

DISTRIBUTIVE JUSTICE AND CAPITALISM: A RAWLSIAN EXERCISE

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The purpose of this 1-hour small-group exercise is to create a situation in which business students feel comfortable questioning whether capitalism is fair when examined from the perspective of distributive justice and John Rawls's "original position." I conduct this exercise in my business ethics/business and society course after the students have learned the concepts "principles of justice," "the original position," and "veil of ignorance" from Rawls's (1971) *A Theory of Justice*.¹ In addition, students should read something about the nature of poverty. I also assign chapter 4, "America's Families, American Workers, and Economic Hardship: The Scope of the Problem," from Schwarz and Volgy's (1992, pp. 53-71) book, *The Forgotten Americans: Thirty Million Working Poor in the Land of Opportunity*, to sensitize students to the life of a worker living in poverty. The chapter presents the true case history of Sandra Bolton, a single mother working full-time and attending college classes who makes just barely enough money to feed and care for her children.

Instructions for the Instructor: A Five-Step Exercise

STEP 1: 5 MINUTES

Place students in small-group "task forces" of three to five people to discuss a just method of distributing gross national product (GNP) from a

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Rawlsian perspective. Read the "Instructions for Students" to the entire class (see appendix).

STEP 2: 15 MINUTES

Students meet in groups to *write* answers to the three questions. After 10 minutes, ask how many groups have answered the questions (few) and how many would like more time to debate the issues (almost all). Encourage members of groups that have almost reached consensus to play devil's advocate, someone should argue that the group's solution is not fair because of (fill in the blank), and then push the group to develop an even fairer principle of distribution.

STEP 3: 5 MINUTES

Roll each group for its answers to the first two questions. Typically, most groups propose some form of egalitarianism as a just solution to the first question on initial one-shot redistribution of accumulated income and some form of capitalism (merit/market wage rates with a safety net) as a just solution to the second question on weekly redistribution of newly created income.

STEP 4: 15 MINUTES

Have the group that devised the most anticapitalist solution to the second question (such as capping salaries or firm income) come in front of the class to further explain and defend its policy. If all groups propose capitalist solutions to the second question, then ask how many students believe that some cap should be placed on income (e.g., was it right for Michael Milken to be paid \$550 million in 1987?). Have the few students who believe the principles of justice demand some type of salary cap defend this policy in front of the class.

Students in the audience then question the group defending an anticapitalist distribution policy response. Examples of questions often raised are as follows. Why would people work hard if their salary is capped? How will you respond to all the businesses that would go overseas if taxes were that high? Typically, students in the audience convince the group defending an anticapitalist policy that anything other than an economic system based on market wage rates buffered by a very modest safety net would be unjust.

STEP 5: 15 MINUTES

Discuss the following series of questions.

- a. How many students think there are imperfections in capitalism? (answer: many)
- b. In the society you constructed, would you be in the group that does well economically? (answer: yes)
- c. Don't poor people work hard? (answer: some yes, some no)
- d. Could you convince the 39 million Americans living in poverty that your solution (capitalism) is just? (answer: maybe, if poor people discuss the issue rationally)
- e. Could you convince Sandra Bolton that capitalism is just? (answer: no) [As described in the second reading, Bolton (one of the 30 million working poor in the United States) is a single parent of two children who obtained a divorce after being physically beaten by her husband. She pursues a college degree to improve her living conditions. By working full-time at a medical center as a word processor, teaching piano lessons, and selling her blood, she earns enough income to pay for all of her subsistence expenses excluding child care and emergencies (such as medical or car problems). To pay for these other expenses, she has a part-time library job two evenings a week, leaving her little time to care for her children or study.]
- f. When meeting in groups and applying Rawls's veil of ignorance, did you at all consider the possibility that you might be Sandra Bolton rather than the MBA student currently enrolled in this class? (answer: no)
- g. Why didn't you consider Sandra Bolton's vantage point, or the vantage point of the 11.8 million children (21.5%) under the age of 15 who live in poverty, when operating under Rawls's veil of ignorance? (answer: they forgot; they are not her)

This realization helps students to understand why so many well-intentioned social policymakers continually develop social policies that appear to have marginal impact on those they are intended to help, the worst off (Collins, 1994; Galbraith, 1992). As future business leaders, these students will serve on United Way committees and public/private Blue Ribbon panels aimed at improving their communities and eradicating aspects of poverty. Thus they are likely to experience this phenomenon firsthand in the near future.

AN EXPANDED 2-HOUR VERSION

As noted earlier, students raise many questions during this exercise. Therefore, some semesters I have expanded this exercise from one to two class sessions. First, students are sometimes surprised that their task team has a difficult time reaching a consensus about what is a fair method for distributing GNP in Step 2, so I now permit them more time to discuss this among themselves. Second, in Step 4, I now permit audience members who agree with the anticapitalist solution to join the group up front as the discussion progresses. I take notes on some of the expressed opinions and discuss them

at the end of the exercise. Similarly, Step 5 can also be expanded based on interesting comments made by students in response to the list of questions. I encourage students to share stories about people they know who live in poverty. Finally, in this expanded version, I end the exercise by having students, based on what they learned in this exercise, critique Rawls's recommended solution to distributing the gains of capitalism.

Appendix Instructions for Students

Assume that John Rawls has been swept into the presidency based on the motto "Justice for All." As (hypothetically) promised to the citizens, Rawls will nationalize and then redistribute everyone's assets, a total of approximately \$50 trillion. In addition, a "just" system will be designed to allocate weekly GNP totals. Under the current method of capitalist distribution, managers are responsible for allocating the \$60 billion of GNP generated every week to stockholders, employees, suppliers, government, and so on. Naturally, the amount of GNP is not a fixed pie. Weekly GNP totals can drop drastically if the Rawlsian distribution solution ruins the economy. Because you are familiar with the Rawlsian "original position" and "veil of ignorance" concepts, you have been assigned to a Blue Ribbon task force that must debate and reach a consensus on answers or responses to the following.

1. How should the \$50 trillion of nationalized assets be distributed on January 20 when Rawls officially takes office? In other words, how much money do I, Lee Citizen, get right now compared to other citizens?
2. How should GNP (about \$60 billion a week for at least the first few weeks) be distributed every week thereafter? In other words, how much money do I, Lee Citizen, get on a weekly basis?
3. These solutions are fair and just because

Note

1. I assign pages 3-4, 11-15, 18-19, 60-62, 64-65, 100-104, and 274-277 for students to gain a general knowledge of Rawls's theory of justice. According to Rawls (1971), the principles of justice "are the principles that free and rational persons concerned to further their own interests would accept in an initial position of equality as defining the fundamental terms of their association" (p. 11). This is achieved by entering an original position through a veil of ignorance such as (a) wealth (rich/poor), (b) natural abilities (strong/weak, educated/uneducated), (c) life plan (chief executive officer/janitor), (d) nation (United States/Haiti), (e) sex (male/female), (f) race (White/Black/Asian), and (g) generation (current/future). According to Rawls, the veil of ignorance "ensures that no one is advantaged or disadvantaged in the choice of principles by the outcome of natural chance or the contingency of social circumstances" (p. 12).

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