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U.S. State Social Spending and Economic Growth

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Undergraduate Honors Thesis

College of St. Benedict and St. John's University

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“U.S. State Social Spending and Economic Growth
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Abstract

U.S. state social spending has increased both as a percentage of national GDP and a percentage of the national budget since 1960. Growth in spending across states, however, has not been uniform. Those advocating for more conservative spending argue that large social expenditure budgets dampen the growth of society as a whole. In this paper, I examine the effect that state social spending has on the growth rate of personal income per capita. I follow the model proposed by Peter Lindert (2004), who studied the relationship between social spending and economic growth at the national level. I examine the period from 1990 to 2007 and consider social spending and personal income data for all 50 U.S. states. I find that the level of state social spending has no effect on personal income growth, a conclusion which agrees with Lindert. This result suggests that state governments could invest more money in social programs at no cost to the mean income of its populace. After exploring the relationship between social spending and personal income per capita, I consider whether governments have an obligation to spend money on social programs by reviewing three perspectives: Robert Nozick, John Rawls, and the Catholic Church. Nozick thinks that governments have no obligation to spend money on social programs, even if doing so would benefit society economically. The other two perspectives, however, hold that social spending is obligatory, regardless of how it affects the economic well-being of society. These perspectives show that the decision to redistribute money isn't solely based on economic outcomes.

Introduction

One important reason why governments spend money is to correct market failures, or equilibrium outcomes that aren't socially optimal. This type of spending usually subsidizes positive externalities such as education, in which case the government judges that the optimal level of education is much higher than the market would produce on its own. Money that is devoted directly to the development of social welfare is called social spending, and adjudicating how to finance and dispense such spending gives rise to heated congressional debates every year. But what effect does social spending really have on the economy?

This first goal of this paper is to answer this question using econometric analysis. In section 1, I summarize past research into international social spending and economic growth, before analyzing previous attempts to delineate a relationship between state social spending and economic growth. In section 2, I give a brief historical overview of social spending in the last 250 years. In section 3, I explain my methodology. I follow the same approach and use the same model as Peter Lindert (2004), who conducted a similar investigation into the effect social spending habits have on growth at the national level. In this section I will also discuss the specific ways in which my work differs from Lindert's. In section 4, I present the results of my statistical analysis. I test the hypothesis that social spending has no effect on economic growth, as measured by a change in personal income, by utilizing data from the U.S. Census Bureau.

After my empirical investigation, I take up my second goal to determine whether there is a moral obligation to help the less fortunate through social spending. In pursuit of an answer, I review three schools of ethical thought and how each understands obligations—or lack thereof—to help the less fortunate. The three sources I examine are John Rawls, Robert Nozick, and the

Catholic Church. I chose them because they are prominent voices in discussions involving social obligations, discussions which underlie social spending policy. After describing the views of each source, I compare and contrast them to reveal their strengths and weaknesses. Then I elucidate their standpoints on whether social spending is obligatory. I conclude by sharing my beliefs on the subject. I submit that there is an obligation to redistribute wealth via social spending, and that the reasoning behind this obligation is rooted in the work of John Rawls and Catholic social teaching.

Part I

1. Literature Review: Social Spending and Economic Growth

The four primary components of social spending are education, public welfare and unemployment benefits, Social Security, and public health spending. In any given year, social spending typically makes up three-quarters of state-level budgets.¹ In this section, I will first review past attempts to explain the relationship between social spending and economic growth across countries, then explore what has been said about this topic with respect to spending across U.S. states.

There has been much discussion about the effect social spending has on economic growth. Proponents of increased social spending say that, on the whole, it improves the well-being of society and reduces unhealthy inequality, whose long-term effects they claim undermine economic well-being. Opponents argue that it diminishes incentives to work, leaves people dependent on the government for assistance, and slows overall growth. A third group argues that a change in social spending has no discernable effect on the rate at which an economy grows.

Historical responses to this question at a national level are ambivalent. Both Korpi (1985) and McCallum and Blaise (1987) found a positive relationship between social spending and economic growth. However, they are limited in their scope, having restricted their attention to 17 OECD countries. Fölster and Henrekson (1998) examined 23 OECD countries during a later period from 1970-1995 and concluded that increased social spending negatively affects

¹ U.S. Census Bureau. January 1, 2015. Accessed January 14, 2015. <http://www.census.gov/>.

economic growth. Some economists are doubtful about the conclusions Fölster and Henrekson reach. A year later, Agell *et al* published a paper in response, which corrected for what they claimed were econometric errors, and found no relationship between social spending and economic growth.² Both papers, however, contained two features which make their conclusions less relevant to the question I'm trying to answer: 1) they considered only wealthy countries, and 2) they used taxes as a proxy for government social spending.

Using taxes instead of expenditure as an independent variable is an entirely different exercise and often yields different results. If a consumer's income decreases, as is the case with the income tax, he or she will have less money to spend on goods and services. The decrease in consumption will curtail the growth of the economy. Moreover, if a consumer's dollar doesn't go as far, as is the case with a sales tax, then he or she will consume less, and the same conclusion is reached. Considering social spending instead of taxes tells a different story. Governments may invest in areas like education, which have been shown to have long-lasting benefits for society. Even oft-ridiculed sources of social spending like welfare and unemployment compensation are shown to have positive effects on economic growth in the long run.³ Lastly, even if a government runs a balanced budget, taxes don't equal social spending, as the latter is but one component of total government spending.

Finally, Easterly and Rebelo (1993) found a negative relationship between social spending and economic growth. Unlike Korpi (1985) and McCallum and Blaise (1987), their scope includes a comprehensive list of 53 countries. Yet, their paper, too, masks social spending with taxes. However, there are works that have explored the true relationship between social

² Agell, Jonas *et al* 1998. "Growth and the Public Sector: A Reply," *European Journal of Political Economy* 15: 359-366.

³ Ostry, Jonathan *et al* 2014. "Redistribution, Inequality, and Growth," *International Monetary Fund*, SDN/14/02.

spending and economic growth. Peter Lindert's two-volume work *Growing Public* (2004), examines social spending data across forty OECD countries. Peter Lindert belongs to the third group that finds no relationship between social spending and economic growth, concluding that changes in social spending in these countries over much of the second half of the twentieth century had no significant effect on GDP growth.

Would Lindert's central finding hold true for the fifty U.S. states? Past findings suggest a negative relationship between state social spending and economic growth. Becsi (1996) considers the period from 1961 to 1992 and concludes that state taxes have a negative impact on growth. Moreover, Reed (2008) examines a later period from 1970-1999 and also finds that state taxes that fund, in general, any kind of expenditure have a negative impact on economic growth as measured by state income. Yet, again, taxes are not tantamount to growth, even at the state level. And as Held (1985) points out, "Taxes cannot be studied in isolation. To the extent that tax revenues are devoted to the provision of public services... a state may encourage economic activity within its borders with appropriate expenditures."⁴ In other words, one cannot truly evaluate the efficacy of a tax without considering the purpose for which the revenues it generates are used. Social spending and its components are useful because they identify a clear source of the spending and the exact amount of money devoted to it. Because they focus on taxes, Becsi (1996) and Reed (2008) don't offer a relevant response to the question I seek to answer.

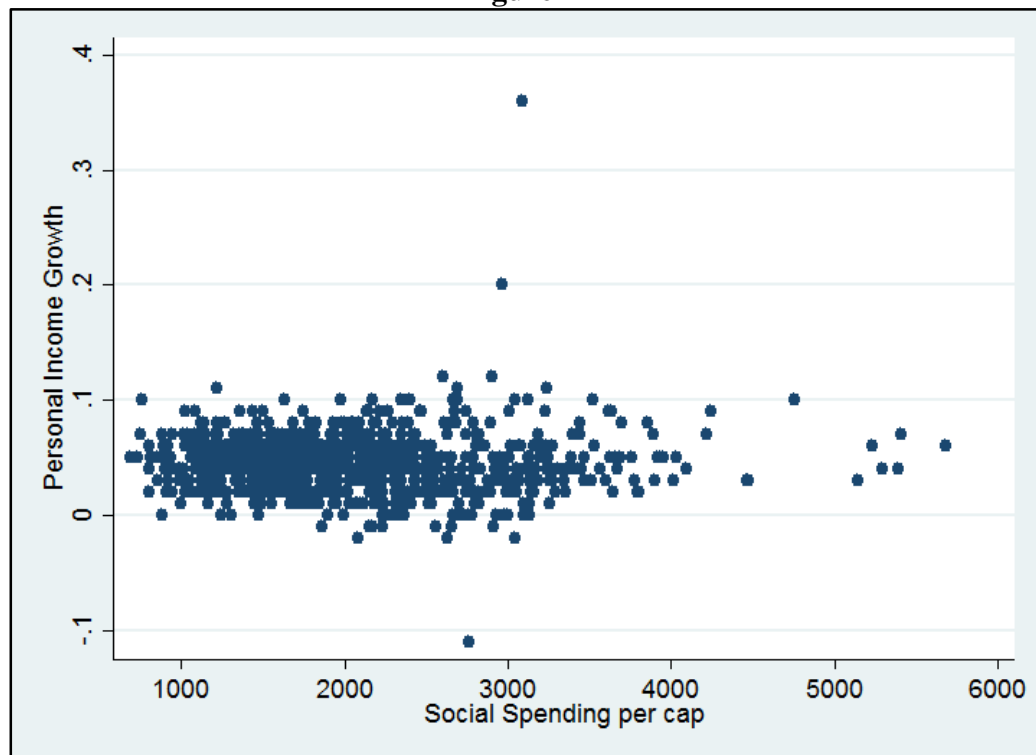
To date, there have been few if any investigations into the true effects of increased U.S. state social spending on economic growth. Chernick (2010) considers social spending, but his model focuses more on relative redistribution across states and whether the financial

⁴ Agell, Jonas *et all* 1998.

redistribution figures of neighboring states impacts the spending of habits of a given state.⁵ No paper has applied Lindert's framework to U.S. states. That's what I will do in this paper.

While past findings don't point to a clear answer, Figure 1 sheds some light on the relationship between state social spending and economic growth. The individual points reflect social spending and personal income values for states between 1990 and 2007. Moving from left to right, one notices no discernable trend in the data (correlation coefficient of -0.03); personal income growth does not change with an increase in per capita social spending. For this reason, I will test the hypothesis that there is no relationship between U.S. state social spending and personal income growth using data using data I collected.

Figure 1⁶



⁵ Chernick, Howard 2010. "Redistribution at the State and Local Level: Consequences for Economic Growth," *Public Finance Review* 38(4), 409-449.

⁶ U.S. Census Bureau

Before discussing the data in Figure 1, the methodology of my data analysis, and subsequent results, I will first present a brief history of social spending to set the scene. It is difficult to put any conclusions into perspective without first being conscious of the history which gave rise to the current spending habits of state governments.

2. History

Before the twentieth century, the U.S. allocated very little money to social spending and, in particular, welfare.⁷ Instead, the poor were primarily supported through charities run by churches. In Britain, the Poor Law Reform of 1834 began to change how countries engaged the poor. Increasingly, nations like the U.S. instead turned to government factions to distribute welfare. They relied on “indoor” benefits, which required those eligible for welfare to work in poor houses to receive remunerations.⁸ Prior to the reform, the impoverished received subsidies or credits without having to maintain some form of employment.

In the 19th century, the U.S. had great income and wealth inequality, much greater than they are at the present. Like England, the U.S. devoted a sizable portion of its social expenditure on poverty relief. Unlike England, however, the U.S. drastically increased its spending on public education during this time. The effect was astonishing. By 1880, the U.S. had a primary school enrollment rate of 90.6 percent, a full 9 percentage points above second-place France.⁹ The U.S., however, did not spend very much on social programs outside of education and poverty relief. In

⁷ Lindert, Peter. 2004. *Growing Public: Social Spending and Economic Growth since the Eighteenth Century. Vol 1.* New York: Cambridge Press.

⁸ Lindert 2004

⁹ Ibid

1880, U.S. social spending was just 0.29 percent of its GDP, a figure which was equal to the median of countries which are now OECD members.¹⁰ In fact, U.S. social spending has remained at or below the median ever since. Global social spending as a percentage of GDP has increased every decade since 1880.¹¹ The U.S. followed this trend too, but did so at a much slower rate than the rest of the world.

So why has U.S. social spending increased absolutely and as a percentage of GDP since the eighteenth century? There were a number of contributing factors. First, the dramatic increase in life expectancy heightened the need for public pensions. Especially in the twentieth century, people were living longer, and a greater portion of the population qualified for public pensions. Second, minorities in the U.S. gained more rights and representation on their behalf during this period. Before the late 1800s, enslaved blacks and women couldn't vote, and therefore couldn't politically support spending policies that would alleviate their poverty. Third, the Great Depression left people uneasy about their future. To assuage their anxiety, they invested in insurance programs which would obviate the next financial disaster from befalling them.¹² From 1930 (three years before the New Deal) to 1960 (four years before the Great Society), U.S. social spending increased from 0.56 percent of GDP to 7.26 percent.¹³ These trends and the resulting investments improved the living conditions of many of those in the industrialized world.¹⁴

Since 1960, U.S. state social spending per capita has increased as a percentage of real GDP and as a percentage of the national budget. This is partly due to the federal government's increased focus on the state governments' unique ability to remedy the social issues of the

¹⁰ Organisation for Economic Co-operation and Development. January 1, 2015. Accessed January 14, 2015. <http://www.oecd.org/>.

¹¹ Ibid

¹² Lindert 2004.

¹³ www.oecd.org.

¹⁴ Lindert 2004.

citizens it represents. Increasingly, the federal government is allowing states the freedom to expand or modify federal programs to fit the needs of their populaces. Hence, government transfers have also increased over this time period. But how effective are state governments at spending these extra resources on social endeavors? In the next section, I describe how I will answer this question using empirical analysis.

3. Methodology

To investigate what effect state social spending has on economic growth, I will follow the approach of Lindert (2004). He assumes that there is a nonlinear relationship between GDP growth and social spending. He considers the quadratic and cubic forms of social spending. Anticipating heteroskedasticity, he runs a Generalized Least Squares (GLS) regression. His regression equations aren't based on any theoretical model. Instead, he includes "familiar determinants of the level or growth of GDP," that is, nonhuman and human capital, macroeconomic factors like the inflation rate and unemployment rate, and lagged variables to capture the effect of past capital investments and GDP.

Economic theory suggests that GDP and social spending interact simultaneously with one another, that is, GDP can explain the variation in social spending and social spending can explain the variation in GDP. To correct for this, Lindert uses two-stage least squares estimation to isolate the impact GDP might have on social spending. In the first stage, he predicts social spending using its traditional determinants and the determinants of GDP. In the second stage, he

regresses the log of GDP growth on the predicted cubic form of social spending. His regression equation is summarized as follows:

$$\text{Log}(GDP / \text{CapitaGrowth}) = B_0 + B_1 \text{Spending} + B_2 \text{Spending}^2 + B_3 \text{Spending}^3 + B_4 X + u$$

where

$$X = a_0 + a_1 \text{GDPshortfall} + a_2 \text{Capital} + a_3 \text{Capitalten} + a_4 \text{Enrollment} + a_5 \text{UnivEnrollment} + a_6 \text{Demandshocks} + a_7 \text{Supplyshocks}$$

GDP/CapitaGrowth is the growth rate of per capita GDP. *GDPshortfall* is the per capita GDP of the economy ten years earlier, measured in real dollars, *Capital* is the investment per capita in the previous year, *Capitalten* is the investment per capita ten years earlier, *Enrollment* is the primary and secondary school enrollment, and *UnivEnrollment* is the university enrollment ten years earlier. Lindert defines demand shocks as inflation less unemployment, and supply shocks as inflation plus unemployment. He defines *Spending* as the aggregate of education spending, social security spending, public health spending, and welfare, unemployment compensation, and housing subsidies. *Spending* is the predicted value of social spending, which Lindert uses as an instrumental variable to correct for endogeneity. Every social spending variable is measured in real dollars per person.

When applying Lindert's methodology to the fifty states, several problems arise. Primary and secondary enrollment rates are homogenous across the states and across time: every state had close to 100 percent primary and secondary enrollment each year. For this reason, I drop them from my model and only include the university enrollment, which is not homogenous across states. I could not find university enrollment data before 1990, which limited the scope of my

regression. As noted above, Lindert defines supply shocks as the sum of inflation and unemployment, and demand shocks as the difference between the two. I could only find inflation data every five years, and the data that was available was fairly consistent across states. Thus, I decided not to include inflation in my model. Unemployment is in my model, however, as there is ample unemployment data by state. State GDP figures are available beginning in 1963; but there is a discontinuity in the data at 1997, when the data switched from SIC industry definitions to NAICS industry definitions.¹⁵ Because of this discontinuity, I use personal income instead of GDP. Personal income, which has been tracked since the 1940s, is also a more accurate measure of the functional wealth of a given person.

I follow Lindert and assume that there is a nonlinear relationship between economic growth (personal income, in my model). By virtue of the data availability and the nature of particular variables, I estimate the following regression equation:

$$\begin{aligned} PersonalIncGrowth = & B_0 + B_1 PersonalIncLag + B_2 SSpending + B_3 SSpending^2 + B_4 SSpending^3 \\ & + B_5 Unemployment + B_6 UnivEnrollment + B_7 Log(GrossInv) + B_8 Log(GrossInvLag) + u \end{aligned}$$

where the dependent variable is the growth of personal income, *SSpending* is per capita social spending in nominal U.S. dollars, *Unemployment* is the state unemployment rate, *UnivEnrollment* is the percentage of a given state's population that is enrolled at a four-year

¹⁵ The BEA website notes, "The NAICS-based statistics of GDP by state are consistent with U.S. gross domestic product (GDP) while the SIC-based statistics of GDP by state are consistent with U.S. gross domestic income (GDI). With the comprehensive revision of June 2014, the NAICS-based statistics of GDP by state incorporated significant improvements to more accurately portray the state economies. Two such improvements were recognizing research and development expenditures as capital and the capitalization of entertainment, literary, and other artistic originals. These improvements have not been incorporated in the SIC-based statistics. In addition, there are differences in source data and different estimation methodologies. This data discontinuity may affect both the levels and the growth rates of GDP by state. Users of GDP by state are strongly cautioned against appending the two data series in an attempt to construct a single time series for 1963 to 2013."

college or university, and *GrossInv* is a state's gross investment. The two lagged variables are data from ten years earlier. I included, but did not list for obvious spatial constraints, 49 dummy variables to account for idiosyncrasies across states. Finally, u is the error term of the population model.

This paper considers the period from 1990 to 2007 for two main reasons. First, this period is known as the Great Moderation because there were relatively few major shocks in the international economy. Second, I lack the data to examine an earlier time period. Annual university enrollment rates only date back to 1990. Before then, they were collected every five years. I measure seven variables for all fifty states over a 17-year period, which provides me with 5,950 observations.

Table 1 contains summary statistics for each variable in my model.

Table 1

Variable	Mean	Std. Dev.	Min	Max
Personal Income Growth	4.4%	2.5%	- 11%	36%
Personal Income Lag	\$17,006.80	\$5,220.02	\$7,017.06	\$35,734.78
Social Spending per Capita	\$2,037.43	\$1,088.88	\$689.95	\$5682.29
Unemployment Rate	5.1%	1.4%	2%	11%
University Enrollment Rate	5.6%	0.9%	4%	10%
Gross Investment	\$13,214.48	\$19,104.45	- \$524.21	\$165,958.50
Gross Investment Lag	\$8,694.68	\$12,041.56	- \$1,534.09	\$105,442.00

The ranges and values for each variable are realistic. The mean annual growth in personal income from 1990 to 2007 was 4.4 percent. There are two outliers in the data for personal income growth: Louisiana in 2005 (-11 percent) and Louisiana in 2006 (36 percent). Hurricane

Katrina is responsible for these atypical values. It struck Louisiana's coastline in 2005, and the resulting recovery is seen in the 2006 data. The four highest unemployment rates belong to West Virginia in the early 1990s. It was during this period that the coal miners went on strike, which severely decreased coal output and employment.¹⁶ The mean university enrollment rate during this period was 5.6 percent. The highest university enrollment rate was 9.8 percent posted by Arizona in 2007. Arizona is home to the highest-attended on-campus university in the country (Arizona State University) and has two of the most popular online universities (University of Phoenix and Grand Canyon University).¹⁷ Arkansas recorded the lowest university enrollment rate at 3.9 percent.

Over this time period, the mean social spending per capita was \$2,037.43 per year. The state with the lowest social spending per capita was Florida in 1990, while the highest was Alabama in 2004. National social spending per capita rose each year in the period. The same cannot be said of national personal income growth, which although positive for every year, was fairly inconsistent.

4. Empirical Testing and Results

My primary hypothesis is that $\text{Log}(\text{Social Spending})$ has no effect on the growth of personal income – that is, that its coefficient is equal to zero. The Breusch-Pagan test indicated that my model was guilty of heteroskedasticity, so I ran a GLS regression. I also corrected for

¹⁶ Ronald Smothers, "Union Prepares for Long Strike at Coal Mines." New York Times, February 6, 1993.

¹⁷ U.S. Department of Education (USDE). January 1, 2015. Accessed January 14, 2015. <http://www.ed.gov/>.

potential endogeneity by running a two-stage least squares in conjunction with the GLS regression. The results for this regression are included in Table 2. I found that $Ssp\hat{e}nding$ is statistically insignificant; thus, there is not robust statistical evidence of a correlation between social spending and growth of personal income. In addition, its small coefficient (± 0.00003) suggests that even if there did exist a statistically significant relationship between social spending and personal income growth, it wouldn't have many real-world consequences. In a word, the relationship between the two variables lacks practical and economic significance. It stipulates that a \$100 change in social spending should correspond with just a 0.3 percentage increase in person income growth. Note that this example makes use of a coefficient that is not statistically significant, so one cannot assume a relationship of any kind in the first place.

Table 2¹⁸

Dependent Variable: Growth of Per Capita Income			
Variable	GLS Regression	Variable	GLS Regression
$Log(PersonalIncLag)$	- 0.12***	$PersonalIncLag$	- 0.02***
$Ssp\hat{e}nding$	- 0.00003	$Ssp\hat{e}nding$	0.00003
$Ssp\hat{e}nding^2$	$8.16e^{-9}$	$Ssp\hat{e}nding^2$	$3.3e^{-8}$
$Ssp\hat{e}nding^3$	$- 1.25e^{-12}$	$Ssp\hat{e}nding^3$	$3e^{-12}$
$Unemployment$	- 0.48***	$Unemployment$	- 0.38****
$UnivEnrollment$	0.36	$UnivEnrollment$	- 0.86*
$Log(GrossInv)$	0.02***	$GrossInv$	$8.9e^{-7}$ ***
$Log(GrossInvLag)$	0.004	$GrossInvLag$	- $6.04e^{-7}$ *

¹⁸ Note that one star indicates significance at the 10% level, two at the 5% level, and three at the 1% level. The R^2 for all regressions were between 0.09 and 0.11.

Furthermore, I found that the unemployment rate has a significant negative effect on growth of personal income. A one percentage point increase in the unemployment rate is expected to decrease personal income growth by almost a half a percentage point, according to the first regression in Table 2. The university enrollment rate has no discernable effect on personal income growth. Capital investment has a positive impact on personal income growth, but the lagged investment variable appears to be uncorrelated with personal income growth. These findings agree with traditional neoclassical growth models, which frequently use factors like employment and capital to explain economic growth.¹⁹

5. Empirical Conclusions

My statistical analysis verified what neoclassical growth theory says about the determinants of economic growth, namely, that capital investment positively affects growth and unemployment negatively affects it. My findings also accord with those of Lindert. After attacking the problem from multiple angles, I discovered no economically meaningful or statistically significant relationship between social spending and personal income growth. This finding is important because state governments could be investing more in their citizens at no cost to mean personal income. As mentioned in the introduction, there are many social institutions for which the optimal level of consumption is higher than the outcome that the

¹⁹ “Economic Welfare and the Allocation of Resources for Invention” by Kenneth Arrow (1962) talks about the importance of invention and research and development programs. Another 1962 paper by Arrow, “The Economic Implications of Learning by Doing,” allows for changes in the efficient capital-labor ratio by assuming that individuals can become more productive over time through experience and education. These two papers, and others, inspired neoclassical models augmented with human capital like Mankiw *et al* (1992), and endogenous growth theory beginning with David Romer in the late 1980s and early 1990s.

efficient market delivers. Governments should invest in these causes without fear of stunting the growth of society as a whole.

Part II

Is there a moral obligation to redistribute wealth via social spending?

U.S. state social spending has no effect on economic growth, but this fact does not entail society ought to redistribute wealth. To determine whether there is an obligation to redistribute wealth, it is necessary to ask a more specific question: Do individuals have an obligation to help the less fortunate? I will now consider three responses to this question: Robert Nozick, John Rawls, and Catholic social teaching. First, I will explain the views and arguments of the perspectives. Second, I will analyze them, providing comments and critiques they may have of the others. Third, I will connect their philosophies with my findings on social spending and economic growth. Finally, I will offer my own response to the question.

Robert Nozick

Robert Nozick (1938 – 2002) was an American philosopher and Harvard professor in the second half of the twentieth century. His book *Anarchy, State, and Utopia*, published in 1974, had a profound impact on the study of political philosophy. In many ways, *Anarchy, State, and*

Utopia is a critique of John Rawls's *A Theory of Justice*, though, in addition, it contributed much to the discipline of philosophy.

Nozick was influenced deeply by the work of John Locke. His theory utilizes Locke's notions of *the state of nature* and *the law of nature*. Locke defines the state of nature as the hypothetical condition wherein "men are perfectly free to order their actions, and dispose of their possessions, in any way they like, without asking anyone's permission—subject only to the limits set by the law of nature".²⁰ The law of nature states that no one may harm another in "life, liberty, health, or possessions".²¹ Following Locke, Nozick begins by assuming that individuals have rights in the state of nature guaranteed to them by the law of nature. The obligations the law of nature entails are negative: they morally bind individuals to not behave in certain ways. Therefore, in Nozick's eyes, individuals do not have an obligation to help others in any positive way. Eventually, he argues that a state which redistributes wealth to assist those in need is morally impermissible, as the taxation used to finance the redistribution infringes upon a person's right to his earnings. Hence, Nozick would say there exists no moral obligation to help the less fortunate.

In the state of nature, there will inevitably be instances where people have their rights violated. Nozick says people are morally permitted to defend themselves and enforce their rights against assailants. They even may demand compensation and exact punishment as far as "calm reason and conscience dictate".²² Not everyone has the strength or the means to adequately defend themselves, however, so individuals have the incentive to come together to form mutual-protective associations. Mutual-protection associations are charged with defending and enforcing

²⁰ Locke's *Second Treatise of Government*, chapter 2.

²¹ Locke's *Second Treatise of Government*, as quoted in Nozick 1974, 10

²² Nozick, *Anarchy, State, and Utopia*, 10c

the rights of their members, and to settle disputes between members. These associations would presumably work well until there are problems between groups and within groups.²³ Which members of the association will answer the call to safeguard justice when an individual's rights are violated? And how does an association determine if someone violated another's rights? To sufficiently defend its members, mutual protective associations will hire a police force, and it will appoint court justices to settle cases of injustice. Eventually market forces will cause the collection of associations in a geographic area to consolidate into a confederation of dominant firms.²⁴ The confederation is a sort of state whose prime responsibility is to defend its members, as they become unable to do so themselves while abiding by the law. Nozick calls this the *minimal state*, or the smallest state that can be justified given the inviolability of individual rights. Citizens may be charged (taxed) for their protection, but the tax is acceptable if and only if it does not exceed the money they would have spent protecting themselves without the intervention of the state.

Central to Nozick's work is what he calls *entitlement theory*.²⁵ Entitlement theory states that individuals have the right (the entitlement) to possess goods which they have obtained justly. There are two ways to justly obtain something according to Nozick. First, one may acquire from nature something that was not previously owned. Nozick calls the procedure governing the just acquisition of goods *justice in acquisition*. Second, one may receive through trade or by gift something from another person, provided two conditions are met, namely, the transfer was voluntary and the goods that were exchanged were justly acquired by the persons involved in the trade. Nozick names the principle detailing just transactions *justice in transfer*. Finally, Nozick

²³ Ibid, 12c.

²⁴ Ibid 16-17

²⁵ Nozick, *Anarchy, State, and Utopia*, 150.

says people may come to possess something through unjust acquisition or transfer. The resolution of these injustices is called the *rectification of injustice*. As will be seen, these three principles are at the center of Nozick's teachings on distributive justice.

In addition to the right to possess things they have justly acquired, Nozick argues that people have the right to self-possession. Therefore, people are obligated to respect the fact that they do not own others (unless one voluntarily submits to being owned by another), and hence it is immoral to use or coerce them into doing something without their consent. Thus, for Nozick, it is morally illegitimate to enforce most taxes, as the government is using the fruits of an individual's labor regardless of whether or not she approves of it.

Though Nozick certainly would say that it is important to have a just distribution of goods among people, he would disagree with most forms of redistribution. From his perspective, the justice of a distribution is necessarily tied to history.²⁶ Whether or not a given distribution is just depends upon how individuals arrived at that distribution, that is, upon whether those individuals acquired and transferred their goods justly. If a group moves from one just distribution to a second distribution by just acquisitions and transfers, then Nozick contends that the second distribution *must* be just as well, regardless of how unequal it may seem. To illustrate his claim, he uses the example of then NBA star Wilt Chamberlain.²⁷ Pretend that people have an equal share of wealth or the distribution of wealth is just in some definable way. Also suppose that Chamberlain specified in his contract that he will only play if each person in attendance pays twenty-five cents to see him, in addition to the price of the game ticket. At the end of the season, assuming a total of one million tickets were bought, Chamberlain will have gained \$250,000 in ticket revenue. Nozick claims, assuming that all other transfers were voluntary and that all

²⁶ Ibid 153d

²⁷ Ibid 161

acquisitions were just, this second distribution is just too, even if Chamberlain's wealth is disproportionate to that of everyone else, and the reason is that everyone who paid (gifted) Chamberlain the twenty-five cent surcharge did so voluntarily.

Nozick doesn't explain in detail how injustices in acquisition and transfer would be rectified. He says that, given an injustice, a principle that dictates rectification would refer to history and decide how different the present holdings are compared to how they would have been had the injustice not occurred.²⁸ The difference, then, would be paid to the victims of the injustices. He does not discuss how the value of goods is decided, who is compensated if the victims are deceased, or who reimburses the victims if the transgressor is deceased.

In sum, Nozick assumes that individuals have rights to life, liberty, health and possession as guaranteed by the law of nature. Nozick acknowledges that, because of these rights, individuals have certain obligations, but these obligations are negative in nature: people must not infringe upon the liberty and possessions of another. Therefore, a person has no moral obligation to help the less fortunate, or anyone for that matter. Furthermore, Nozick believes that most cases of redistribution are unjust. History plays an important role in the justice of a particular distribution: all that matters, given a just starting place, is how a group of individuals arrived at its current distribution. To adjudicate disputes and protect its populace, a minimal state inevitably arises out of anarchy. This state, Nozick claims, is legitimate because it doesn't violate the law of nature.

²⁸ Ibid 152c. He did not develop a specific principle, but rather made guidelines which a good principle would follow.

John Rawls

John Rawls (1921 – 2002) was a Harvard professor and one of the preeminent American political philosophers of the twentieth century. Rawls' main work, *A Theory of Justice* (1971), was praised as the most important book in the field of political philosophy since *On Liberty* by John Stuart Mill in the nineteenth century. For Rawls, justice is closely tied to the nature of institutions, which are public systems of rules that specify offices and positions with their rights, duties, powers, immunities and the like. The basic structure of these institutions—that is, the way they distribute fundamental rights and duties and determine the relative distribution of advantages resulting from social cooperation—is the primary subject of justice.

Before considering the structure of society, Rawls's separates *the right* from *the good*. Because the good is defined as the satisfaction of rational desire, Rawls believes there is no hope for people to agree on what is good—they will never reach a consensus on questions like whether or not Justin Bieber actually is a talented performer, and there is no need to agree on such things. Yet he does think that people can agree on what is right and says debate of the good should be postponed until individuals have agreed on the right. Individuals, however, can only agree on the right if they forget their biases.

Rawls invites people to imagine they are in the position of free and equal persons who commit themselves to inventing the principles which govern the right, which secure justice. These persons are behind a “veil of ignorance,” meaning they aren't aware of their talents, intelligence, strength, political beliefs, financial endowments, and behavioral tendencies.²⁹ Rawls calls this state of ignorance the *original position*, and assumes that those in it are rational and

²⁹ Nozick, *Anarchy, State, a*

mutually disinterested in the lives of others. Of course, he isn't supposing that people actually meet and decide things in this matter. Instead, the original position is a thought experiment used to "make vivid to ourselves the restrictions that it seems reasonable to impose on arguments for principles of justice, and therefore on the principles themselves".³⁰ Rawls thinks that the original position thought experiment is compelling because discussions of justice often break down due to biases (e.g. peoples' inability to set aside their own political ideologies, relative position in society, and talents). In the original position, each person is still seeking a society that secures for himself the greatest number of liberties and the highest economic floor possible, but is theoretically free from his biases. So how would bias-free, rational individuals structure society so as to bring about the greatest amount of liberty and the highest expected personal economic payout?

Rawls argues that in the original position, rational individuals would choose two essential principles of justice.³¹ First, *each person in society should have equal right to the greatest scheme of liberties possible, consistent with the same liberties afforded to others.* Therefore, in a just society, each member would have access to political liberties such as the right to vote, the right to hold public office, freedom of speech, freedom of assembly, and so on, so that the greatest number of equal liberties will be achieved for everyone. Second, *socioeconomic inequalities should be arranged so that they are to everyone's advantage and attached to positions and offices open to all.* This principle expresses two important ideas. The first idea is related to what is meant by "to everyone's advantage." In the original position, individuals don't know their relative economic status in society, and therefore would not agree to any society

nd Utopia,

10c

³¹ *Ibi*

where inequality could leave them destitute. So, any inequality that does exist should make the worst-off group better off than it would be in an entirely equal society. The idea that inequality is just if and only if it advantages those least well off is called the *difference principle*.³²

The second idea focuses on what it means to have “positions and offices open to all.” Rawls is worried that if positions were open to individuals based on talent alone, an individual with a poor upbringing would be disadvantaged compared to someone with a privileged upbringing, even if they had similar levels of ability and motivation. He argues that a just society would compensate for this disparity—through things like child tax credits, school lunch programs, and better public schools—so that persons endowed with comparable abilities and energy to exercise them should have the same life chances. Rawls also believes that those left out are debarred from realizing the tremendous fulfillment that results from the employment of one’s natural and crafted talents.³³ Social class should say nothing about one’s ability to succeed. Rawls finds unjust any institution that precludes individuals from the possibility of obtaining a particular position on the basis of social class, even if that institution makes those excluded better off. The idea that equally talented and motivated individuals should have equal life chances is known as *fair equality of opportunity*.

Of the two primary principles of justice, the first, which secures basic liberties, ranks lexically ahead of the second, the one that specifies fair equality of opportunity and the difference principle. That is, liberties should not be traded for increased wealth or social position. Thus, for example, Lee Kuan Yew’s suppression of democratic rights to obtain economic prosperity during his reign as prime minister of Singapore from 1959-2011 was unjust by Rawls

d, 12c.

³²

Ibid 16-17

standards.³⁴ Moreover, the distribution of wealth, income, and social positions must be consistent with the basic liberties enumerated by the first principle and with the notion of fair equality of opportunity.³⁵

In addition to requirements for society, Rawls lays out principles for individuals, which he calls natural duties.³⁶ Natural duties share no necessary connection with institutions, and Rawls prescribes duties which are both positive and negative. An example of a positive duty is the *duty of mutual aid*. This precept demands that people do good for one another if it doesn't come at a significant cost to them. Stronger than this is the duty one has to refrain from harming or injuring another, and, in instances that require it, not exacting unnecessary suffering. The fundamental natural duty, Rawls says, is the *duty of justice*. Everyone is required to comply with and support just institutions, and when these are in place, each person must do his or her part to maintain the existing scheme.³⁷

The original position is the first of four stages in creating and applying just principles to society. After individuals in the original position have made the principles of justice, they enter into the second stage, the *constitutional convention*.³⁸ They must now choose a just constitution that reflects the principles of justice and defines the basic rights of citizens. The veil of ignorance is partly removed at this point: they are now aware of basic facts about their society, such as its political culture and economic status, but are still not cognizant of their own position in society. Next, individuals enter the *legislative stage*.³⁹ They veil of ignorance now only shrouds the

³⁴ "The Wise Man of the East." *The Economist*. March 28, 2015. Accessed April 12, 2015. <http://www.economist.com/news/leaders/21647282-authoritarians-draw-wrong-lessons-lee-kuan-yews-success-singapore-wise-man>.

³⁵ Rawls, *A Theory of Justice*, 54b

³⁶ *Ibid* 98b

³⁷ *Ibid* 99

³⁸ *Ibid* 172

³⁹ *Ibid* 174

particulars about themselves, as good representative legislators remain unbiased. The goal at this stage is to enact just laws and policies. Just laws and policies secure fundamental liberties for citizens and maximize the long-term expectations of the least well-off group. Finally, the individuals enter the fourth stage, the *application of rules*, where they enforce in specific instances the laws they put in place. Here, everyone has complete access to information; they know about themselves, others, and society.

Rawls recognizes that, after this fourth stage, people might experience dissonance between what they sense to be just and what they have put in place. If people perceive an injustice, Rawls says they can always reenter the original position and alter the theoretical structure of society till they arrive at what he calls a *reflective equilibrium*, where the people's sense of justice matches what they have contrived in the original position.⁴⁰ The reflective equilibrium is an important idea, because societies, as well as humans, are always changing. Heraclitus famously remarked, "You cannot step in the same river twice".⁴¹ People are always liable to reevaluate their thoughts when some new particular case arises.⁴²

Rawls argues that a minimum income—or what he calls the *social minimum*—ought to be part of the legislation of a just society.⁴³ The value of the social minimum should be set to the value that maximizes the expectation of the least well-off group, and should be funded by transfers. The social minimum ensures that the difference principle is upheld.

Rawls believes that a just society follows two fundamental principles. First, it secures the most extensive scheme of liberties for each member of society. Second, society keeps positions open to all, regardless of social class or any demographic factor and doesn't permit inequality

⁴⁰ Ibid 18c.

⁴¹ As quoted in Sedley, D. N. *Plato's Cratylus*. Cambridge: Cambridge University Press, 2003.

⁴² Rawls, *A Theory of Justice*, 18.

⁴³ Ibid 243

unless that inequality improves the expected outcome of the least well-off group. Society has an obligation to help the less fortunate in two ways. First, it should ensure that those with equal talents and enthusiasm have equal prospects at success. And second, it should uphold the difference principle by offering the social minimum through transfers.

Catholic social teaching⁴⁴

There are many voices in the Catholic tradition. The writers of scripture, the early church fathers, medieval theologians like Thomas Aquinas, and popes all have their own narrative, their own attempt to articulate their beliefs of God and morality. One must consider these voices independently before understanding the Catholic Church's harmonic response to whether there is a moral obligation to help the less fortunate.

The Catholic tradition in many ways begins with the Hebrew Scriptures. The book of Genesis contains two important truths about a life of faith. First, the world is good, including the physical world. In the first creation story, God, following each day of creation, looked upon what was created and "saw that it was good" (Gen 1:1-31).⁴⁵ The material world that humans inhabit was created by God and therefore has religious significance. Humans are good too, since they are

⁴⁴ Much of the content in this section was encountered in the following source: Finn, Daniel K. *Christian Economic Ethics: History and Implications*. Minneapolis: Fortress Press, 2013.

⁴⁵ All biblical quotes in this paper are taken from the New Revised Standard Version.

part of creation and are made in God's image and likeness.⁴⁶ This understanding of creation serves as the basis of many Catholic moral teachings on topics like dignity, rights, and duties, which will be discussed later.

The second truth is that the world God created is a gift to humanity for its use. So while humanity's existence is fortunate, it is not fortuitous: God created a good world and gifted it for a reason. The physical world is meant to fulfill the needs of humanity.⁴⁷ For this reason, the writers of the Hebrew Scriptures in numerous sections call people to support those that struggle to have their needs met. In Exodus, one learns never to "mistreat or oppress a foreigner," while Deuteronomy lauds the one who "executes justice for the orphan and the widow, and who loves strangers, providing them with food and clothing" (Deuteronomy 10:18). The authors of scripture recognized that foreigners, orphans, and widows have difficulty obtaining life's necessities. In these writers' eyes, justice is served when society cooperates in such a way that the needs of all are fulfilled, and therefore society does have an obligation to help those with unmet needs.

The fathers of the early church (simply called "The Fathers") adopted this view as well. Ambrose of Milan wrote in *On Naboth*, "When giving to the poor man, you are not giving him what is yours; rather you are paying back to him what is his."⁴⁸ Material objects ultimately belong to those who are in need of them, and humans are obliged to facilitate the flow of resources from areas of abundance to areas of dearth. The Fathers, however, also provided an additional argument for giving. They argued that giving was not only just but was also essential

⁴⁶ A paraphrase of Genesis 1:26-27.

⁴⁷ Finn, *Christian Economic Ethics*, 36-37

⁴⁸ As quoted in Finn, *Christian Economic Ethics*, 88.

for the moral development and salvation of the giver. The rich had the incentive to give in order to prove to themselves they weren't avaricious and, as it were, to earn their ticket to paradise.

Although the things of the earth should be used to meet the needs of humans, The Fathers believed that property ownership was a useful human invention.⁴⁹ But property ownership, as something invented by humans, was subservient to God's purpose for creation. Property ownership, therefore, was acceptable as long as the wealthy shared their surplus with the lowly.⁵⁰

Thomas Aquinas endorsed property ownership for reasons of usefulness as well. People are more apt to buy or produce things if they are able to own them. Moreover, people tend to care for their personal possessions more than they would for commonly owned items.⁵¹ Here Aquinas anticipates a version of the Tragedy of the Commons. In a world where everything is commonly owned, individuals, through rational action, might act contrary to what is best for the group as a whole. This same logic also explains why a typical college fraternity is messy. Finally, Aquinas backs private property because it eliminates most disputes over who is permitted to use certain objects.⁵²

Aquinas adopted The Fathers' understanding of the purpose of an object and took it a step further.⁵³ In his eyes, the *telos* or end of an object is built into it by natural law.⁵⁴ Therefore, natural law dictates that people are obligated to use objects according to their purpose, or to fulfill the intention of the object which God ultimately decided. In the case of food and materials that are necessary to life, people are morally bound to share their surplus with those in need. In

⁴⁹ Finn, *Christian Economic Ethics*, 140.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Finn, *Christian Economic Ethics*, 140

⁵³ Ibid 141

⁵⁴ Aquinas differentiates the different types of law: eternal law is God's reason; divine law is the revelation of the eternal law to humans; natural law is the rational creature's participation in eternal law; and human law is the juridical framework enacted by human communities.

cases of dire and urgent need, for which there are no other remedies and for which death is the only alternative, Aquinas even says that it is morally permissible to take what you need from others, according to the natural law embedded in the goods.⁵⁵ It is important to note the rarity of this circumstance. Aquinas endorses property rights, a belief that would be inconsistent with people's simply taking out of want or eventual need.

Recent popes have echoed key ideas of the tradition. Leo XIII's *Rerum Novarum* and John Paul II's *Centesimus Annus* reiterated that the right to own property is an important part of economic life, but that it is not an absolute right and people are obligated to share their excess goods with people who need them. Furthermore, these two encyclicals affirmed what the Catholic Church recognizes as the *universal destination of goods*, the idea that God gave the earth to humanity so that each person may have equal access to the sustenance that it provides.⁵⁶ Even in today's complex society, the economy ought to be set up in a way that meets the needs of everyone. In *Centesimus Annus*, Pope John Paul II writes, "The obligation to earn one's bread by the sweat of one's brow also presumes the right to do so".⁵⁷ In his eyes, society must be organized to ensure that people, if they work hard, will be able to prosper and meet all of their needs, including the fulfillment that comes from hard work. This is possible only if people are granted a high enough wage. Thus, John Paul II argues that employers have the duty to pay others appropriately for the work that they do. This conclusion does not resonate with the free-market economic thinking that prevails today, wherefore John Paul II says, "there are many human needs which find no place on the market," but "it is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied."⁵⁸ Even if the market doesn't dictate a

⁵⁵ Finn, *Christian Economic Ethics*, 143

⁵⁶ Leo XIII, *Rerum Novarum*, sec 7 and John Paul II, *Centesimus Annus*, sec 6.

⁵⁷ *Centesimus Annus* p34

⁵⁸ *Centesimus Annus* p 27

just wage, it is incumbent upon those who do make an ample wage to meet the poor's needs, which also include the opportunity to acquire skills to be a productive member of society.

Prior to *Rerum Novarum*, discussion of human rights hadn't entered into papal language. This and subsequent encyclicals, however, taught that individuals had basic rights to go along with their duties. Every person, rich or poor, religious or not, has rights and duties. In 1963, John XXIII published the encyclical *Pacem in Terris*, which contained a comprehensive list of human rights. The list is seen in Figure 2 below. The rights John XXIII outlines cover many aspects of life, from the right to basic education to just wages and working conditions. According to John XXIII, every right has a corresponding duty.⁵⁹ Thus, while individuals have a right to security in cases of unemployment, widowhood, old age, and other external factors, they also have a parallel duty to insure others against them too. Consequently, the Catholic Church would say that society does have an obligation to help the less fortunate.

⁵⁹ John XXIII, *Pacem in Terris*, sec 28.

Figure 2⁶⁰

Human Rights according to John XXIII's *Pacem in Terris*

1. The right to life.
2. The right to bodily integrity.
3. The right to means which are suitable for the proper development of life, which include food, clothing, shelter, rest, medical care, and finally the necessary social services.
4. The right to security in cases of sickness, inability to work, widowhood, old age, unemployment, or in any other case in which he is deprived of the means of subsistence through no fault of his own.
5. The right to respect for his person, and his good reputation.
6. The right to freedom in searching for truth and in expressing and communicating his opinions, and in pursuit of art, within the limits laid down by the moral order and the common good.
7. The right to true information about public events.
8. The right to share in the benefits of culture.
9. The right to a basic education and technical and professional training.
10. The right to honor God according to the sincere dictates of his own conscience.
11. The right to practice his religion privately and publicly.
12. The right to choose freely the state of life which he prefers.
13. The right to set up a family and the right to follow a vocation to the priesthood or religious life.
14. The right to demand working conditions in which physical health is not endangered, morals are safeguarded, and young people's normal development is not impaired.
15. Women have the right to working conditions in accordance with their requirements and their duties as wives and mothers.
16. The right to carry on economic activities according to the degree of responsibilities of which one is capable.
17. The worker has a right to a wage determined according to criteria of justice, and sufficient, therefore, in proportion to the available resources, to give the worker and his family a standard of living with the dignity of the human person.
18. The right to private property and productive goods.
19. The right of assembly and association.
20. The right to give the societies of which they are members the form they consider most suitable for the aim they have in view, and to act within such societies on their own initiative and on their own responsibility in order to achieve their desired objectives.
21. The right to freedom of residence within the confines of his country, and the right to immigrate to other countries.
22. The right to take an active part in public affairs and to contribute one's part to the common good of the citizens.
23. The right to a juridical protection of his rights.

In essence, the Catholic Church argues that since God gave humans the earth to meet their needs, it is everyone's duty to ensure this happens. The most fundamental need is life. All who are alive have dignity, and society must respect it using materials and goods for the purpose for which they were intended: to sustain every person.

⁶⁰ John XXIII, *Pacem in Terris* [Encyclical letter on Establishing Universal Peace in Truth, Justice, Charity, and Liberty], sec. 11-27

Analysis

This section will compare and contrast the perspectives with one another. It considers one source at a time, beginning with Nozick and ending with the Catholic Church, and analyzes them with respect to the other two.

Nozick vs. Rawls and Catholic social teaching

Nozick and the Rawls disagree on whether there is a moral obligation to help the less fortunate. Nozick, of course, believes that individuals only have negative obligations, that is, that they shouldn't harm another's person or property. Rawls, on the other hand, believes that individuals *do* have an obligation to help the impoverished, and this obligation is rooted in the principles of justice conceived in the original position. Moreover, Rawls argues that individuals have a duty independent of institutions to be good to those around them. Although there is some overlap between the negative obligations dictated by the law of nature with Nozick and Rawls's natural duties (e.g. do not be cruel to others), any suggestion of an obligation to help others is completely absent from Nozick's writing.

Nozick also disagrees with Rawls on how involved a state can be. Rawls's theory justifies a state large enough to ensure that his two principles of justice are met: 1) it secures as many equal basic liberties for each person as possible; and 2) it permits economic inequality only if it benefits the least well-off group and keeps positions open to all on the basis of fair equality of opportunity. But Nozick's state is limited to what voluntary protective associations can do.

Thus, there is no redistribution of wealth or focus on ensuring that people with equal abilities and energies have the same life chances. Nozick does agree with Rawls, however, that the state is charged with the duty of protecting others and their property from people both inside and outside the state. The minimal state retains a monopoly on the use of force and may decide who may use it and when it may be used.⁶¹

Nozick is critical of the way Rawls neglects history when determining whether one has an obligation to help the less fortunate.⁶² Rawls is concerned about the status of the lowest socioeconomic group and its wealth *vis-à-vis* the other classes. Nozick wonders whether some individuals in that group did something deserving of that lower share.⁶³ He argues that *end-result principles*, like the ones Rawls adopts, only look at the final or present state of the distribution and hence are too myopic. They should refer to history, for whether people justly acquired what they own is the primary question of distributive justice, according to Nozick. As the Wilt Chamberlain example illustrated, movement from one just distribution to another distribution by just acquisition and transfers must also be just, even if one person has significantly more wealth than everyone else.

A point Rawls and Nozick share is the inviolability of human rights. They both believe that no amount of expected gains can justify using someone to improve the collective good or persecuting them for some end. For instance, Rawls and Nozick would not permit the suffering of the child in Ursula Le Guin's short story "The Ones Who Walk Away from Omelas".⁶⁴ The atrocious conditions in which the child lives are necessary for the greater good of the rest of the inhabitants of Omelas. In a similar vein, Rawls, due to the lexical order of his two principles of

⁶¹ Nozick, *Anarchy, State, and Utopia*, 23c.

⁶² *Ibid*, 155-157, 167.

⁶³ *Ibid* 154d

⁶⁴ Le Guin, Ursula K. *The Ones Who Walk Away from Omelas*. Mankato, Minn.: Creative Education, 1993.

justice, believes that liberties should not be sacrificed for an increase in expected economic outcome or a higher social position (e.g. Lee Kuan Yew-esque tradeoffs are not permitted). Though they disagree on many functions of the state, Rawls and Nozick agree that the state is the inevitable result of the hypothetical state of nature, and that it has the responsibility to defend the rights and possessions of its inhabitants. Beyond these two similarities, there isn't much overlap between Rawls's and Nozick's theories of justice.

Nozick and Catholic social teaching both assume that humans should be respected. For Nozick, it's related to the Kantian idea of treating humans as ends. For Catholic social teaching, human dignity is rooted in the divinity found in humans, who are made in the image of God. Nozick and Catholic social teaching endorse obligations such as "don't steal from others," "don't hurt others," and "don't use others for alternative gain". Moreover, the foundation of these obligations—humanity's inherent dignity and rights—consists of rather strong assumptions. Nozick doesn't give a clear reason why humans have an obligation to respect others: it's that way because of the law of nature. Similarly, the Catholic Church simply supposes that a loving God created humans, and therefore they have innate dignity. As the reader will see later, Rawls is highly critical of the strong assumptions at the heart of Nozick's and the Catholic Church's positions.

Nozick doesn't support the multitude of duties that appear in Catholic social teaching. In his eyes, there is no duty to help the others meet their needs—there isn't even a duty to defend another's rights from violation (though Nozick says one has the *right* to defend another's liberty or possessions if one chooses). This is the primary reason Nozick disagrees with the Catholic Church's conclusion that there is a moral obligation to help the poor.

Nozick and Catholic social teaching view property ownership differently. According to Catholic social teaching, the primary purpose of a material good is to meet the needs of humanity, and this doesn't change if that good is owned by someone. Nozick's theory doesn't recognize a purpose for material goods. If an individual justly acquired or received something, then she is entitled to it, regardless of whether she intends to use it or whether others need it more than she does. These same conclusions hold on a larger scale. For Nozick, a state may only do what the law of nature permits it to do, that is, enforce and defend the rights of its members. It is morally impermissible for the state to redistribute wealth, for it is immoral to take from people that to which they are entitled. In Nozick's eyes, taxation is an instance of forced labor, as it requires people to work to afford the payment to the state.⁶⁵ The only acceptable tax, Nozick says, is a surcharge used to defend the state's members from theft and harm.⁶⁶ This tax, however, must not exceed what individuals would spend for their own defense. On the contrary, Catholic social teaching argues that, by virtue of the universal destination of goods, governments are expected to do much more than merely defend their citizens.⁶⁷ They have economic duties, like promoting business and protecting against harmful monopolies. They also have political duties, such as securing individuals' right to life, the right to participate in the work of society, and the freedom to practice religion and pursue truth. A particularly important duty of the state is to insure people in cases of sickness, widowhood, old age, and unemployment through government assistance.⁶⁸

The Catholic Church's view of a just distribution is what Nozick calls a *patterned distribution*. A method of distribution is patterned if it varies along with some natural

⁶⁵ Nozick, *Anarchy, State, and Utopia*, 169

⁶⁶ Ibid 15-17

⁶⁷ John Paul II, *Centesimus Annus*, sec. 48.

⁶⁸ John XXIII, *Pacem in Terris*, sec. 11 and John Paul II, *Centesimus Annus*, sec. 10.

dimension.⁶⁹ The Catholic Church argues that goods ought to be given to those in need; hence, the redistribution it calls for is patterned according to individual need. Nozick rejects any patterned form of distribution. Instead, the justice of a distribution depends on what individuals are entitled to, and they are entitled to that which they have justly acquired.

Rawls vs. Nozick and Catholic social teaching

Rawls tries to make as few assumptions as possible, and the ones he does make are relatively weak, so readers will find them easier to adopt.⁷⁰ He invites people into the original position, where they are unbiased, rational, and disinterested, and supposes that they will create the two principles of justice which he conceived. Rawls thinks that the assumptions in Nozick's theory are too strong. It is a significant logical step for Nozick to assume, like Locke, that individuals have rights by nature – and who's to say that Locke is right to assume it in the first place? There are many people who would not endorse Nozick's theory on the basis of that assumption, a fact which is problematic considering that his theory of entitlement and conception of the minimal state are based on it. Rawls wants to offer a theory capable of convincing people of what is just, instead of making strong assumptions which some might not uphold in today's pluralistic society.

One way Rawls appeals to a pluralistic society is by adhering to pure procedural justice, which says that justice is achieved when a procedure is actualized. To more fully understand pure procedural justice, it helps to compare it with the notions of perfect and imperfect

⁶⁹ Nozick, *Anarchy, State, and Utopia*, 156b.

⁷⁰ Rawls, *A Theory of Justice*, 111-112.

procedural justice. *Perfect procedural justice* occurs when there is both an independent criterion for what is just and a procedure that delivers the just outcome. Rawls illustrates perfect procedural justice by considering a group of people who want to divide a cake among themselves. The just outcome is that each person receives an equally-sized fraction of the cake, while the procedure for delivering this outcome is having one person divide the cake and pick last.⁷¹ *Imperfect procedural justice* occurs when an independent criterion for what is just exists, but there is no procedure that delivers with certainty the desired outcome. An example is a criminal court case. The just outcome is the defendant's receiving an accurate verdict; yet, there is no perfect way to ensure that this outcome will be reached. Finally, *pure procedural justice* happens when there is no independent criterion for determining a just outcome, but there exists a just procedure such that the outcome is always fair. The original position exemplifies pure procedural justice: the outcome must be fair, because that's what people decided was fair in the original position. In some cases, however, the outcome might not match what people intuit as just. If people perceive an injustice, they can always reenter the original position and alter the theoretical structure of society till they arrive at a reflective equilibrium, where the people's sense of justice coincides with the principles of justice.⁷² While the conclusions of the theories of Nozick and Catholic social teaching are weakened when their assumptions are questioned, Rawls's conclusions are at most altered and retain every bit of their original strength.

By virtue of the reflective equilibrium, if the current scheme of institutions isn't producing what people sense to be just, they simply make adjustments to that scheme. With Nozick, when rectifying a rights violation, one has the right to punish the offender "so far as

⁷¹ Rawls, *A Theory of Justice*, 74

⁷² Ibid 18c.

calm reason and conscience dictate” in accordance with the crime committed.⁷³ However, Nozick doesn’t explain in depth how to rectify injustices in acquisition or transfer. History is replete with examples of such injustices. Practically every community of individuals has committed at least one, and many of these have gone unresolved. The only solution to rectify the enormity of injustice appears to be a mass redistribution, which is highly impractical. Besides, it is impossible to recompense the dead. For Rawls, however, this same problem isn’t as prevalent. In a well-ordered society, the orientation of institutions will ensure that injustices are made right.

According to Rawls and Catholic social teaching, people have positive as well as negative duties. Both perspectives hold that individuals have a moral obligation to help the less fortunate. They are especially concerned for the marginalized groups of society and agree that the state has more responsibility than simply defending its populace. It too must ensure that individuals retain a right to political liberties and a certain level of wealth. While Rawls doesn’t provide a detailed list of natural rights and duties (although individuals in the original position theoretically could) as John XXIII does in *Pacem in Terris*, he would agree with some of them and the basic ideas behind many of them. He accedes that individuals have rights founded on justice, like the right to life, the right to bodily integrity, and the freedom of assembly. Though Rawls doesn’t explicitly use the same language as Catholic social teaching, he would certainly believe that access to basic education and social insurance against injury, old age, unemployment, etc. are vital to a well-ordered society.⁷⁴

While Rawls and Catholic social teaching share some of the same conclusions, the logic behind them is notably different. Individuals in Rawls’s theory of justice have their rights rooted in the original position and his two principles of justice. Catholic social teaching makes strong

⁷³ Nozick, *Anarchy, State, and Utopia*, 10c

⁷⁴ Ibid 86

assumptions from the outset. It assumes that people have dignity—and therefore rights—*because* they are made in the image of God. It also assumes the universal destination of goods *because* God gave the world to humans to meet their needs. God plays an important role in the Catholic Church's theory of justice. If one supposed that God did not exist, it wouldn't make much sense to say that people are made in the image of God, or that earth is a gift from God. Doubting God's existence weakens the resulting arguments about helping those in need. Rawls thinks that the assumption of rational, disinterested people in the original position is part of a much more convincing argument to reach the same conclusion of the existence of a moral obligation to help the poor.

Catholic social teaching vs. Nozick and Rawls

While the natural law is an important idea for both Catholic social teaching and Nozick, they disagree as to what sort of obligations the natural law entails. Whereas Nozick recognizes only negative obligations, Catholic social teaching says that there is a corresponding duty for each human right. Some rights, such as the right to basic necessities like food, clothing, and shelter, or even rights to higher goods like access to education and insurance against unemployment, cannot be met with negative duties. It is insufficient to say that the corresponding duty to the right to nourishment is to make sure you don't steal another's food. Catholic social teaching says individuals have the positive duty to ensure others are fed. This point is illustrated clearly in the Epistle of James: "Suppose a brother or a sister is without clothes and daily food. If one of you says to them, 'Go in peace, keep warm and well fed,' but

does nothing about their physical needs, what good is it?" (James 2:15-16). Catholic social teaching argues that one must do more than merely not interfere with others' pursuit of their needs, or hope they meet them. Everyone has an active duty to meet their needs, one which is rooted the purpose of the fruits of the earth.

The universal destination of goods stands at odds with Nozick's entitlement theory. Catholic social teaching says it would be immoral for Wilt Chamberlain, to use a previous example, to not share his wealth with those in need. Individuals are entitled to what they own only conditionally: the duty to share with the needy is an essential part of the right to own property, even if one acquired one's wealth justly. Not only does the Catholic faith call for moral activity like sharing with the poor, but it is in the best interest of the wealthy to share insofar as they are concerned with eternal salvation.

Catholic social teaching is much less concerned than the other two perspectives with detailing limitations or responsibilities of the government. While *Centesimus Annus* and other papal documents delineate some key responsibilities and limitations of governments, the primary concern is that every individual has rights acknowledged by Catholic social teaching. Thus, John Paul II recommends what he calls "fraternal support," a more localized, communal care that encompasses emotional as well as pecuniary assistance. Catholic social teaching calls the notion that needs ought to be met by the most localized authority the *principle of subsidiarity*.⁷⁵

For Rawls, the state is an institution that is essential to justice. It creates, dictates, and enforces the laws which secure freedoms for its people and help ensure relative social and economic equality. By contrast, the Catholic Church puts more emphasis on individuals and the natural world. As mentioned earlier, members of society have a right to life and its necessities

⁷⁵ John Paul II, *Centesimus Annus*, sec.48.

and have a duty to ensure those rights are upheld for others. Moreover, people are obligated to use the material world to help the poor because God intended material goods to be used for that purpose—to meet the needs of others. Hence, even though it is important to both Rawls and the Catholic Church to secure economic and political rights for people, the arguments they use in support of their claim stand in stark contrast.

To conclude, both the Catholic Church and Rawls believe that individuals have an obligation to help those in need. While the Catholic Church's arguments focus on the individual in community with others, Rawls centers on what individuals would choose in the Original position. Nozick disagrees with the Catholic Church and Rawls' conclusion on both an individual level and a societal level. He eventually concludes that individuals aren't obligated to provide assistance to anyone, and a state which redistributes wealth isn't justifiable.

Rawls's argument relies on weaker assumptions than the Catholic Church and Nozick. His theory is predicated on what individuals would choose in the original position. Regardless of how they structure society, the outcome will be procedurally just. The Catholic Church and Nozick, on the other hand, rely on assumptions of the existence of a good God and innate human rights respectively to theorize on what is just. Rawls thinks that agreeing to these initial assumptions is a big step, perhaps too big for most people.

Nozick believes that end-result principles, like those of Rawls, neglect an important facet of the justice of distribution: history. In fact, he argues that it is the primary factor in determining the justice of a given distribution. While Rawls and the Catholic Church would acknowledge that history is relevant, they ultimately conclude that there is a moral obligation to redistribute wealth, even if the distribution was brought about via just acquisitions and transfers.

The essential difference between Nozick and Rawls and the Catholic Church is their understanding of obligations. Nozick believes there are only negative obligations. But Rawls and Catholic social teaching believe there is, at the very least, an additional obligation to aid others. This notion of mutual aid is a key element in both Rawls's and the Catholic Church's argument in support of helping the less fortunate.

Social Spending and the obligation to help the less fortunate

In the first part of this paper, I found that U.S. state social spending had no effect on personal income growth. That said, should society continue to devote money to social spending? Furthermore, this conclusion, as it was reached by examining one region over a fixed time period, is subject to change. If there existed a negative relationship between social spending and economic growth, should society still redistribute its wealth through social programs? What if there were a positive relationship between the two? I'll respond to these questions by referring to the three perspectives described above.

Nozick believes that any social spending is morally impermissible. Social spending is financed by taxes, and taxes are on par with forced labor, as individuals must sacrifice a certain portion of their hours spent in labor to cover the cost of the tax.⁷⁶ Nozick more generally argues that individuals cannot be used in any way. They have rights guaranteed to them by the law of nature, and among these are the rights to life, liberty, health, and possessions. The resulting obligations entail people must preserve that which others have a right to, but are in no way

⁷⁶ Nozick, *Anarchy, State, and Utopia*, 169a.

obligated to assist them. Thus, a government cannot justify social spending in any of its forms, even if social spending made everyone more economically well-off.

Rawls advocates a society where the rich can get ahead if and only if they bring the poor with them. Social spending is a key apparatus society may use to redistribute wealth to ensure the difference principle is upheld. Moreover, for positions and offices to be subject to fair equality of opportunity, those with comparable competencies and motivation must have equal life chances. Social spending is an important way to ensure that those who can't afford private education, those who are raised in a broken home, or those who are afflicted by health problems, will have the same life chances as those equally talented and motivated individuals who have more favorable life circumstances. Therefore, a just society, according to Rawls, will invest in social spending regardless of its impact on economic growth.

Catholic social teaching holds that God gave the earth to humanity to meet its needs. This end is embedded in the material objects of the world. Consequently, people have a moral obligation to fulfill the needs of those with whom they are in community. In addition, the inherent dignity in every person affords her the right to higher necessities like access to a basic education and insurance against debility, old age, and unemployment. Because these needs mirror the most significant sources of social spending, the Catholic Church endorses social spending, whatever its relationship with overall growth. It would also emphasize, by the principle of subsidiarity, that redistribution be done locally to the greatest extent possible.

For these theories, the relationship between social spending and economic growth has no bearing on whether or not a society ought to redistribute wealth. Nozick believes that any kind of spending that is funded by taxation is immoral, even if it exponentially increases growth. Rawls holds that society ought to redistribute wealth to support the least advantaged group and ensure

that individuals of equal talent and enthusiasm have the same prospects of success. Finally, the Catholic Church argues that people have an obligation to fulfill everyone's needs because that's what God intended the material world to do.

A personal commentary on the theories presented

I find Rawls's argument to be widely accessible. Anyone, irrespective of their religion, political beliefs, or social standing, is disposed to support his theory and subsequent conclusions. Nozick and Catholic social teaching make rather large assumptions that many find difficult to swallow. But what if I accepted them with relative ease? That is, what if I believe in a law of a nature that details obligations for humankind and what if I believe in a loving God who created good people and a bountiful earth to meet their needs?

As it happens, I do believe these things. And these beliefs affect how I personally would answer the question of whether there is a moral obligation to redistribute wealth. I accept Nozick's assumption of the law of nature. People have an obligation to not harm others. But I don't think that claim is sufficient. I believe people have a positive obligation to help others as well. The inherent human dignity rooted in God's love calls for more than nonintervention; it calls for active participation in the duties stipulated by Catholic social teaching, like feeding the hungry, clothing the naked, and sheltering the homeless. Moreover, individuals in the original position would not endorse a society Nozick envisions. I agree with Rawls and Catholic social teaching that positive obligations are an important component of justice.

Positive obligations stand at odds with Nozick's theory. If people have positive obligations, a more extensive state is justifiable. Taxes that fund social spending are now morally permissible, as such spending fulfills the obligation to help those in need. I support Catholic social teaching's notion of the universal destination of goods. Therefore, I cannot acknowledge Nozick's entitlement theory as just. People have a right to private property, but with great property comes great responsibility: they should use their surplus to meet the needs of others. Because I advocate positive obligations and uphold the universal destination of goods, I cannot accept some of Nozick's key ideas as just.

But just because taxes are permissible and just because people have an obligation to help one another doesn't mean that society has an obligation to spending money on social programs. Here's where Rawls is important. He shows that people in the original position would recognize social spending as an obligation. The obligations entailed by the notion of fair equality of opportunity and the difference principle require government to invest in social programs. Initiatives that compensate for social disadvantages such as housing subsidies, public education, and tax credits are financed through government spending. Furthermore, transfers are the primary way governments provide a social minimum. Thus, because governments are obligated to put programs in place to ensure fair equality of opportunity and a social minimum, and because social spending is necessary to finance these programs, society is obligated to spend money on social programs. Catholic social teaching convinces me that there is a duty to help others, but Rawls convinces me that society has an obligation to redistribute wealth through social spending.

In my eyes, the obligations to help others and spend money on social programs have very few exceptions. I agree with Rawls that one should help another only if it doesn't come at too

great a cost. I don't believe that sacrificing your life by pushing someone out of the way of a moving train is obligatory, though such an action is extremely laudable. There may be exceptions to social spending, but one of them is not related to its overall effect on the economy. I believe that there is a moral obligation to redistribute wealth via social spending even if it is harmful to the overall health of the economy. I side with Rawls that people in the original position would reach this conclusion because redistribution will effect a more socially and economically equitable society.

Final Conclusion

This paper sought to answer two questions. The first was “How does the level of social spending in a given U.S. state affect the growth rate of personal income per capita?” To answer this question, I used a regression model suggested by Lindert (2004). I found no statistical or economically meaningful relationship between state social spending and personal income growth, after correcting for endogeneity and heteroskedasticity.

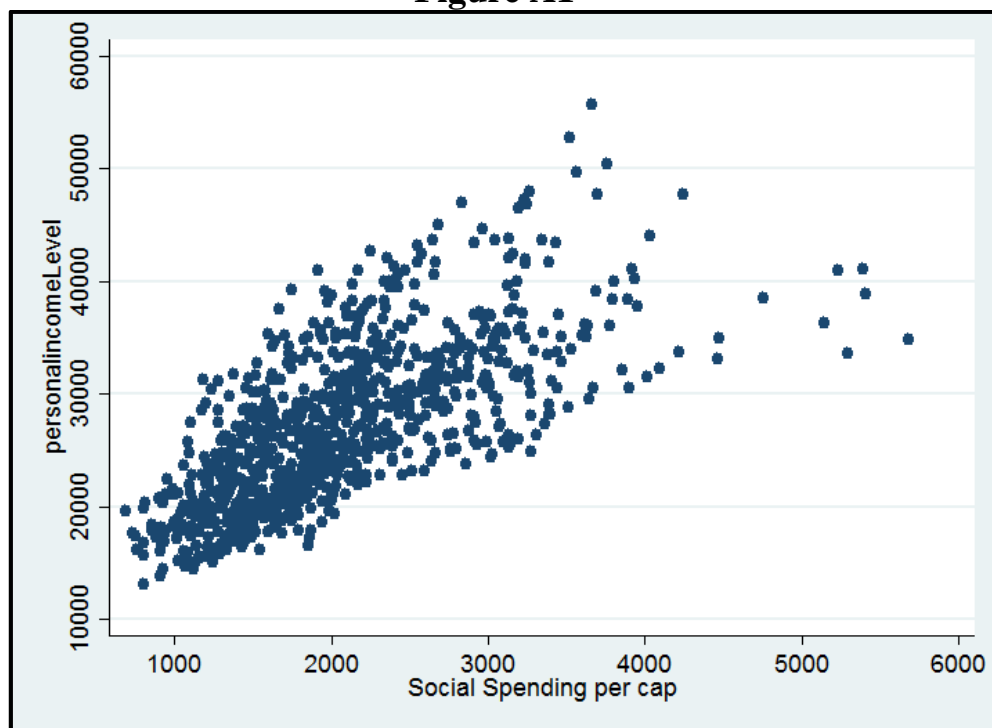
The second question this paper attempted to answer was “Is there an obligation for society to redistribute wealth through social spending?” I considered three responses to this question, those of Robert Nozick, John Rawls, and the Catholic Church. After describing and analyzing their views, I concluded that society is obligated to devote money to social programs, even if there were shown to be a negative relationship between social spending and economic growth. Ongoing policy debates should recognize the importance of social spending. It has far-reaching effects in areas from education to health care. One thing it does not affect, however, is the growth of personal income. Governments should fulfill their duty to invest in the social

programs that have benefited, and will continue to benefit, its citizens without the fear that the economy will shrink as a result.

Appendix A: What about the level of personal income?

This paper focused primarily on the effect social spending has on the growth rate of personal income. But what effect, if any, does social spending have on the *level* of personal income? Although I won't conduct any econometric test, I wanted to review a simple scatter plot and look at the correlation between the two variables. A graph of the level of personal income and social spending per capita is shown in Figure A1. Each data point reflects actual state values for social spending and personal income between 1990 and 2007.

Figure A1⁷⁷



⁷⁷ U.S. Census Bureau

There is a noticeable positive linear correlation between the level of personal income and social spending per capita. In fact, the correlation coefficient between the two is 0.71, which further suggests that there is a positive relationship between the two. Mathematically, this result seems apparent given the findings in the paper. The change in personal income is simply the derivative of the personal income at a specific time. Therefore, that the level of personal income and social spending per capita might have a positive linear relationship should come as no surprise. Yet future research could reveal a nonlinear relationship between the two variables. It could also elucidate the true relationship between the two, after accounting for the additional effects of other variables included in regression models like the ones considered in this paper. Such models should anticipate endogeneity, as bigger economies are more likely to spend more money (in absolute terms) on social programs than smaller economies. Figure A1 certainly reflects the work of time: as states have grown wealthier, they have devoted more money on social spending.

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