The Economics of Justice as Fairness

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Abstract : In the economic literature, Rawls' Theory of Justice is usually interpreted in a two-stage setting, where a priority to the worst off individual is imposed as a distributive value judgment. In this paper, instead, we model Rawls' Theory in a three-stage setting, that is, a separating line is drawn between the original position, the educational stage, and the working life. Hence, in this paper, we challenge the common interpretation of Rawls' Theory of Justice as Fairness by showing that this Theory goes well beyond the definition of a distributive value judgment, in such a way as to embrace efficiency issues as well. In our model, inequalities are shown to be permitted as far as they stimulate a greater effort in education in the population, and so economic growth. To our knowledge, this is the only possibility for the inequality to be 'bought' by both the most-, and above all, the least-advantaged individual as suggested by the Difference Principle. Finally, by recalling the old tradition of 'universal ex-post efficiency', we show that a unique optimal social contract does not exist behind the veil of ignorance; more precisely, the sole set of potentially Rawls-optimal social contracts can be identified a priori, and partial justice orderings derived accordingly.

Keywords : justice, Rawls, inequality, social contract

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