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ECONOMIC JUSTICE

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1. Importance and structure of economic justice.

1.1 Economics as ethics

Economics is a moral and normative science. It has always been. A large part of economics is ethics, applied ethics and often pure ethics as with social choice, theories of economic fairness or justice, or concepts of economic inequality and poverty. Economics is, indeed, almost the only normative social science (alongside social ethics or political philosophy if this is a social science). Economic liberty and the free market are valued either because they manifest the end-value of human freedom and free social relations, or because they are favourable to human welfare. They are criticized when they waste welfare, permit misery, rest on workers' unfreedom, or exacerbate the hostile relationships and individual selfishness they rest on. Public economics is essentially an elaborate normative field. Restraining consideration to the founding fathers, Adam Smith, John Stuart Mill, Léon Walras, and Vilfredo Pareto are among the most profound moralists of all times (and Marx's thought should not be discarded). The most ardent advocates of "positive economics" are also the most virulent preachers of their values (e.g. Milton Friedman for freedom, others for welfare) – the most astute promotion of an ethical position is to present it as an objective datum. In fact, a very important branch of economics specializes in the ethical analysis of economic issues. This is the field of normative economics (of which welfare economics is only a subfield since other values than welfare are also elaborated and applied, such as liberty, merit, desert, needs, equalities of various items, or benevolence – academic economics is presently undergoing a painful paradigm shift away from the dogmatic hypothesis of exclusive and universal welfarism towards the rational and structured moral polyarchy adopted by the rest of society).

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Since economics – *stricto sensu* – is the study of the allocation of goods to people, normative economics, and economic ethics, are practically co-extensive with the concepts of economic, distributive or social justice. Yet, the direct evaluations bear not only on end-state distributions of goods or satisfactions, but often on the process that leads to them, in “procedural justice,” as with free exchange – a case of Aristotle’s “commutative justice” – or fair processes of numerous possible kinds and all types and scales of application. Friedrich Hayek (1976) criticizes, on moral grounds, the concepts of “social justice,” but it is definitely more fruitful to consider that his own social ethics – essentially freedom of exchange and full self-ownership – is a particular moral theory of social justice, a classical and main one indeed (social justice is more specifically what we will shortly specify as “macrojustice”). Note that Rawls (1971) also sees his own opposite theory as procedural social justice – the contrast is the denial of end-value moral entitlement to the product of one’s labour (Marx’s theory of exploitation sides with Hayek in this respect). Taking an opposite approach, the vast subfield of “social choice theory” also is a theory of distributive justice since, as Kenneth Arrow (1963) writes: “The fundamental function of any theory of social welfare is to supply criteria for income distribution” (this will be dealt with here with “welfarism”).

Economic justice is the answer to the question “who should have what?” It is the moral delineation between persons’ self-interests. Sentiments and claims of economic injustice are a prime cause of social adjustments, from wage negotiations and fiscal reforms to children’s “it’s not fair.” The indignation they elicit is a main fuel of history: arbitrary taxes, unjustified privileges, unfair inequalities, unsufferable domination, exploitative wages and working conditions, the need for “vital space” or the recovery of spoliated land, triggered revolutions, wars of conquest or of liberation, rebellions, and social unrest. Economic justice is the condition for a free, peaceful and efficiently cooperating society. It is the “first virtue” of society (Aristotle) or of its institutions (Rawls).

1.2 Structure and substance of economic justice

The problem of distributive justice is, in fact, universal and permanent. If someone benefits from any thing, one can ask why this benefit does not accrue to someone else, by transfer of the object or by some compensation. Moreover, the reasons given for the answers – since justice has to be justified, just precludes arbitrary – are numerous, although they regroup in a few broad categories. Yet, the first important distinction is between the multifarious issues of

microjustice which are specific as regards goods, persons, reasons, and circumstances, from the question of *macrojustice* which applies general rules to the allocation of the bulk of goods and resources (this can include, for instance, property rights and the effect of the main large taxes and transfers on income distribution). It is also sometimes fruitful to distinguish a domain of “mesojustice” that refers to goods that are specific but important and can concern everybody (such as education and health). The importance of issues of microjustice (or mesojustice) is often trivial but can be vital (e.g. the allocation of rare organs for transplant).¹

A judgment of justice applies a more general principle or criterion to a problem, question, issue or case. The general problem thus is the assignment between principles and questions. The quest for principles of justice and their application rests on two sources: reason and rationality on the one hand, and moral opinion on the other hand.

By nature and definition, justice should be justified, rational in the sense of “for a reason,” non-arbitrary. This implies in particular that justice is ideally equality of something or, more precisely, the relevant equal treatment of equals in the relevant characteristics. Indeed, if a person should have x because she has characteristics y , some other person who also has characteristics y should also have x , by rational necessity or non-arbitrariness.² This explains Aristotle’s famous remark: “justice is equality, as everybody thinks it is, quite apart from any other consideration” (*Nicomachean Ethics* and *Eudemian Ethics*). Yet, there remains to determine what this equality applies to, i.e. the “substance” of justice. Aristotle himself pursues in distinguishing strict equality (“arithmetic”) from proportional equality (“geometric”) applied respectively to what is given to society and to the consequences of people’s acts (whose value is “proportional” to the acts). Moreover, when the equality in question is not possible, or is at odds with another principle also deemed relevant (possibly the ideal equality of something else, or the preference that everybody has more even if this requires inequality), then principles of second-best justice have to be defined. The equality can be, for instance, of certain goods or incomes, or of liberties or rights (e.g. “Men are free and equal in rights” is the opening sentence of the 1789 Declaration of Rights). In some cases, the ideal “equalizand” deemed relevant is an additional variation, which makes the principle

¹ For instance, Rawls’s (1971) “Justice as fairness” or “social justice” refer to macrojustice. Elster’s (1992) *Local justice* is concerned with cases of micro and mesojustice.

² This is not the full story about the necessity of equality from rationality in the sense of for a reason. The complete reasoning can be found in Kolm 1996a, pp.35-38, 1998, pp.34-41, 2004, pp.396-399.

be the highest level of a sum of the individuals' items (e.g. utilitarianism or the promotion of the highest "social income").

The rest of the choice – notably the nature of the substance and the conditions of relevance of the principles – can use moral theory but also often has to consider actual opinions in the society. In particular, a principle opposed to a feature that is practically unanimously wanted will not be applied if this society is free and democratic. For instance, modern, developed, democratic societies so require the classical basic rights, and present also a large consensus about the proper scope of applications of principles of justice that refer to "welfare" or, on the contrary, liberties and incomes. This will indeed be the origin of the solution of the problem of macrojustice.

Indeed, the central structural problem of economic justice is the following. Respectful individualistic justice is concerned with items valued by the individuals. However, the individuals, who consume the output of the economy, also produce the largest part of its value. They are endowed with two kinds of relevant economic characteristics: their capacities to enjoy, and their capacities to produce and earn. A feature of a capacity of an individual can a priori be either attributed to this individual (self-owned), or put in the common pool that concerns the policy of justice choosing transfers and compensations. There results three polar theories of economic justice. In one, all individual capacities are in this common pool, and justice is only concerned with the final output consisting of individuals' enjoyments; this is "welfarism." In the opposite case, each individual fully owns all her capacities: this is full self-ownership, without any forced transfer. In the polar intermediate case, individuals are fully accountable for their capacities to enjoy, but their production is submitted to the policy of a just distribution. There also are intermediate cases between this latter case and the others. Society's opinions of justice in this respect are the unavoidable guide to the solution. Figure 1 epitomizes the various cases.

Figure 1

2. Welfarism

2.1 Definition and meaning

Welfarism is a family of moral theories in social ethics that evaluate the world in taking end-values in the family of concepts including pleasure, happiness, satisfaction, pain, unhappiness, suffering, well-being, welfare, economists' "utility," preferences, desires, wants, or urges. These notions are psychological (or physiological) states of individuals, but these theories consider their aggregate that they often call "social welfare." These theories include utilitarianism which ranks states according to the level of the "sum" of individuals' utilities or pleasure (or "felicity") minus pains. Such expressions are hard to utter if they assume that adding or subtracting such psychological items has meaning, but the same intent may be expressed by somewhat more cautious expressions such as: state *A* is better than state *B* because person 1 prefers state *A* to state *B* more than person 2 prefers state *B* to state *A* (and the other persons are indifferent between states *A* and *B*). Another welfarist theory ranks the states according to the level of the lowest individual utilities in them – a "maximin" in utility.³ This assumes that the levels of individuals' utilities – or happiness, etc. – can be ranked. Sometimes, indeed, it is clear that someone is more or less happy than someone else. It suffices, in fact, to point out the less happy individuals, which is somewhat more often possible (in a large society, there usually are people who are clearly more miserable than the others). Utilitarianism and maximin are the two limiting cases of ranking social states according to a so called "social welfare function" which is an increasing function of individuals' utilities. Yet, not all criteria of justice or fairness based on these individual evaluations have this form; for instance a famous criterion is that no individual prefers any other's situation to her own (this is shortly discussed).

Welfarism provides ethical criteria for the allocation of anything (goods, incomes, welfare itself, etc.), which are, in this sense, criteria of distributive justice.

Among the ethical judgments exclusively concerned with favouring individuals, welfarism is characterized by the fact that it relies only on individuals' own evaluations for themselves. In this way, it includes individuals' capacities to enjoy and propensities to suffer within the set of items deemed relevant for the ethical evaluation of the distributive policy, along with all the rest which intervenes only through the individuals' own personal evaluations with these "eudemonistic" capacities and propensities. These individual

³ This is "practical justice" in Kolm 1971, but, as we will see, explicitly not the theory of John Rawls.

psychological (and physiological) characteristics are therefore *not* only a private concern of the individuals, irrelevant for the social ethical evaluation and justice.

2.2 The scope of welfarism

In what cases do people think that welfarist criteria provide the proper, relevant or normal evaluation? What do they deem to be the adequate scope of welfarist ethics? The reader can take herself as a sample of “people,” and imagine what the other people think about the question.

“I take the 10 euros you just earned because I like them more than you do.”

Utilitarianism commands this. Or, perhaps, “I take the 10 euros you just earned because you like your euros left more than I like mine.” This is the requirement of maximin in utility.

If, as it is said, people of Northern Europe are better at producing and those of Southern Europe better at consuming and at enjoying it, should the European Union set up a vast program of intra-European North-South transfers? Should it tax the industrious Swedes for subsidizing the Napolitans who make a feast from an olive and a chunk of bread – as utilitarianism requires –, or perhaps, on the contrary, the Portuguese supposedly afflicted by a kind of mild sadness, in order to soothe their *saudade* – thus applying the maximin in utility?

Should your beverage be subsidized because you like only expensive wines (a handicap of and for your utility), or on the contrary because your taste for cheap beer permits producing utility at low cost (utilitarianism)? The remarks of professional philosophers should be less trivial: “Desires and wants, however intense, are not by themselves reasons in matters of justice. The fact that we have a compelling desire does not argue for its satisfaction any more than the strength of a conviction argues for its truth.” (Rawls, 1982).

Should someone pay a higher income tax than someone else because she enjoys less the euros taken away or more the euros left – as required by utilitarianism and maximin in utility, respectively? Has the Internal Revenue Service ever thought of sending out questionnaires for inquiring about these comparative psychological characteristics? Or does it think that they are irrelevant for this issue; that people are accountable for their own, entitled to their favourable effects and having to endure their less fortunate consequences (short of

pathology) – as is usually considered to be the case for physical beauty –; and that such differences could not give rise to extra taxation or tax rebates or to compensatory claims or liabilities?

These officials' judgments (and the voters' they mirror) account for Rawls's (1971) observation: "Justice as fairness rejects the idea of comparing and maximizing satisfaction... The question of attaining the greatest net balance of satisfaction never arises in justice; this maximum principle is not used at all." This concerns not only utilitarianism but, more generally, welfarism, since "To interpret the difference principle [Rawls own proposal] as the principle of maximin utility (the principle to maximize the well-being of the least advantaged person) is a serious misunderstanding from a philosophical standpoint" (1982).

However – need it be said? – if I take your 10 euros to buy a drug that saves my life, most people approve. Surgeons may transplant the rare organ to the patient who suffers the most or whom it relieves the most (maximin in utility or utilitarianism). Emergency care is similarly allocated. Courts estimate *praetium doloris* for compensating harm. North-South transfers may alleviate the miseries of Mezzogiorno's underdevelopment. Misery is bad possibly because it implies limited freedom but certainly also because of the suffering it entails. The acceptance of welfarism, therefore, is strikingly different depending on whether welfare means pleasure or lower suffering.

Moreover, a family of mutually loving people may all agree that the 10 dollars earned by one are used by another who derives more pleasure from them or who happens to be less happy. This extends to looser relations of neighbourhood, acquaintance or encounter for issues of limited cost.

Hence, welfarism seems to be more used the more the circumstances have of two properties: *suffering* and *proximity* in the meaning of welfare and in the relations between the concerned individuals. It leads to the alleviation of misery (which is also a lack of means). For the rest of the overall allocation in a large society, it does not seem to be applied (as remarked by Rawls who deals with "social justice," that is, macrojustice). Indeed, judgments in this respect rest on two other (and opposed) values: an entitlement to one's earnings in free exchange, and a mitigation of income inequalities (the corresponding ideal equality cannot be derived from welfare maximization given that individuals' utilities differ from one another).

Moreover, the basic constitutional rules of our societies consist of rights, freedoms and means to “pursue happiness” rather than of direct concerns with levels of happiness.

Hence, for macrojustice in a large society in a normal situation (thus excepting wars, famines, etc., where most people may suffer), and for its tools such as income taxation and main transfers, general, expert, and legal opinion do not refer to psychological welfare but to means such as income or freedom. When macrojustice is achieved, what remains of suffering raises issues of microjustice. This does not mean that happiness is found unimportant but only that its psychological component is considered a private issue. Moreover, one should certainly prefer social states such that no other possible one is preferred by everybody (Pareto efficiency), but this does not imply that the choice among them is selected in comparing individual welfares or their variations; for instance, allocating resources and letting an efficient market work leads to such a state (as Pareto showed).

However, a few fascinating theories have been presented for justifying utilitarianism. Their outcome is the maximization of a sum of individual utility functions, but this is not genuine utilitarianism because the specific functions added are not those that can mean “happiness” for describing and comparing its variations. This outcome is, rather, only additively separable welfarism, with a maximand which is a sum of functions each of which is an increasing function of such an individual “hedonistic” utility function (in so far as this can be defined). John Harsanyi proposed two such theories which derive this additive form from the linear form of expected utility for choices in uncertainty.

2.3 Particular theories of utilitarianism

2.3.1 Original position: two basic problems

Harsanyi (1953, 1976) has derived such a particular welfarist criterion from a theory of the original position. In order to take some policy measure (e.g. distribution) impartially, this is hypothetically evaluated by an individual “in the original position” who will become an actual individual but does not know which one, and could become any one with equal probability (from a requirement of equality or, possibly, complete uncertainty in this respect and the Laplace principle). The problem is that an individual’s selfish choice in uncertainty is not a

priori an image of a choice of justice among several individuals.⁴ For instance, the individual in the original position may want to take his chance of being very rich in giving all income to only one actual individual, as he may bet all his money on a single horse for the same objective. More generally, there is no reason why self-interest and justice would so formally coincide, or even why prudence would mimic fairness. Both the structure of the overall preference and the items deemed to be relevant can a priori differ. The individual is accountable for his selfish choice in uncertainty towards himself and his own welfare, whereas the choice of justice is accountable towards others, society, and morals. The items directly deemed relevant by the latter may not even be individuals' welfare.

As a subsidiary remark, the individual in the original position needs two features of her preferences to make her choice: a preference among being the various actual individuals (in all respects), and a risk aversion. If these features are not arbitrarily chosen without any criterion, they are those of the actual individuals. Then, however, there are as many evaluations in the original position as there are individuals. Yet, these evaluations are closer to one another than the individuals' simple preferences are (there generally are pairs of states that become similarly ranked by all individuals, while none follows the reverse way). One can then solve this problem in considering an original position of this first order original position. But the same problem remains. One can then proceed along this line recursively. The evaluations converge. Yet the outcome of this theory of the *recursive original position* does not have the additive structure which is that of utilitarianism, although it is a welfarism.⁵ And the problem of the assimilation of an individual choice in uncertainty with a choice of justice remains.

2.3.2 Other additive separabilities

Other theories take welfarism as given a priori, try to justify a utilitarian form for it, and provide a reason for an additive separability of the maximand as described above. Lionel MacKenzie simply assumes this additive separability from its property that the evaluation of differences in a subset of the individual utilities does not depend on the fixed levels of the other utilities. Harsanyi (1955) derives this property from the assumption that the social

⁴ Kolm 2004, pages 358-360 and 1996a, pages 191-194.

⁵ Kolm 2004, pages 348-355.

evaluation of a risky prospect does not depend on whether the individuals or the policy are accountable for the effects of the occurrence of the risky event, which has a priori no reason (Kolm 1998).⁶

3. Freedom justice, income justice, resourcism

3.1 Social liberty

If the reference of an individualistic ethic is not welfare, it probably has to be liberty. In economics, if, in choice theory, one takes utility off, there remains the domain of free choice. Philosophical anthropology sees humans as sentient beings or as agents capable of free choice and action. However, there are two relevant kinds of economic freedom.

Social liberty means that individuals are free from forceful interference from others individually, in groups, or in institutions. People are only constrained not to impose force on others (there may also be particular constraints for safety or for the implementation of implicit contracts). Free exchange (without third-party interference) is possible and important. The respect extends to the effects of free acts – such as rights so created, which leads to the theory of property. Social liberty is the constitutional basis of our societies. It is the full theory of notions such as “negative,” “civic,” or “formal” freedom (and the meaning of “a free economy”). Social liberty is non-rival since that of an individual does not diminish that of another. Hence, people can all have it at satiety and, in this sense, equally. When people’s intended actions are incompatible, this is due to the allocation of other means (notably rights), a result of the distribution.

Social liberty plus other means (rights, incomes, etc.) people have determine their domains of choice.

Since welfarism implies that all human resources are considered relevant for determining the public distribution – both capacities to enjoy (utility functions) and to produce – another opposite of this ethic is full self-ownership. Indeed, the most important of economic ethics, classical liberalism, defines itself by either full self-ownership or social

⁶ We neglect here other theories for justifying this structure which are logically erroneous.

liberty. In fact, the former implies the latter, but we will see that the converse is not logically warranted.

Since social liberty implies that income can be freely spent for buying consumption goods, its respect in this regard implies that one can take income, whether distributed or earned, as the main object of economic justice. Yet, one good is particular, labour (or its complement leisure), both because its market price, the wage rate (and hence earning capacities), differ across individuals, often widely, and because labour produces the largest part of social income, by far. This leads to two categories of theories of distributive justice, according as to whether the focus is not, or is, on earning capacities and labour.

3.2 Income justice

Standard theories of income justice simply focus on incomes. There can be an ideal equality in incomes. Yet, this may not be satisfactory, notably because it may create disincentive effects such that other possible but unequal situation give a higher income to everybody (and satisfies them more). This leads to the theory of the comparison of the injustice of inequalities (see the entry on economic inequality in this volume). A limiting case is maximin in income. Rawls's (1971) "difference principle," a maximin in an index of primary goods including income and wealth, belongs here, notably because this income distribution does not depend directly on measures concerning the other primary goods (position, power, self-respect).⁷ Yet, the other limiting case, the highest total on social income – sum of individual incomes – is also advocated. Judge and economist Richard Posner (1977, 1981) demands that all judicial decisions be taken so as to maximize overall income. Ronald Coase (1990) assigns the same end to economists' advocacy of rules and institutions. The highest total income as end-value seems also to be the view of a number of people who advocate the highest possible growth of GNP.

3.3 Macrojustice

⁷ Rawls uses, for describing impartiality, another theory of the original position, different from Harsanyi's, with a much larger uncertainty, no probabilities, and the possibility of extreme risks. Yet, this device is not used to deduct the result, but as an aid to moral reflection towards a "reflective equilibrium."

Equal incomes with the same prices for different individuals imply identical budget sets which are the domains of free choice. If labour or leisure is also considered, this identity cannot hold any longer with individuals with different earning capacities and wages rates – the market price of labour and of leisure. A higher wage rate permits one to have more income and goods for each labour, or more leisure for having the same income, hence it provides a larger freedom of choice. This represents the difference in productive capacities. Now labour provides the bulk of income, and productive capacities constitute the largest part of resources given to society. Indeed, national income comes from primary resources in proportions which commonly are, in order of magnitude, 80 for labour, 18 for capital, and 2 for non-human natural resources. Yet, capital is itself produced, by definition, and an intertemporal view should allocate its value to the other two factors, which gives about 97,5% for labour and 2,5% for non-human natural resources (moreover, individuals' labour does not use all their productive capacities). Hence, macrojustice is essentially concerned with the allocation of the value of productive capacities.

People can have equal, full social liberty. This implies free and unfettered labour and earning. This is also a condition for Pareto efficiency, which is impaired by transfers (taxes and subsidies) that are based on items that agents can choose or affect (“elastic” bases) – a classical elementary result of economics. Since social liberty is equal, equal total individual freedom can be achieved by letting this liberty operate from some equal (identical) initial allocation.⁸ Since the variables are labour and income, individuals then have, as starting state, the same income while they provide the same labour. If this labour and individual i 's wage rate are denoted as k and w_i respectively, individual i produces kw_i in this initial state. Then, for individuals to have the same disposable income in this state, each individual i should be taken his product kw_i away and be provided with the average $k\bar{w}$ instead where \bar{w} is the average of the w_i . She thus receives the net transfer $t_i = k \cdot (\bar{w} - w_i)$, a subsidy if $t_i > 0$, and a tax of $-t_i$ if $t_i < 0$. With $k > 0$, individuals receive or pay according as to whether their wage rate w_i is below or above the average. This “equal labour income equalization” also amounts to each individual yielding to each other the proceeds of the same labour – a general equal labour reciprocity –; to each receiving the same basic income $k\bar{w}$ in paying with the same labour for

⁸ A theory of the equal freedom offered by different possibility sets leads to the same result (Kolm 2004, 2007).

all; and to a tax $-t_i = (k/\ell^o) \cdot w_i \ell^o + k \bar{w}$, which is an exemption of overtime earnings above some given labour ℓ^o , and an equal tax credit or rebate $k \bar{w}$, from a flat tax (at rate k/ℓ^o).

The case $k=0$, and hence $t_i=0$ for all i , is full self-ownership. This is the position of classical liberalism, but social liberty is also respected by other solutions. Communities, including national ones, agree that their members with low earning capacities are helped by the more fortunate ones (who are here demanded to contribute according to their capacities to earn). Coefficient k , the “equalization labour,” measures this degree of solidarity, community, and equalization. Present-day redistributions at national levels diminish inequality as would do an equalization of the incomes earned during 1 to 2 days per week (from the US to Scandinavian countries). Hence, with the obtained structure, if ℓ_i is the actual labour chosen by individual i , even if the overall equalization increases, in all realistic cases one has $k < \ell_i$ for full-time normal labours. Individual i 's freely earned income is $w_i \ell_i$, and her disposable income is $y_i = w_i \ell_i + k \cdot (\bar{w} - w_i) = k \bar{w} + w_i \cdot (\ell_i - k)$. The last form shows that if w_i is low, or if $\ell_i > k$, $y_i > k \bar{w}$ which is de facto a minimum income. It also shows that disposable income is divided into two parts, an egalitarian part $k \bar{w}$ where the same labour k receives the same remuneration $k \bar{w}$, and a classical-liberal part where the freely chosen extra labour $\ell_i - k$ is remunerated at the individual wage rate w_i : these two parts are remunerated according to desert (labour k) and to merit – labour and capacities –, respectively.

The degree of equalization k found normal in a given society is revealed by the common approximate consensus about the level of a minimum income – which is $k \bar{w}$ – and about the actual redistribution. Moreover, this is a main topic of the general political and moral dialog. The obtained policy is realized by exempting overtime labour from the income tax, with the help of the information about wage rates provided by paysheets (9/10 of labour is wage labour in modern societies). It is shown that individuals have an interest in using their best skills at labour, thus revealing their values by their actual wage rate.⁹

4. Microjustice and mesojustice

⁹ Kolm, 2007.

If the overall income distribution is fair, with freedom of exchange implied by social liberty, the various goods are justly allocated by buying and the market. Non-marketable public goods can be financed by the distributively neutral “benefit taxation” (or possibly, more precisely and fully, for these goods and for externalities, by a duplication of what free exchange would have achieved if the impediment to marketing did not exist – that is, a “liberal social contract”).¹⁰ However, there still remains a number of allocative choices. The overall income distribution may be imperfect. Moreover, in any large society, there may remain a number of people out of the standard distributive system and in poverty. In addition, in a given society the overall productivity (hence the average \bar{w}) and the coefficient of redistribution (k) may not suffice for providing a minimum income $k\bar{w}$ that can cover all needs considered basic. This gives reasons for additional specific aid, possibly aiming at meeting specific needs.

The particular goods incorporated in humans raise specific issues of justice. Education and health can largely be allocated privately by spending fairly distributed income, with the appropriate loans and insurance. However, the effects of family on individuals is both a major externality and the main source of inequality through formation and educational choices and support, along with bequest and social position and relations. The general income policy compensates part of the effects of education and formation. However, inequality of social origin can be seen as particularly objectionable, and the main one, nowadays, is that due to education, which depends not only on parents’ support, but also, essentially, on their information and motivation (and hence is at work even where education is public and free). There should thus be a policy of educational mesojustice complementing the macrojustice of general income distribution. Health can be financed by private health insurance. However, a number of societies find that the basic health inequalities in propensities to be sick is a natural injustice which requires compensation. This is a main reason for health insurance being public, for instance in Europe.

Health care and a basic education are parts of basic needs, and numerous studies have focused on the provision of basic needs. The satisfaction of these needs permits individuals’ action, and emphasis is sometimes put on the liberty this provides. This is the case with the “capabilities” that permit the choice of “functionings” discussed by M. Nussbaum and A.

¹⁰ Cf Kolm 1985, 1996a, 2004.

Sen.¹¹ However, while the former demands securing minimum levels of capabilities (in the tradition of basic needs), the latter advocates that equal capabilities for all provide identical domains of free choice for all, and hence equal liberty. This meets the general difficulty, also met by interpretations of the principle of equality of opportunity as identical domains of choice, that identical domains of choice defined without taking individuals' preferences into account lead to Pareto inefficiency when individuals' personal capacities differ.¹² Yet, this allocation can be generalized into a corresponding efficient second-best egalitarianism.¹³ The basic intention for focusing on capabilities was to find a material or substance of justice intermediate between welfarism and Rawls's income justice. G. Cohen (1989) objected that the equalisandum (the "currency of justice") should be what individuals are not responsible for. However, responsibility is one reason for accountability but not the only one, and people should sometimes be helped even when they are responsible for their fate.¹⁴

Moreover, societies face innumerable cases of microjustice that are considered not appropriately solved by exchange or auction with legitimate incomes. The criteria used can generally be classified into three categories. They sometimes refer to merit, desert, responsibility, or freedom of choice. In other cases, the reference is to needs or welfare. The other instances directly consider means or goods, with some kind of ideal equality in the allocation. Equality of any items is always present but depends on a number of choices: the specific nature of what should be equalized; the starting state from which the equality in question is defined; the characteristics that make the beneficiaries (or contributors for sharing a liability) relevantly identical or not; and one should add the choice of the second-best egalitarian criterion when the ideal equality is not possible or raises relevant costs of any kind and meets other relevant values (possibly including the fact that some possible unequal state satisfies more all participants). In still other cases, the objective is some social, non-individualistic, objective, whose satisfaction determines the individual allocations. In fact, a social maximand function of individual items (such as goods, means, incomes, or welfare) can be seen as either a particular overall social objective or a principle of inter-individual fairness. The linear forms of utilitarianism and of the highest social income are conspicuous in this respect: they seem to be social objectives, but they are also egalitarian objectives for local

¹¹ A. Sen (1985), M. Nussbaum (1992, 2000), M. Nussbaum and A. Sen (1993).

¹² Kolm 2007.

¹³ As in the more general presentation in Kolm 1996b.

¹⁴ The economics of responsibility is notably analyzed by M. Fleurbaey (1995, 1998).

variations. Finally, allocative criteria often follow established traditions, sometimes for defining classes of people within which some equality should prevail.

The most important criteria of fairness associate various concerns and meanings. One of the most used ones demands that no individual prefers any other's allocation to her own. This associates an egalitarian intention (it amounts to equality if the allocation is of only one good) with the consideration of the less objectionable structures of individual preferences: ordinality and no interpersonal comparisons. Yet, this criterion also has a deep meaning of equal liberty, since it is satisfied if and only if there exists a domain of choice of individual allocation such that the given allocation of each individual could be her choice on this domain (such a domain includes all the given individual allocations plus any allocation that no individual prefers to her own). This criterion may be called "equity-no-envy," although it does not exactly described no-envy because an envious person's preferences are concerned *jointly* by her own allocation and that of others (yet, the theory of envy nevertheless uses this criterion, but for fictive, "envy-free" individual preferences).¹⁵ This principle has been suggested in passing by Tinbergen (1946) and Foley (1967), its properties have been presented in works of Kolm (1971), Varian (1974, 1976), Schmeidler and Vind (1974), Pazner (1977), Baumol (1986), and Feldman (1987), it has been extended into various principles in particular by Kolm (1973, 1996b, 1999), Feldman and Kirman (1974), Thomson (1983), van Parijs (1995) and others, and applied to a number of issues of distributive policy as by Bös and Tillman (1985) and Fleurbaey and Maniquet (1996). There exist allocations sharing a given bundle of ordinary goods that satisfy both this property and Pareto efficiency, since this is the case of the allocation obtained by an equal sharing of these goods followed by a perfect market for the exchange of these goods among these individuals. However, when one of these goods is labour or leisure, whose price, the wage rate, can differ for different persons, there may be no Pareto-efficiency allocation that satisfies the criterion. Yet, when such an impossibility obtains, an extension of the noted property of equal liberty into a comparison of being more or less free permits the definition of an efficient maximin in notional freedom.¹⁶ This property of equity-no-envy has given rise to a large number of analyses, variants and proposals of neighbouring properties, and applications.

¹⁵ Kolm 1995.

¹⁶ Kolm 1999.

Many specific theoretical criteria of fairness have been studied, for allocating goods or for collective choices such as voting rules. Their logical properties, their relations with other principles and properties, and their conceptual meaning and validity are analyzed. Some use concepts of utility of various types (with a problem of meaning for cardinal utilities other than those relevant for risky choices). Some are defined in a framework of bargaining in proposing fair solutions. These solutions often refer to a disagreement state that prevails in the absence of agreement, sometimes to claims that are seen as legitimate but are not co-possible, and they use certain properties of equality or impartiality.¹⁷ A general problem about criteria of justice consists of finding extensions of desired criteria when their strict satisfaction is too costly in any respect or impossible (for instance the minimization of some measure of inequality).¹⁸ A field of study focuses on the determination of the most elementary logical properties that imply the criteria, in a kind of moral axiomatics (see Thomson (2001) and Moulin and Thomson (1997) for a presentation of the method and of the main results).

The latest developments in the analysis of economic justice associate, to this study of the logical and mathematical properties of the criteria and principles, other dimensions of a psychological, social and philosophical nature. One is the analysis of the emotions that accompany the sentiments of justice and especially injustice aroused by the adoption of a principle or by its violation. From this develops both a phenomenology of economic justice trying to size its purest and most basic “intuitions,” and a hermeneutics of economic justice analyzing its history, its linguistic expressions, and its insertion in the social and cultural ethos, alongside the analysis of the evolution and formation of its concepts in processes of social dialogue (with logical-mathematical models of these processes).¹⁹

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¹⁷ For presentations in book form see Binmore and Dasgupta, eds. (1987), Moulin (1988, 1995) and Thomson (1994).

¹⁸ Another solution consist of replacing the actual state by another, fictive state that all participants find as good as the actual one, and of applying the criterion to this state (the “equivalence principle”). However, the actual possible state that yields the best ideal, fictive state is not, a priori, the actual possible state that satisfies the best some extension of the criterion. See, for instance, Kolm (1966, 2004), and Pazner and Schmeidler (1978).

¹⁹ Kolm 2004, Part 4.

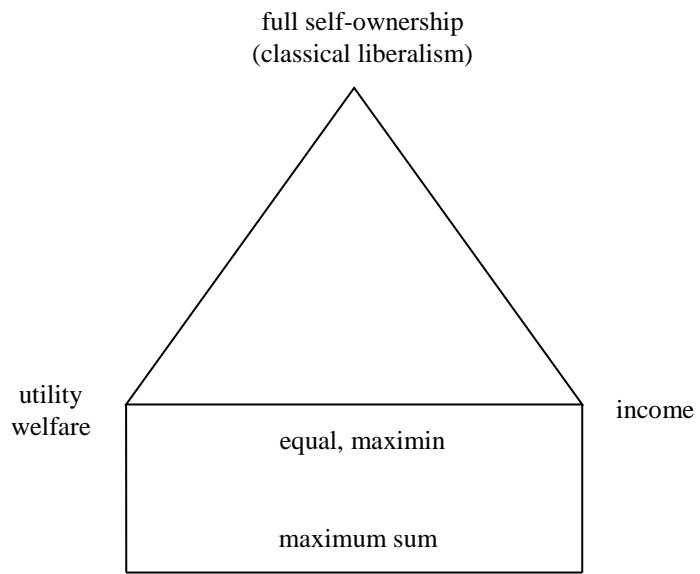
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A triangle of principles

Figure 1