society

What we deserve and what we are entitled to in a market system

- Two different things
- :"_A just scheme, then, answers to what men are entitled to; it satisfies their legitimate expectations as founded upon social institutions."(8) These entitlements are the joint product of the properties and actions of the individual and (assuming the institutions are just) the institutional rules within which the individual is a participant."

The Libertarian's Answer

- "Life is not fair. It is tempting to think that government can rectify what life has spawned." --Friedman



Should we be free to own all of the
fruits of our talents?



Or Are our Talents collective assets?





The Market system is not unchangeable.....

Society

"The social system is not an unchangeable order beyond human control but a pattern of human action.... The principle [of Distributive Justice] is a fair way of meeting the arbitrariness of fortune"

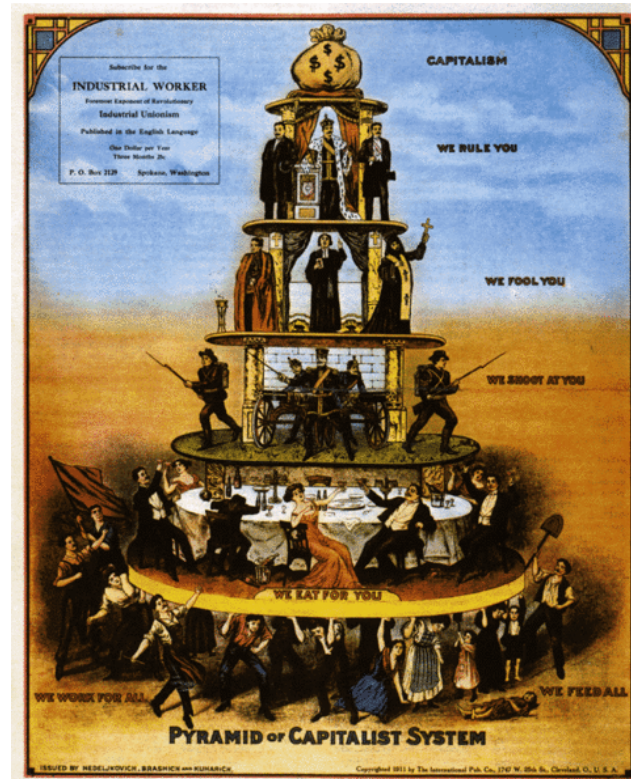
Market

Why does Sen care about Global Justice?

- [http://fora.tv/2010/05/06/Jeremy Rifkin The Empathic Civilization Animated](http://fora.tv/2010/05/06/Jeremy_Rifkin_The_Empathic_Civilization_Animated)

Marxist and neo-Marxist Theories of Political economy

Three “Laws” of Capitalism



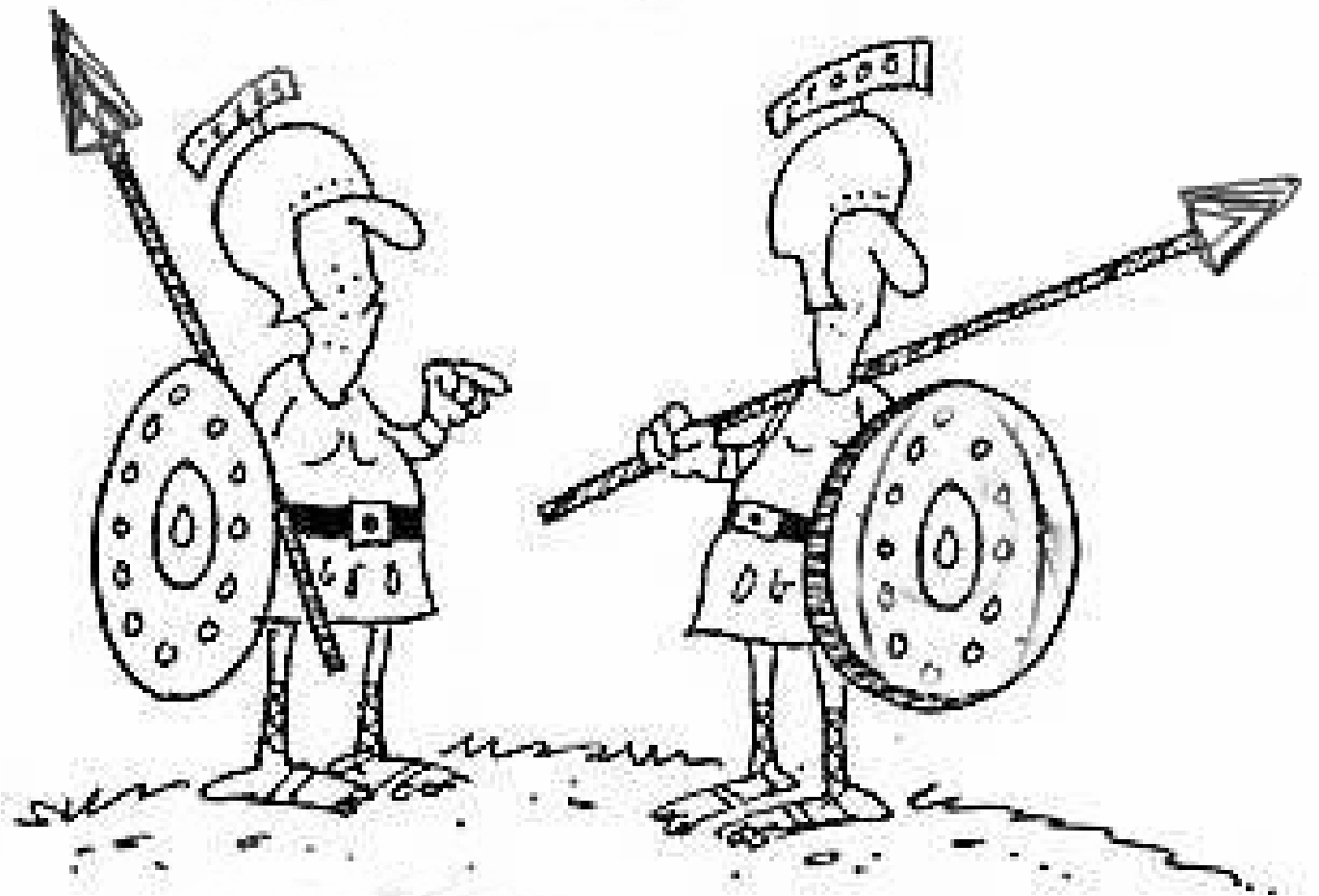


First of All, What is Capitalism?

- A market system in which the means of production are in private hands.
- Profits of that production accrue to those who own the means of production
- **The Three Laws are.....**

1. Exploit Labor!





2. *Expand Or Die*

3. Capitalism will die no matter what!



First Law of Capitalism: Exploit!

- Unequal distribution of wealth is caused by **exploitation**, both in production and distribution of wealth.

- HOW?





Assumptions About Exploitation

- A. The **central actors** are economic classes, not individuals
- B. **Private property** creates these classes, and ensures that they have unequal power
- C. Private property ensures **exploitation** of one class over another---If you own property, you get to exploit those who don't



Assumption: Individuals are **not** the key actors:
The importance of economic class for Marx

- Your economic class is determined by where you are in the production process
- Historically, every kind of production produces class conflict
- Where you work and what you own determines who you are!
- And your identity is submerged in the class of people that you fall into: owners or workers

Class Exploitation in in four easy steps





Step 1: Private Property



Step 2: Labor Theory of Value

- Labor creates value.
- money has no intrinsic value unless it can purchase stuff made by labor
- Capital has to be mixed with labor to create marketable value.



Step 3: Labor is turned into a commodity to buy and sell





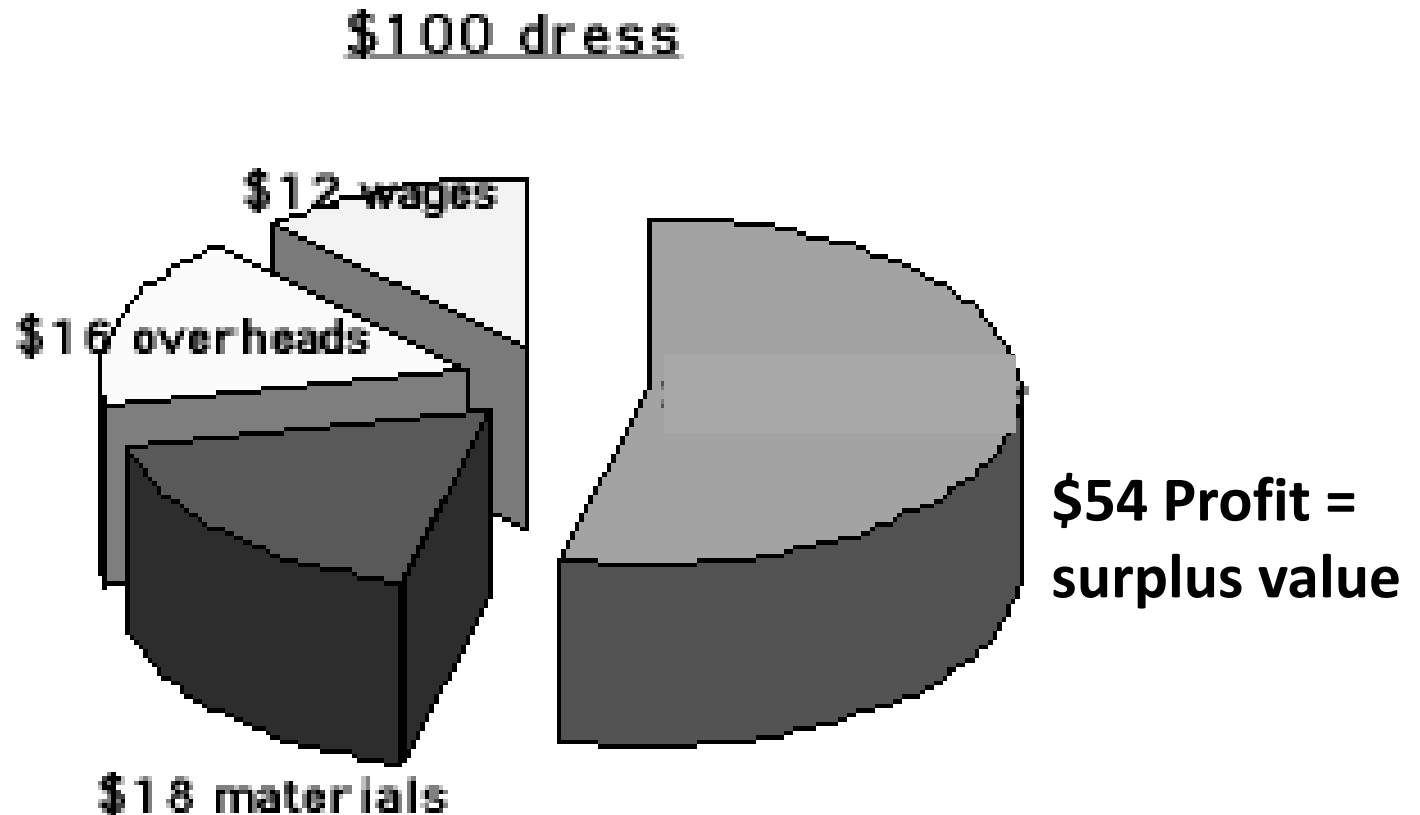
Wait!

- Liberal theory tells us that in free market economies, labor can be freely exchanged:
- the worker can freely choose between alternative “utilities,” jobs, employers, and leisure trade-offs“

Commodification leads to Alienation



Step 4: Extraction of surplus Value





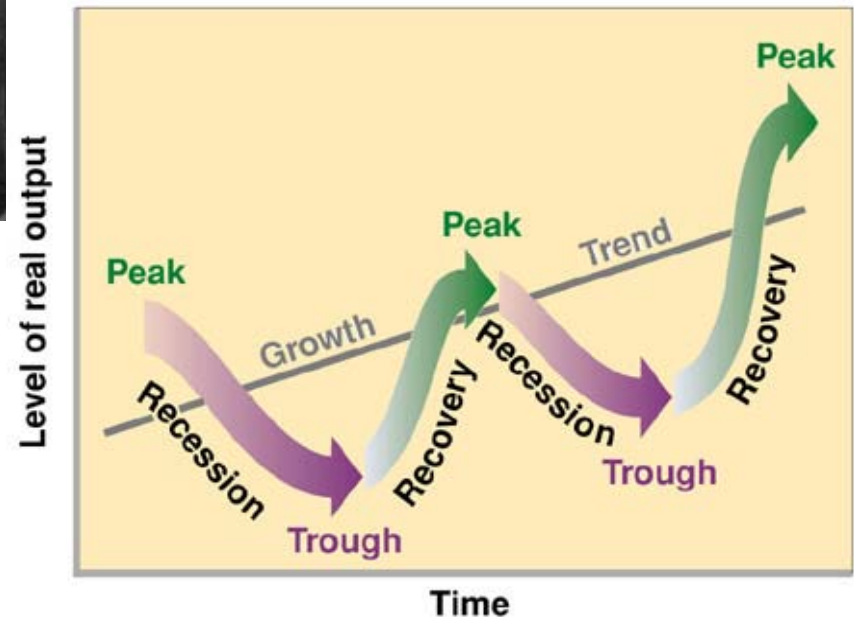


Economic Pessimist



Economic Optimist

The commodification of labor is not sustainable





And surplus value will inevitably decline for the individual capitalist

- The reality of competition and utility maximization
- Leads to the need to make workers more productive
- Which leads to the suppression of wages
- And the threat that someone else will be able to make a better product with less cost

But the capitalist class will try to save itself: Response to Declining Surplus Value in a competitive market





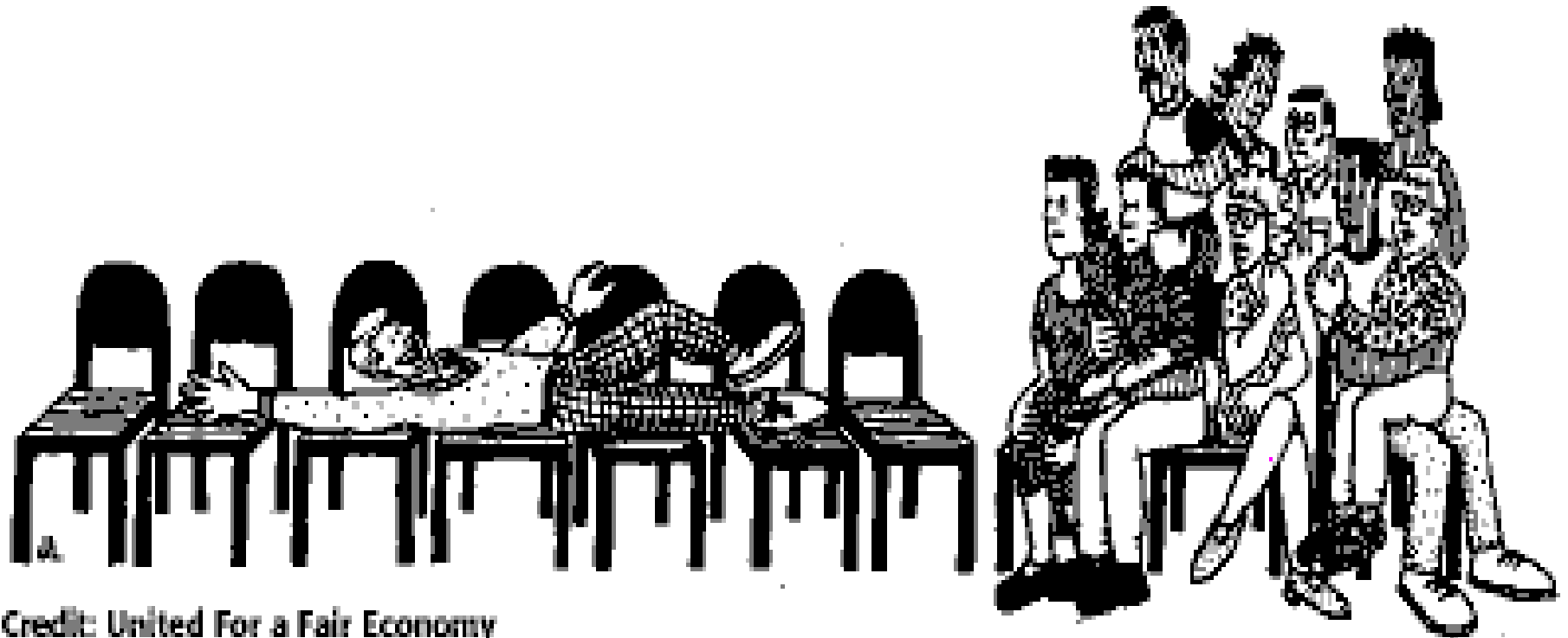
But none of that will save it: So....the Second Law of Capitalism: GROW OR DIE

- Find the illusion of security in a competitive market through
 - Capturing markets
 - Concentration
 - Capturing the state
 - Using liberal ideology to soothe the masses

1. Expand! Capture Markets!

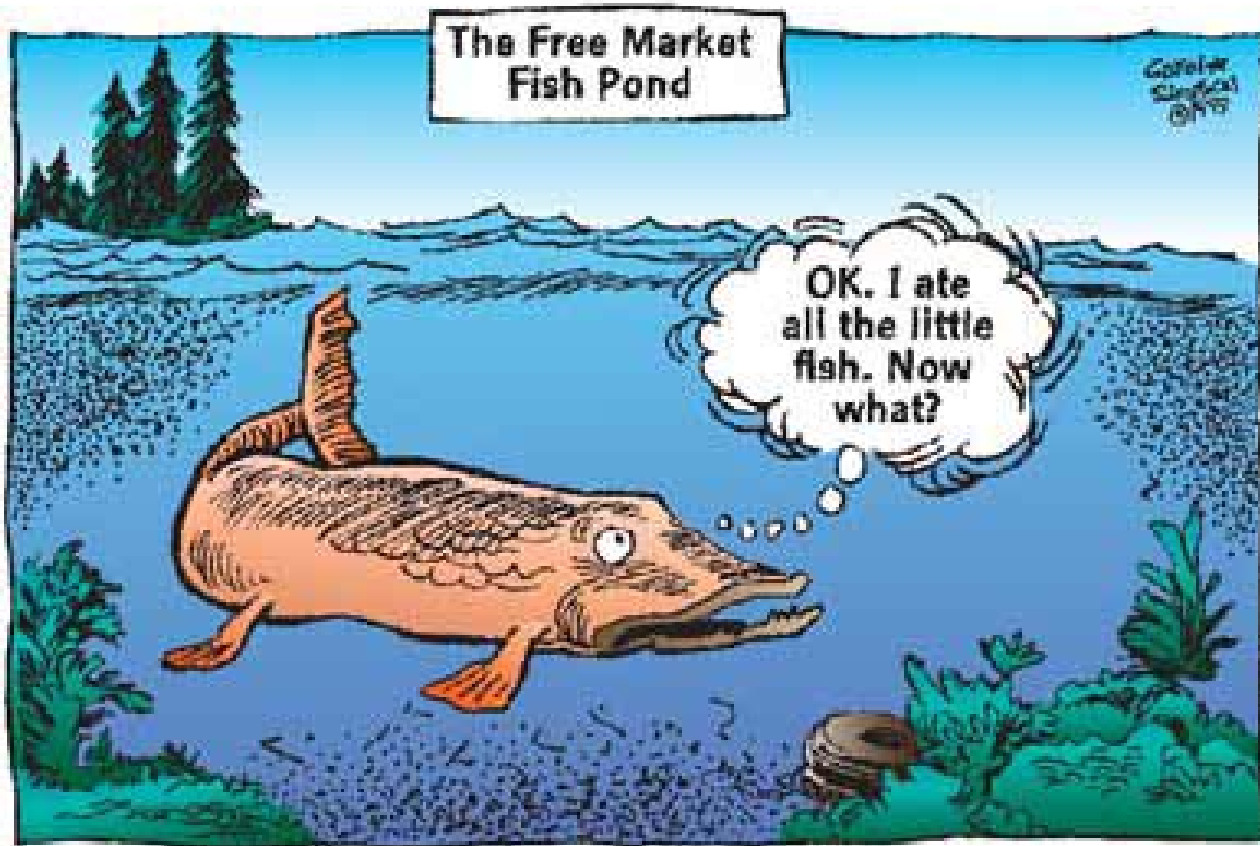


2. Concentrate Wealth!

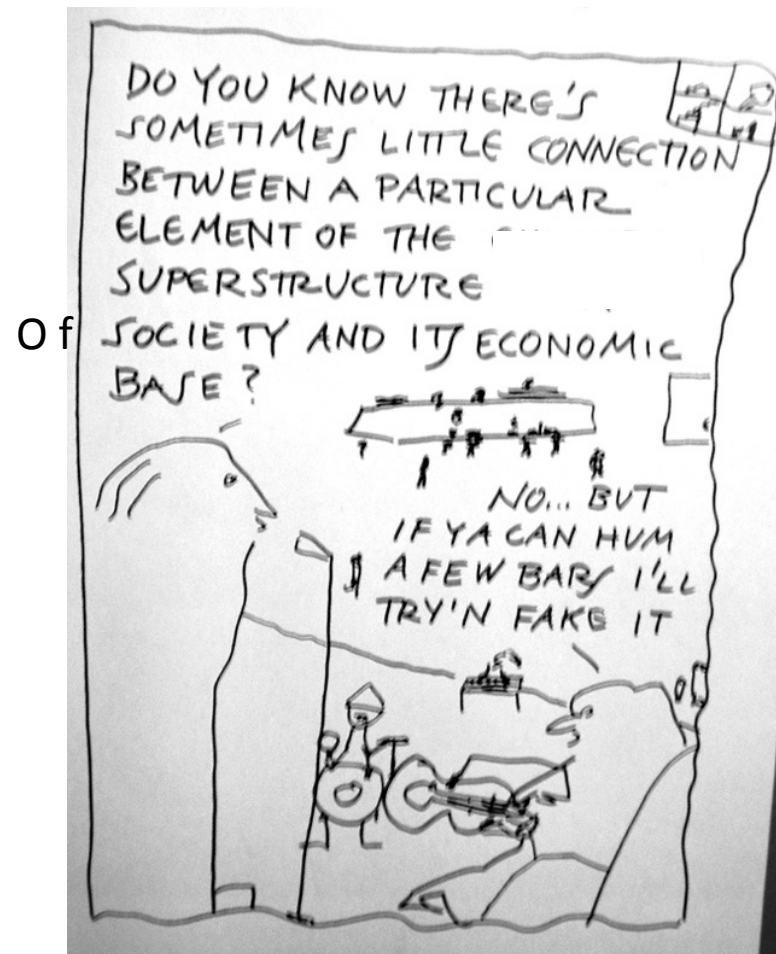


Credit: United For a Fair Economy

Capitalist “gobbles up his own”



3. Capture political power.

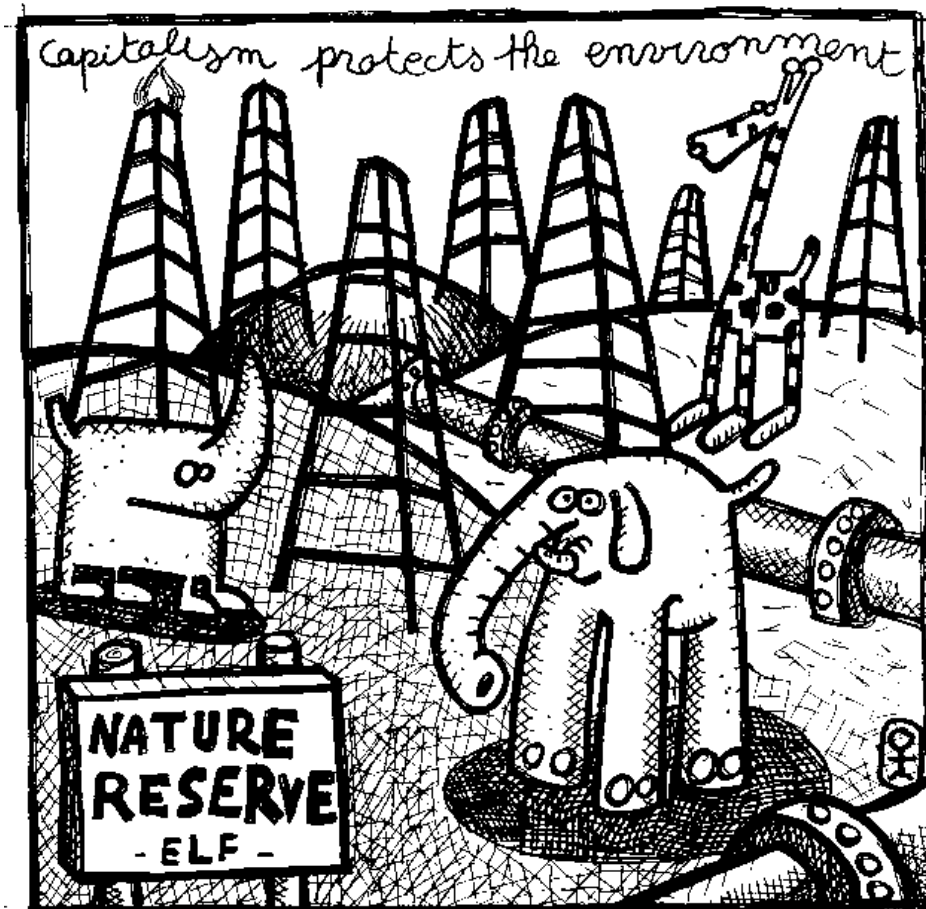


American politicians are “subordinated” to capitalism

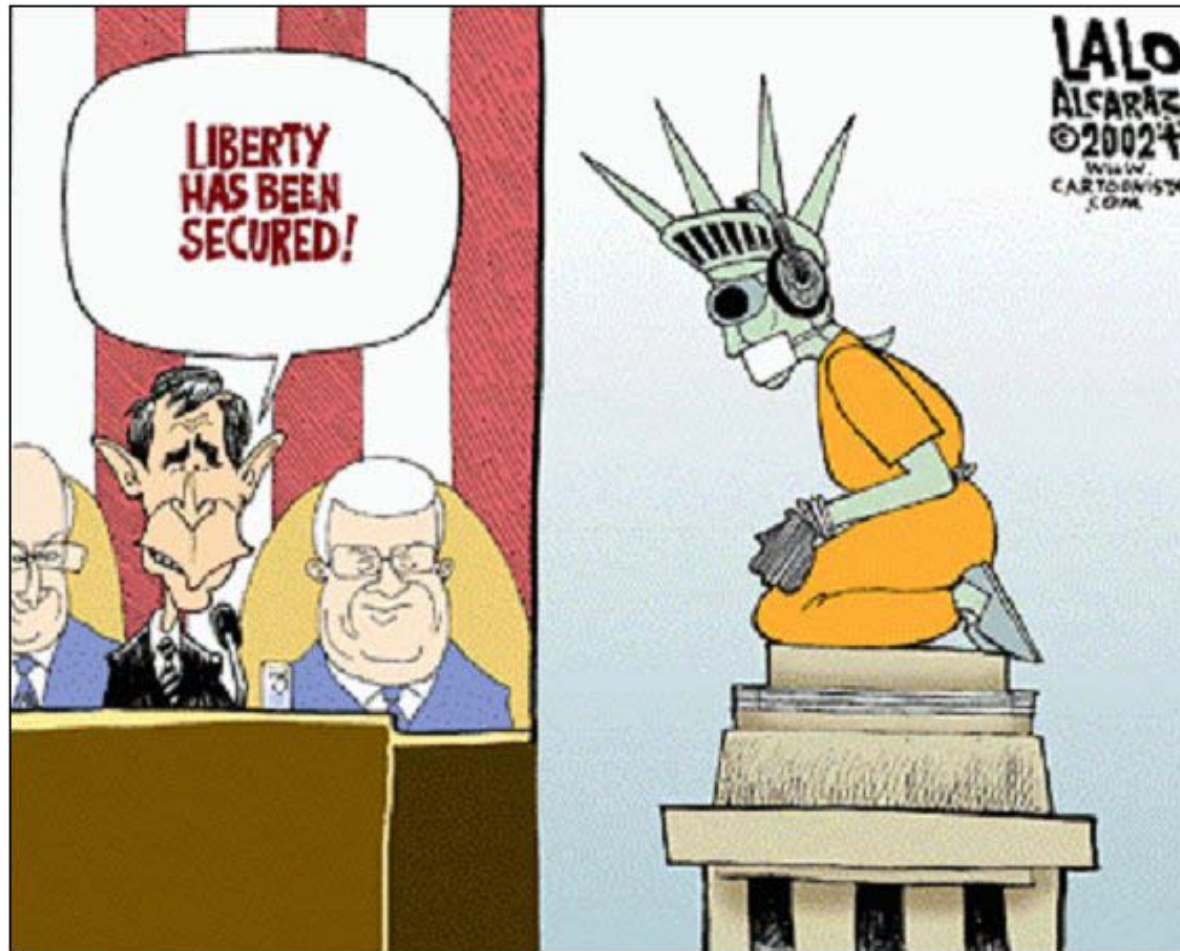


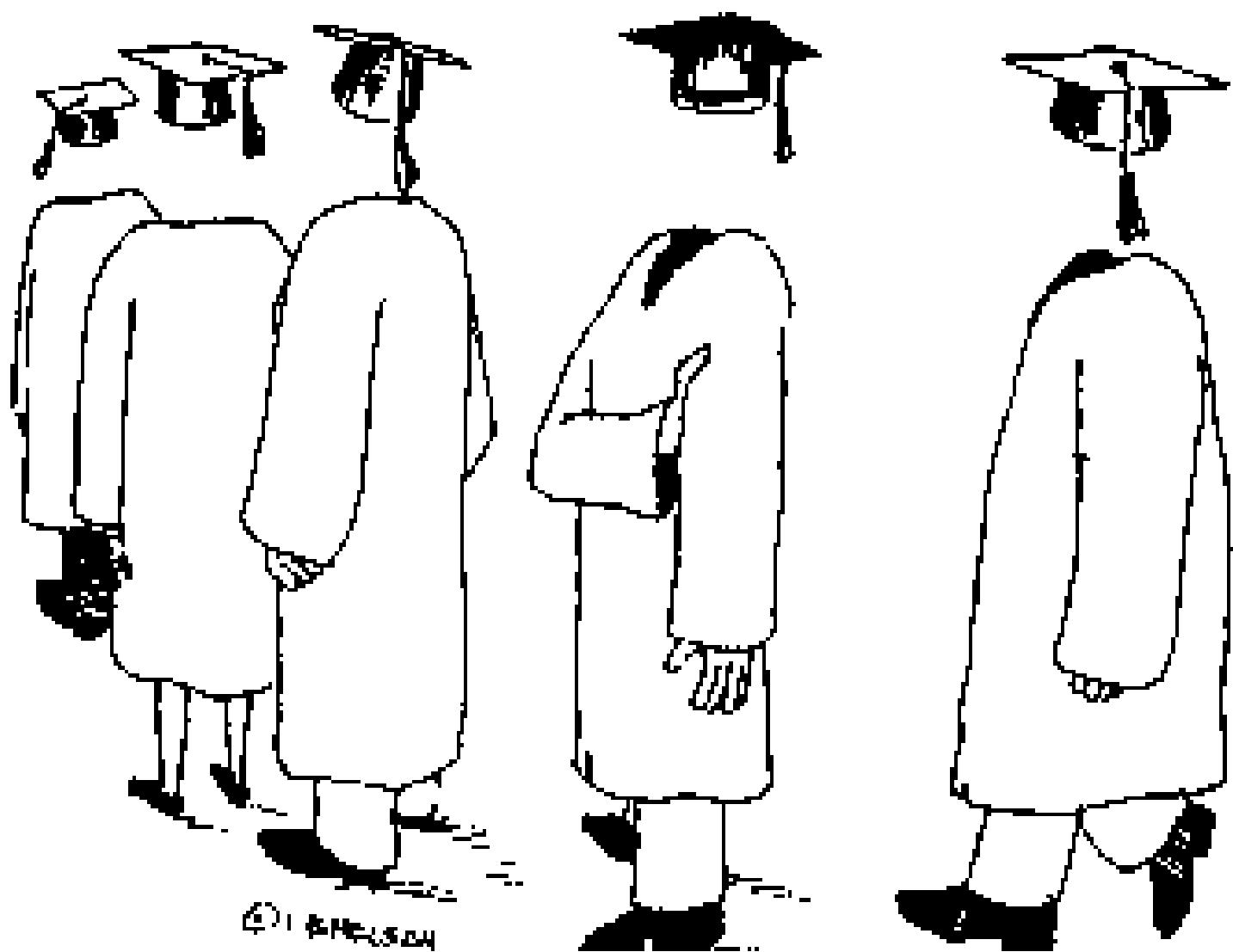


4. Construct an Ideology to Defend Capitalism



Freedom's just another word for
nothin' left to lose....





Marx's Prediction and Prescription: Capitalism's inevitable death



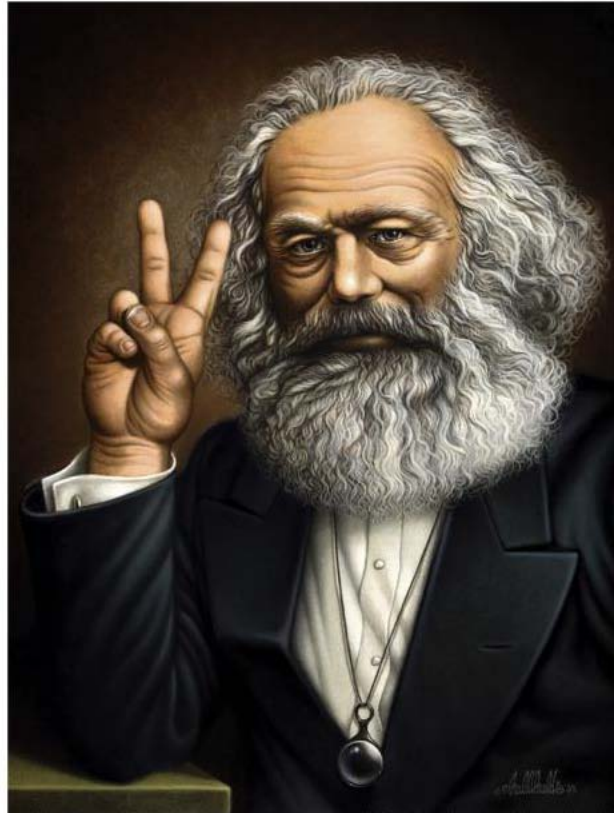


The ultimate “double movement:” Revolution

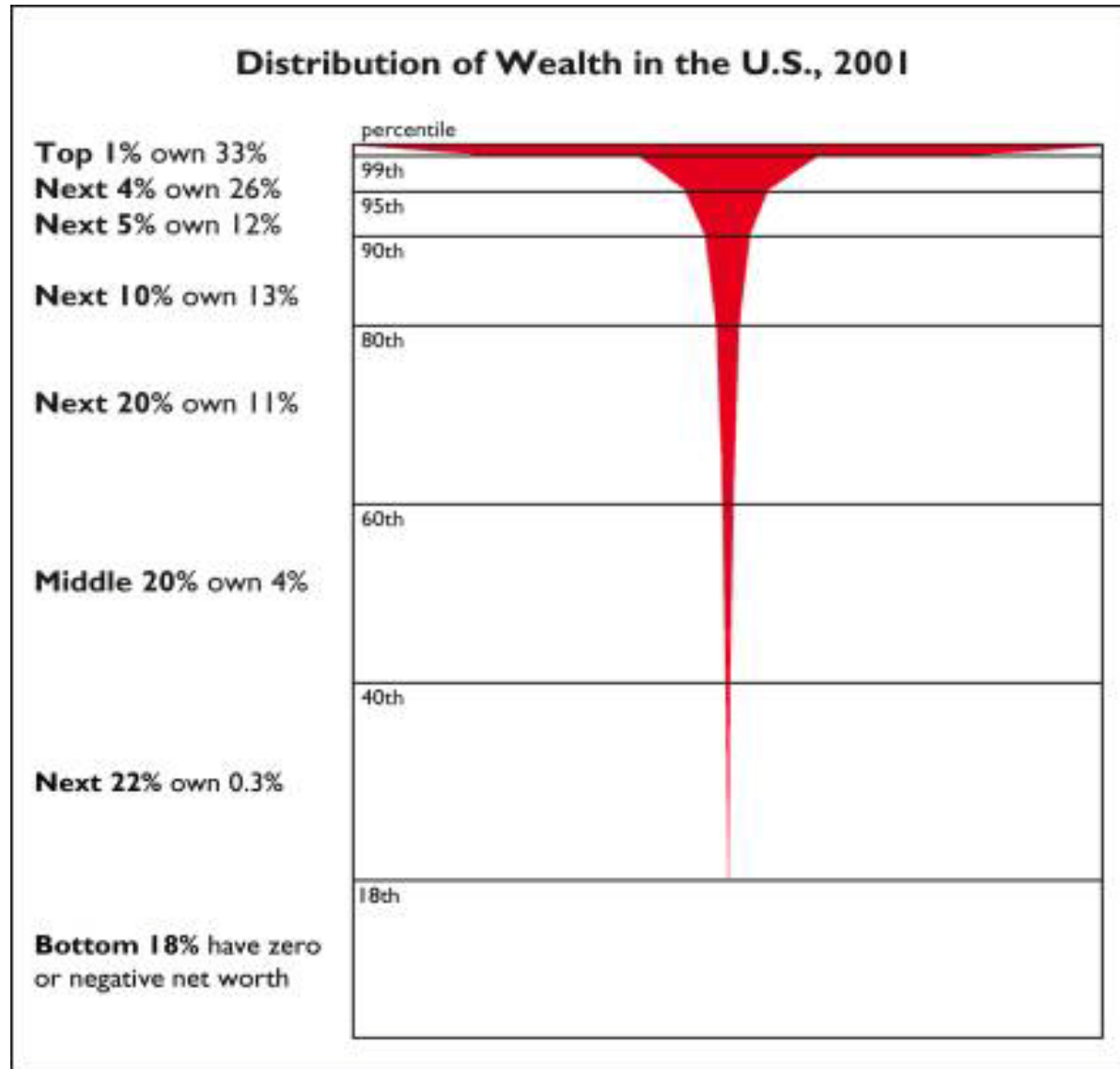




Was Marx right?



Wealth is concentrated....



Decline in real wages

Real Wages Struggle

Average weekly earnings of U.S. workers in 2008 dollars, since 1964



Source: Federal Bureau of Labor Statistics, FactSet