

# Distributive Justice<sup>1</sup>

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## (1) Business and distribution

Business creates value. This value distributes to different groups: shareholders enjoy dividends, employees salaries, consumers preference satisfaction, and suppliers better prices. In addition, the government enjoys taxes on income and added value. Of course, different ways of doing business influences the distribution of surplus value among these groups. From the perspective of a group or an individual, the distributive effects can be positive and negative. Business activities that create values from an aggregate perspective can hurt specific individuals and groups. Compare the success of Japanese car producers leading to job losses for US producers in Michigan. Or take a factory that makes profits only because the costs clearing up the surrounding community covers its pollution costs. In sum, business shifts values from some to others; it cannot avoid affecting the distribution of the wealth and income.

Consequently, once we are aware of the distributive effects of business activities, it becomes clear that the general question of business ethics – ‘What people ought to do in business *qua* their business roles?’ – involves a narrow question, namely ‘Who ought to benefit/bear the loss when businesses create and annihilate values?’. In the following, we shall discuss two differing positions on this issue.

## (2) Nozickian Libertatrianism

Libertarians hold that we are entitled to whatever income and wealth we manage to earn in a free market, no matter how unequal the distribution of wealth or income may be. Libertarians thus oppose redistribution even if it would benefit society (in a utilitarian sense) or made everyone better off (in a Pareto-criterion sense). How do libertarians justify this view?

The most prominent defense is based on *rights*. If rights capture and express the moral value of consent and free choice, then it stands to reason that rights-based theories of distributive justice should to a considerable degree respect the distributive outcomes of free choices.

Robert Nozick pushes this view to its extreme. His ‘entitlement theory’ implies that any distribution of income and wealth is just if it results from the free choice of individuals. Any *redistribution* not consented to by those affected is an immoral violation of their rights. Nozick view denies so-called ‘time-slice principles’ of justice. That is, the justice of a distribution at time *t* is solely a

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<sup>1</sup>This lecture is primarily based on chap. 11 of Sanbu’s ‘Just Business: Arguments in Business Ethics’ and on Bowie’s ‘A Kantian approach to business ethics’.

question of 'who has what' at  $t$ . However, historical facts will create *entitlements* in the present and future. Time-slice principles will violate these entitlements.

Compare Nozick's example of Wilt Chamberlain.

According to Nozick, distributive justice is equivalent with people having an income and wealth to which they are entitled to. Entitlement consists of whatever has been transferred to them by people who are entitled to make those transfers. A rights-based libertarianism condemns inequalities that result from the violation of rights. Compare theft and fraud. But even in those cases it is not the potential inequality that poses a problem; it is the infringement of property rights.

### (3) Rawls' Social Contract Theory

John Rawls defines two principles of justice. Here is his first: 'each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others.'<sup>2</sup> Basic liberties are political liberties (right to vote and to run for political office), freedom of speech, autonomy of conscience, protection of personal property and from arbitrary arrest. These liberties do not include the right to possess certain kinds of property (like means of production) and freedom of contract.

The second principle concerns social and economic inequalities. There are to be arranged so that '(a) they are to be of the greatest benefit of the least-advantaged members of society [...] (the difference principle).(b) offices and positions must be open to everyone under conditions of fair equality of opportunity'<sup>3</sup>

How does Rawls justify these two principles?

How can they be criticized from a libertarian perspective?

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<sup>2</sup> Rawls, *A Theory of Justice*, p. 60.

<sup>3</sup> Rawls, *A Theory of Justice*, p. 302.