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Rawls's Lexical Orderings are Good Economics

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Basic liberty, according to Rawls's first principle of justice, is not to be sacrificed for other values such as wealth. And, according to his second principle of justice, the material well-being of the worst-off members of society is not to be sacrificed to benefit better-off members of society.¹ These trade-offs would be unjust, according to Rawls, no matter how small the sacrifice or how large the offsetting benefit. A decision-maker conforming to Rawls's theory, who is unwilling to sacrifice some values in favor of others, has lexical preferences. Lexical preferences, however, are not encountered in studies of consumer demand for market goods. Since goods trade off within the range of choices studied in demand theory, it seems to economists that political values ought to trade off as well. Wouldn't a person who foregoes a more extensive wardrobe for a better car also forego a little liberty for a lot more wealth? Wouldn't a judge or politician impose a small disadvantage upon the least advantaged if the effect were to create a large benefit for others?

This note argues that Rawls's theory is not based on bad economics. On the contrary, the standard representation of economic decision-making leads to preferences that closely resemble lexical orderings in the range of choice contemplated by Rawls, at least for Rawls's first principle of justice. An economic understanding, however, casts doubt upon the claim that the second principle expresses an aspect of a political consensus.²

I am grateful to John Rawls and an anonymous reviewer for comments on an earlier draft.

1. In Rawls's *A Theory of Justice* (1971), these two principles are stated initially in Chapter 11 and then refined in successive restatements.

2. Rawls argues that the foundation of his theory is not metaphysical but a political consensus in Western democracy. See Rawls (1985).

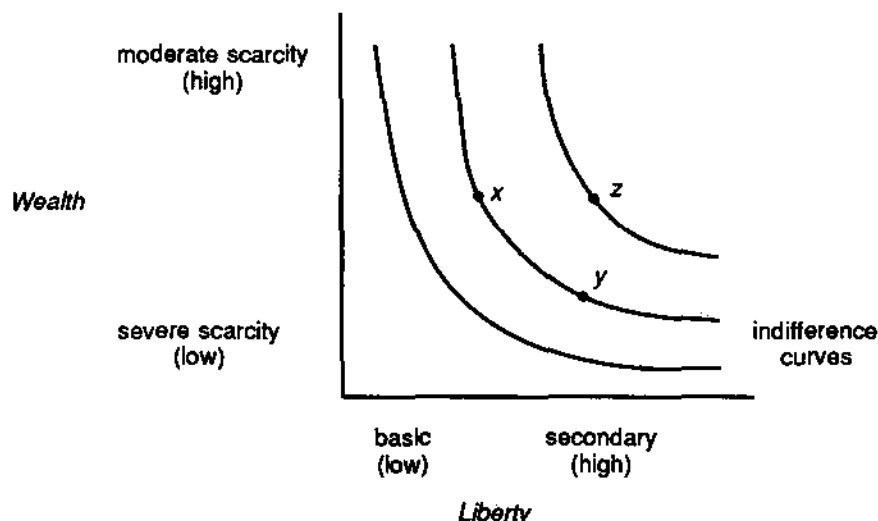


FIGURE 1. Wealth, liberty, and preferences.

PRIORITY OF LIBERTY

The preferences of a decision-maker regarding liberty and wealth can be developed by a standard economic representation. The horizontal axis in Figure 1 depicts different amounts of liberty, ranked from low to high. (Any conception of liberty will do for these purposes, so long as it induces a ranking.) The vertical axis represents different amounts of wealth. Any point on the graph thus represents a combination of wealth and liberty.

The curved lines in the graph represent indifference curves for a decision-maker. Thus, in Figure 1 the decision-maker is indifferent between the combination of liberty and wealth represented by points *x* and *y*, whereas *z* is preferred to either *x* or *y*. Notice that the indifference curves in Figure 1 have the usual shape that depicts consumer preferences over market goods. If the axes in Figure 1 were labeled, say, *Apples* and *Oranges*, instead of *Liberty* and *Wealth*, it would look like the graph used to introduce utility theory in any introductory course on economics.

The horizontal axis of the graph is drawn on the assumption that the liberties are ordered from the most important on the left to the least important on the right. The most important liberties are called "basic" by Rawls.³ A vertical line is drawn in Figure 2 separating the more basic liberties from the rest. Another line, also indicating a boundary, is drawn horizontally in Figure 2 to bisect the vertical axis. This line distinguishes levels of wealth into zones of moderate scarcity and severe scarcity.⁴ The

3. Rawls (1971, pp. 61–62) uses the term *basic liberties* in formulating his first principle of justice and he provides a list of them.

4. "Moderate scarcity" is Rawls's phrase. See Rawls (1971, p. 127).

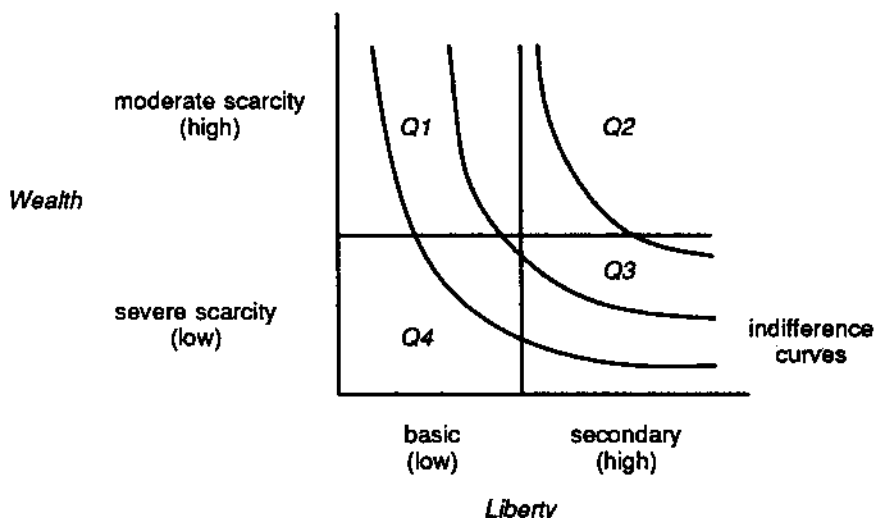


FIGURE 2. Four quadrants.

exact location of these boundary lines may be arbitrary, like the boundary between your face and the back of your head. This note is concerned not with where to draw such a boundary, but with the consequences of there being one.

These two lines divide Figure 2 into four quadrants that are labeled Q1, Q2, Q3, and Q4. The point to note is that in quadrant Q1, where wealth is adequate, but the decision-maker is deprived of some of the basic liberties, the indifference curves are almost vertical. In this zone liberty precedes wealth in the preferences of the decision-maker. To be more precise, the decision-maker who finds herself in Q1 is reluctant or unwilling to trade a small amount of liberty for a large increase in wealth. Q1 is thus the zone in which the decision-maker maximizes liberty and gives little weight to wealth.

The opposite is true in quadrant Q3, where the decision-maker enjoys the basic liberties, but wealth is severely scarce. In Q3, the utility curves are almost horizontal, indicating that the decision-maker is reluctant or unwilling to trade a small amount of wealth for a large increase in liberty. Q3 is thus the zone in which the decision-maker maximizes wealth and gives little weight to liberty.

In quadrant Q2, there is both adequate wealth (moderate scarcity) and adequate liberty (the basic liberties), so the decision-maker is prepared to trade off additional increments of wealth and liberty. In this quadrant the decision-maker does not pursue either of the pure goals – maximizing wealth or maximizing liberty – but rather pursues a mixed goal of maximizing a weighted combination of the two.

This graph can make sense of Rawls's claim that, under conditions of moderate scarcity, a rational person is unwilling to sacrifice basic liberty in order to obtain a large increase in wealth (lexical priority of liberty). If the decision-maker is contemplating a trade-off between wealth and basic liberty, and this choice is being contemplated under conditions of moderate scarcity, the alternatives are located in Q1. In Q1 the indifference curves are almost vertical, indicating that the decision-maker is reluctant or unwilling to trade a small amount of liberty for a large increase in wealth.

The most basic liberties in law are conventionally grouped into broad areas, such as freedom of religion, freedom of speech, freedom of the press, freedom of political association, and the right to property. Disputes in constitutional law often concern these basic liberties. If decision-makers face a trade-off between basic liberty and wealth in these disputes, then, according to Rawls's theory, such disputes should be resolved by favoring basic liberty and disfavoring wealth. The "lexical priority of basic liberty over wealth" characterizes the decision-maker's preferences in Q1.

PRIORITY OF THE LEAST ADVANTAGED CLASS

Besides ordering liberty and wealth, Rawls's decision-maker must decide upon a principle for the distribution of material goods, especially wealth and income. This principle of distribution is meant to operate in conditions of moderate scarcity. Scarcity can be measured according to the extent of satisfaction of people's needs and desires. Most people's needs form a natural hierarchy according to their urgency.⁵ Thus, most people will first satisfy their biological needs, such as for food, shelter, and clothing; next, they will guarantee the security of the future satisfaction of their biological needs; later, as they become more wealthy, their concerns will turn to personal satisfaction and self-fulfillment. The progression is from material needs, rooted in biological necessity, to wants and desires, rooted in personal aspirations and private conceptions of a good life.

Scarcity is moderate, according to Rawls, when a society possesses sufficient material wealth that, if it were properly distributed, everyone's material needs would be satisfied, and also everyone with moderate aspirations would possess the material basis for self-fulfillment. No one's material needs would go unmet, and only those people with extravagant aspirations might be frustrated by material obstacles.

Moderate scarcity is depicted in Figure 3 for a two-person society. The material well-being of the two members of society is assumed to be measurable. The index for measuring material well-being was called a

5. This idea was central to welfare economics in the early twentieth century, according to Robert Cooter and Peter Rappoport (1984).

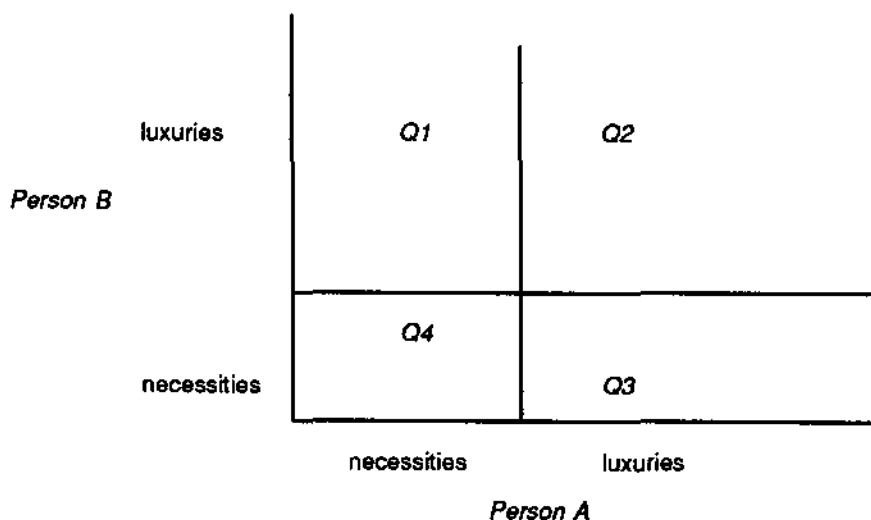


FIGURE 3. Material welfare.

utility function by an older generation of economists.⁶ Rawls calls it an index of primary social goods.⁷ In any case, the material well-being of Person A is measured on the horizontal axis. Beginning from the left, the person satisfies his basic biological needs, and as his wealth increases, he moves to the right and satisfies his higher-order desires.

The horizontal axis is bisected by a vertical line that separates material necessities from luxuries. When Person A's material well-being is located to the left of this line, some of his material needs have not been met. Conversely, when Person A's material well-being is located to the right of this line, all of his material needs have been met, and he has begun to satisfy his higher-order desires.

Similarly, the material well-being of Person B is measured on the vertical axis, which is partitioned by a horizontal line in Figure 3. The two orthogonal lines divide Figure 3 into four quadrants. Q2 is the zone of moderate scarcity in which both people enjoy all the necessities of life and some of the luxuries. In Q1 and Q3, one person suffers from a want of life's necessities and the other person enjoys luxuries. Thus Q1 and Q3 depict conditions of severe inequality. In Q4, there is severe scarcity and the basic needs of both people go unsatisfied.

Figure 3 represents different distributions of material goods between Persons A and B, but it does not depict how to choose among them. The conventional representation of such preferences in economics is through a social welfare function.⁸ A social welfare function is to society

6. See, for example, Pigou (1950).

7. The relationship among resources, wealth, utility, and primary social goods has been much discussed. See, for example, Sen (1979) and Dworkin (1981a, 1981b).

8. This concept was first introduced into economics by Bergson (1930).

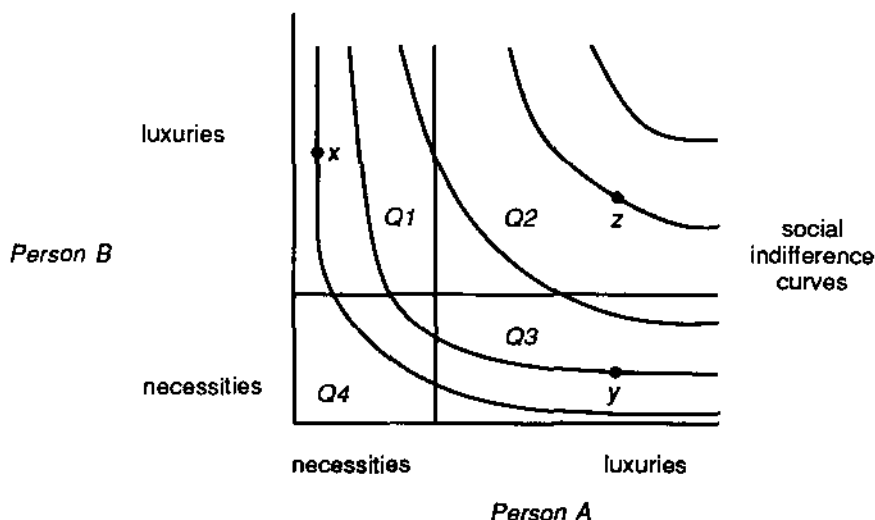


FIGURE 4. Social preference for distribution of wealth.

exactly what a utility function is to an individual. A utility function takes different bundles of goods and combines them into a measure of the individual's welfare, and a social welfare function takes measures of the material well-being of different people (or something similar, such as their cardinal utilities) and combines them into a measure of society's welfare. Social preferences are depicted in Figure 4 by lines of social indifference, which are formed by joining points of constant social welfare. Thus points *x* and *y* represent the same levels of social welfare, whereas point *z* represents a higher level of social welfare.

The important feature of Figure 4 from the perspective of Rawls's theory is that the lines of social indifference are almost vertical in *Q1* and almost horizontal in *Q3*. This fact indicates that, when someone's material needs are unmet and someone else enjoys luxuries, there is a very steep trade-off or no trade-off between the well-being of the least advantaged person and the well-being of the other person. To illustrate, in *Q3*, Person A enjoys many luxuries, and Person B lacks the necessities. Consequently, when in *Q3*, the increase in luxuries enjoyed by Person A that would be needed to compensate for a decline in the necessities enjoyed by Person B is very large or possibly infinite. This same argument can be repeated for *Q1* with the roles of Persons A and B reversed.

A political consensus has apparently formed in America that a "safety net" is needed to assure that everyone enjoys life's necessities. Much of the political debate concerns not whether there should be a safety net, but how far a person must fall before being caught by it. The maximin could be understood as the principle that, under moderate scarcity, catching everyone in the net who is falling has an urgency and

a priority that surpasses the state's concern with the material well-being of others who are relatively well off. Thus the view that the maximin applies in Q1 and Q3 can be taken as an expression of a political consensus.

CONCLUSION

A person who has a lot of one commodity and a little of another may refuse to trade a small amount of the scarce good for a large amount of the plentiful one. I have used this fact to square Rawls's lexical orderings with the economic theory of demand. The liberties that people want most urgently are called basic, and the goods that people want most urgently are called necessities. In contrast, the liberties and goods that people want with less urgency are called secondary liberties and luxuries, respectively. Rawls's first principle of justice, under this interpretation, does not allow a society characterized by moderate scarcity to sacrifice basic liberty in order to increase wealth, no matter how large the increase. In other words, a small amount of basic liberty should not be traded even for a large number of luxuries. The second principle of justice, under this interpretation, does not allow a society characterized by moderate scarcity to sacrifice the economic necessities of one person in order to increase another's luxuries, no matter how large the increase.

The principle that government should guarantee basic liberty and material necessities for everyone is so widely endorsed as to represent a consensus in many countries. My interpretation goes far toward reconciling lexical preferences with Rawls's claim that his theory expresses a political consensus. But is my interpretation fully consistent with the account in *A Theory of Justice*? Probably not. Rawls does not limit the scope of his first principle of justice by developing the distinction between basic liberties (his term) and secondary liberties (my term). Nor does he limit the scope of his second principle of justice by developing the distinction between necessities and luxuries. My interpretation implies that once a society has established conditions under which everyone enjoys basic liberty and everyone's economic necessities are satisfied, a theory of justice erected upon lexical orderings runs out. Secondary liberties and luxuries may, according to my interpretation, be traded against each other without injustice. In terms of the figures, my interpretation requires vertical social preferences in Q1 and horizontal preferences in Q3 of Figures 2 and 4, but justice does not constrain social preferences in Q2. The theory of justice runs out in Q2 in the sense of offering no guide to social choice.

Rawls does not envision limitations operating in quite this way. He seems to contemplate that the basic liberties can be secured so that the first principle of justice runs out; but once this is achieved, the second principle comes into play, and he does not seem to think that it will run

out.⁹ Rawls's view is apparently that justice requires, after guaranteeing basic liberty to everyone, arranging the basic economic structure of society to exert a continuing pressure to increase the wealth of the least advantaged class, even if the least advantaged class has already attained a material standard of life in which all the necessities are supplied and many luxuries as well. While there is a political consensus in many prosperous countries that government should provide a safety net for everyone, further government efforts to increase material welfare of the least advantaged citizens are controversial. There is a political dispute about whether the welfare of the least advantaged class imposes a constraint upon social choice, which ceases to bind after it is satisfied, or whether raising their welfare is a permanent social goal of great urgency. If a social goal remains permanently urgent, even after it has been substantially achieved, the underlying values must be dramatically different in their structure from preferences for ordinary consumer goods.

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9. The formal discussion in "The Difference Principle" (Rawls, 1971, pp. 76-80) seems to imply that the maximin will exert a continuing pressure. That view seems most consistent with the tenor of other arguments by Rawls. However, his discussion of the "distributive branch" of government (pp. 277-80) suggests that its purpose is satisfying economic needs, rather than continually improving the welfare of the least advantaged class.