Theories of Distribution: Rawls versus Nozick
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John Rawls and Robert Nozick present two challenging and strongly contrasting theses. In this essay, John Kelly concerns himself with creating a succinct overview of their writings on distribution. He then attempts to assimilate two seemingly contrasting positions.

> *"White youth, black youth, better find another solution,*
> *Why not phone up Robin Hood,*
> *And ask him for some wealth distribution".*
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> *(The Clash)[1]*

Introduction

As Andrew John has observed,[2] the implications that economists have managed to tease from the value judgement that economic efficiency is desirable are impressive indeed. However, once there arises a choice between options of equal efficiency, this criterion becomes redundant for policy determination purposes. Distributional effects on societal equality have become the secondary basis by which policy measures are evaluated. Perhaps the most unusual aspect of this development is not the outcome in itself, but rather its almost total, unquestioned acceptance, apparently without any agreeable rationale. "*The legitimacy of altering social institutions to achieve greater equality of material conditions is, though often assumed, rarely argued for*".[3] This essay will investigate the theory of Government intervention for distributional purposes, extending as it does into the realms of the theory of the state itself, to determine whether there is any economic justification for this widespread acceptance.

However, before any theoretical consideration of distribution theory can begin, some of the methodological issues and anomalies that inevitably arise upon considering the definition and measurement of distributional objectives for policy purposes must be clarified. John Rawls' *Original Position*[4] argument supporting state involvement in wealth redistribution will then be examined. In opposition to this, Robert

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[1] The Clash (1979)
[2] John (1995)
[3] Nozick (1974)
[4] Rawls (1972)

THEORIES OF DISTRIBUTION: RAWLS VERSUS NOZICK

Nozick's '*Theory of Justice in Distribution*'[5], which advocates no state re-distributive activity and a reliance on private charity, what we can call the '*Robin Hood*' model, will be considered. The focus will be on these two writers not only because they are the most well known proponents of their respective arguments, but also because their works were written in academic opposition to each other. Perhaps in this way, the possibility of a synthesis of the conflicting theories will emerge.

The definition and measurement of distributional objectives

The definition of a distributional objective for policy measures involves individual, inter-temporal and international considerations.

Individual aspects

Do we take equality of individuals or equality across households as an objective? Unsurprisingly, both options have their attendant difficulties. Using the latter introduces the complexities of household decision-making and explicitly ignores intra-household distributional issues, such as the patterns of bequests and estates between generations, which may perpetuate inequality. Using the former, as John points out, yields less information on poverty and the welfare of children.[6] In addition, the concept of a household itself is currently changing rapidly, with an accelerated rate of new household formation far above that of population growth. Households are becoming more diverse, with an increasing number of single person households resulting from social forces and the higher disposable incomes and labour mobility that sustained economic growth has entailed. To what extent, then, a single person household, a single parent household and a two parent, four children household are comparable for a consideration of equality is open to question. Is it even valid to weight the respective claims of these social arrangements against one another?

Inter-temporal aspects

Do we mean equality at a point in time, or equality over a lifetime? Using, for a moment, income as a proxy for welfare, individual (or household) earnings follow a discernable pattern over their lifetime, reaching a peak in middle age. Thus the comparison of relative income inequality, and hence the redistributive entitlements,

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[5] Nozick (1974)
[6] John (1995)

of a twenty year old student and a middle aged executive would occur at a point in time, but hardly seems plausible. Perhaps a fairer measure of equality is permanent income, the maximum sustainable level of income over a lifetime. This concept, based as it is on expected future earnings is difficult, if not impossible to utilise. Consumption, which is empirically much more egalitarian than income, (see ESRI standard of living indicators) might serve as a proxy, but it ignores wealth and takes us a further step away from our desired welfare measure. Income, consumption and wealth all neglect the value of leisure. Thus the issue of utility over time has its own definitional problems.

International Aspects

Is it equality within national borders or international equality that is of concern? Would a world of equal distribution within national borders, but huge divergence between countries be an equitable one? This question highlights the arbitrary nature of concerning ourselves with distribution within a single country, when perhaps a more sensible consideration of distribution would have a global focus.

A Conception of Utility for Distribution

In the preceding discussion income was used as a proxy for utility or welfare. Attempts to measure total welfare call the validity of this approximation into question. An individual's welfare (U_i) can be conceptualised by the following function:

$$U_i = f(A, B, C, D),$$

Where A is income, B is leisure, C is those things, such as personal contacts and friendship, that affect only the utility of the individual, and D is those things, such as pollution or inadequate policing, that affect the utility of all individuals. Clearly income is an incomplete measure of welfare, omitting not only the other elements, but also the internal dynamic between these elements. For example, an income based welfare measure will improve if an individual works longer hours, but this will be achieved at the detriment of leisure, thus yielding a zero or even negative impact on actual welfare. The persistent use of income as a welfare measure despite its blatant inadequacies is perhaps evidence of the difficulties of quantifying the other welfare variables. It is imperative that these methodological deficiencies be made explicit

93

before any consideration of wealth distribution and the role of government in managing redistribution can begin.

The 'Original Position' Thesis of Rawls

> *"The income distribution attained by a market economy is conditional on the initial distribution of endowments (both monetary and personal). For example, someone with rich parents and good health will likely do better than a person lacking such advantages. It also has a random element: for example, the weather can determine the success of many agricultural projects. If society believes that moral or ethical criteria require 'a levelling of the playing field' and a reallocation of incomes, such redistributive activity has public good characteristics and hence is most appropriately performed by government."*[7]

Critically, this argument for government intervention for distribution turns on the establishment of overriding ethical or moral criteria recognised by society, what John Duns Scotus called the '*affectio justitiae*', the affection for justice.[8] One such set of criteria is set out by John Rawls in his '*Theory of Justice*' (1972).

Rawls initially rejects the supposition that, because it is free of any subjective moral or ethical strictures, the existing order of things can be considered just. "*We often acquiesce without thinking in the moral and political conception implicit in the status quo or leave things to be settled by how contending social and economic forces happen to work themselves out.*"[9] In Rawls' view, by accepting the status quo we also accept the judgement that distributional effects are irrelevant in matters of economic policy. This is a restatement of the Christian philosopher Maurice Blondel's dictum, *"To refuse to choose is to make a choice."* Ethical questions are a fundamental, inescapable part of economic policy decisions regarding redistribution of income; a choice must be made.

However, Rawls does present a paradigmatic scheme for arriving at the '*correct*' choice. In this scheme,

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[7] John (1995)
[8] Collinson (1987)
[9] Rawls (1972)

"The aim is to rule out the principles that it would be rational to propose for acceptance, however little the chance of success, only if one knew certain things that are irrelevant from the point of view of justice. For example, if a man knew that he was wealthy, he might find it rational to advance the principle that various taxes for welfare measures be counted unjust; if he knew that he was poor, he would most likely propose the contrary principle."[10]

To arrive at ethical criteria upon which to consider issues of distribution we must nullify the contingencies of each individual's circumstances.

"Now in order to do this I assume that the parties are situated behind a veil of ignorance. They do not know how the various alternatives will affect their own particular case and they are obliged to evaluate principles solely on the basis of general considerations."[11]

Parties are also considered to be unaware of the economic, political and cultural circumstances of their own society. They are freed of the personal considerations that would inevitably colour their conception of a morally correct criterion for distribution, and are able to decide solely on what they consider just. It is Rawls' contention that in this original position all parties, being inherently risk adverse will opt for a completely equal distribution of wealth. *"The original position is so characterised that unanimity is possible; the deliberations of any one person are typical of all"*.[12] Thus Rawls' distributional criterion is to maximise the welfare of the worst off individual in society. As this is the just and ethical position that all would choose in the original position, according to Rawls it is to this end that governmental redistributive activity, based on the collective will, should be directed.

Nozick's 'Theory of Justice in Holdings'

Having followed Rawls' carefully constructed schematic, Robert Nozick's statement that *"the minimal state is the most extensive state that can be justified; any state more extensive violates peoples rights"*,[13] seems rather anarchic. He also expressed

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[10]Rawls (1972)
[11]ibid
[12]ibid
[13]Nozick (1974)

95

the view that the '*taxation of earnings from labour is on a par with forced labour*'.[14] However, while these results initially seem radical, they are the consequence of a thought process no less logical, and no less elegant than that of Rawls, which Nozick put forward in 'Anarchy, State and Utopia'.

The first and most important platform of Nozick's argument, is that Rawls' thought experiment, the transportation to the original position, is inherently static, what Nozick calls an '*end-result*' or '*time-slice*' theory of justice. Yet Nozick states, "*We think it relevant to ask whether someone did something so that he deserved to be punished, deserved to have a lower share.*"[15] This sentiment is clearly present in public opinion on matters such as entitlement to state redistributional payments dependent on efforts to find employment or criminal activity. In concurrence with this, Nozick advances a theory of '*Justice in Holdings*'. Holdings are his term for each parties stake in society, with nobody entitled to a holding except through lawful acquisition or exchange. Therefore, the circumstances that created the end-state distribution are of importance. Nozick then tries to establish a basis for comparison with Rawls' thesis.

> "*The entitlement theory of justice in distribution is historical, whether a distribution is just depends upon how it came about. In contrast, carved time-slice principles of justice hold that the justice of a distribution is determined by how things are distributed as judged by some structural principle(s) of distribution.*"[16]

This is the basic accounting distinction between a static (end-state/patterned) balance sheet, and a dynamic (entitlement theory) income statement. According to Nozick, the deficiency of Rawls' paradigm is that the nature of the decision problem facing one in the original position, excluding as it does historical factors, is inherently static, and limits one to an end-state principle of distribution. Rawls' proposition implicitly precludes Nozick's conclusion that "*if the distributional facts did arise by a legitimate process, then they themselves are legitimate*".[17] Therefore, it is inherently immoral and unjust for a state to distort distribution, taking from some and giving to others, even if this is on the basis of needs.

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[14]ibid
[15]Nozick (1974)
[16]ibid
[17]ibid

> *"Why should the man who prefers seeing a movie (and who has to earn money for a ticket) be open to the required call to aid the needy, while the person who prefers looking at a sunset (and hence need earn no extra money) is not?"*[18]

In practice, Nozick's argument claims that if social and economic equality is desirable it will be brought about by private, philanthropic means; the Robin Hood solution as proposed rather facetiously by the Clash above. This is also precluded from Rawls patterned analysis. *"Whether or not it is better to give than to receive, proponents of patterned principles ignore giving altogether"*.[19] However, any absence of this charitable activity at an individual level is not a sign for redistribution under the aegis of government, but rather a sign that such social and economic is not generally desired by society, according to the '*Justice in Holdings*' theory. *"The case to consider, then involves some in a certain income bracket who refuse to give, whether or not the others give. They don't desire to be free riders; they don't care about the ride at all"*.[20] This position certainly seems more consistent with the self-interested, rational, economic person of mainstream analysis.

Assimilation of the two theses

As outlined above, Nozick argues that his historically based, '*Justice in Holdings*' criteria for redistribution is necessarily excluded from Rawls' schematic. The closest Rawls came to a reply to this was his 'A Kantian conception of Equality', written in 1975, the year after the publication of 'Anarchy, State and Utopia'. Here he suggests that what he is advocating is not that all inequality be eliminated, which is the proposition Nozick appears to have worked from.

> *"What is enjoined is that the inequalities make a functional contribution to the least favoured. Finally, the aim is not to eliminate the various contingencies, for some such contingencies seem inevitable. Thus even if an equal distribution of natural assets seemed more in keeping with the equality of free persons, the question of*

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[18]ibid
[19]Nozick (1974)
[20]ibid

> *redistributing these assets (were it conceivable) does not arise, since it is incompatible with the integrity of the person.*"[21]

This echoes Nozick's own statement that "*the minimal state is the most extensive state that can be justified. Any more extensive state violates people's rights*".[22] Rawls is conceding that some inequality is necessary for a competitive economy to function effectively; there must be winners and losers. His only contention is that these competitive gains should not be entirely appropriated by the winners, the advantages accrued from the participation of all in a market economy must be shared throughout society.

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[21]Rawls (1975)
[22]Nozick (1974)

Conclusion

This essay has attempted to determine whether an economic rationale could be found to support state involvement in the economy for distributional purposes. Rawls original position thesis concluded that "*To be sure a competitive scheme is impersonal and automatic in the details of its operation, its particular results do not express the conscious decision of individuals*".[23] Rawls claims that a more holistic approach should be taken by government to correct this flaw in the market and influence distribution to reflect the conscious decision of individuals. However Nozick's antithesis based on '*Justice in Holdings'* replies that "*If the set of holdings (created by the market) is properly generated, there is no argument for a more extensive state based on distributive justice*".[24] By way of synthesis, I have attempted to show that there is some common ground between these two apparently antagonistic theories. Both concede that some inequality is both necessary for, and inevitable in a market economy. Any redistribution to combat this inequality depends, critically, on issues of justice, which may bestow upon equality the characteristics of a public good. The question is one of ethics, not of economics; Robin Hood robbed from the rich and gave to the poor based on a moral conviction, not economic reasoning. I will leave the last word to neither Rawls nor Nozick, but to Professor Tibor Scitovsky who accepted that "*only 'common sense' and not economic science can justify 'taking \$100 from a millionaire and giving it to a beggar".[25]*

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[23]Rawls (1972)
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THEORIES OF DISTRIBUTION: RAWLS VERSUS NOZICK

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