

WHY A PROHIBITION ON SAVINGS IS ILLIBERAL

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Axel Gosseries introduces his view on intergenerational justice by means of a comparison between Rawls's view and his own. In debating his carefully argued position, I will highlight what I see as important differences between the two views. I will argue that Gosseries' view is less liberal because it involves a prohibition of saving in the "steady phase" and that represents a weakness of the account.

Part I. Gosseries' and Rawls' views on the steady phase

Rawls and Gosseries both endorse a conception of intergenerational justice which provides different rules for societies in different socio-economic circumstances. It distinguishes an "accumulation phase" in which justice *requires* sacrifices of the present generation's well-being for the sake of future descendants (for both Rawls and Gosseries) and a "steady phase" in which, for Rawls, it permits savings and dissavings and, for Gosseries, does not permit savings.

How should one characterize the accumulation phase? The former refers to economic circumstances in which the priority of liberty over benefits in other social primary goods (such as income and wealth) does not apply. This can only be because liberties cannot be guaranteed, or at most exist only formally for many members of society. Rawls is ready to concede

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that there might have been historical situations in which less than an equal liberty could have been justified, by showing that it would have benefited the worst off all things considered. As Rawls puts it:

[...] [I]n adopting the serial order of the two principles, the parties are assuming that the conditions of their society, whatever they are, admit the effective realization of the equal liberties (1999, 32).

Citizens in a burdened society can legitimately select institutions that attribute unequal liberties to citizens and the result would not be, necessarily, unjust. Citizens in burdened societies, especially the least advantaged ones, are certainly made worse off in terms of expectations of income and wealth by the requirement to build up capital through intergenerational savings, which means giving up consumption. This is a violation of the maximin (and leximin) criterion of justice, that ranks social configurations based on how well they promote the interests of the least advantaged citizens, because the least advantaged generations (e.g. the first generation, which begins to exist without capital) are required to produce net intergenerational savings, even if, in virtue of so doing, they end up worst off than in later (more fortunate) generations.

By contrast, a society in the steady phase is a society in which the substance of fundamental liberties can be enjoyed, in the sense that there is at least one feasible assessment of political choices for that society in which everyone enjoys both equal liberties and a sufficient level of material security making those liberties worth having. According to both Gosseries and Rawls, societies in the steady phase are not permitted to offer less than an equal liberty to citizens, irrespective of any hypothetical economic benefit gained through a counterfactual departure from equality. Moreover, its citizens are not *required* to produce net savings. But are net intergenerational savings *permitted*?

Here Rawls's and Gosseries' accounts diverge. According to Rawls's, societies in the steady phase *are not required*, as a matter of justice, to redistribute resources in order to maximize the expectations of the worst off. The Difference Principle justifies inequalities if expectations of income and wealth (between cooperating members of a society, which excludes non overlapping future generations) make the least advantaged members better off in absolute terms. But it does not require maximizing the expectations of the (intra-generationally) worst off, by creating further inequalities.^[1]

1 There are important differences between the Difference Principle, even in the "lexical version" thereof (1999, 72) and the leximin principle, since the latter is usually interpreted as a principle

Gosseries disagrees. He thinks that giving due weight to the claims of the worst off entails that their expectations of social primary goods ought to be maximized, if it is possible to do so by reducing the inequality between their expectations and those of the worst off in more fortunate future (non overlapping) generations. Let us suppose for the sake of the argument that there are two synchronic social positions, e.g. entrepreneurs and workers, and that that social institutions are arranged in such a way that no lessening of the inequality between them will improve the expectations of the workers. Moreover, entrepreneurs save 10% of their income, thereby sustaining investments whose benefits will only accrue to the workers of future generations. In this framework, present investment detracts from the expectations of current workers and adds to the expectations of future (non overlapping) workers. Thus, if these savings were to be eliminated, the 10% of annual income invested by entrepreneurs could be redistributed to the current workers. For this reason, according to Gosseries generations in the steady phase should not be allowed to save. I shall object to this view in what follows.

Here is a fictional an example of a society in the steady state:

Suppose that after a devastating war, only two young couples remain alive in an insular country: two engineers (married with each other) and another couple (with no special competences). The island's nuclear reactor, which used to provide electricity to the whole island, is broken, and only the two engineers have the competence to fix it. The machine needs two specialized workers to be operated . They are left with two possibilities:

- A. to dismantle the reactor and send the uranium it contains to a foreign country, in exchange for machines, fuel, and fertilizers to work the land (with a 200 years lease).
- B. to spend 30 years repairing the nuclear reactor.

If they choose A, they lack any prospect of reactivating the power plant and enjoy the electricity-operated machines required to enjoy a higher standard of living. In spite of this, their life is sufficiently comfortable,

of choice that requires preferring among all counterfactual states, the one in which the worst off citizens would be better off (and when nothing can be done to improve their life prospects, to pick up the one in which the next worst off citizens would be better off). The leximin principle (as a pro-tanto principle) requires *unconditional* maximization. By contrast, the Difference Principle requires *conditional* maximization, i.e. expectations for the worst off ought to be maximized *only if necessary* to justify an inequality (see also Queral 2013 for an equivalent defense of this, non maximizing, interpretation of the Difference Principle).

although simple, and their basic needs are met (there is plenty of fertile land to grow vegetables, the weather is fine on the island, and some books are left in the library). Moreover, they conceive of each other as free and equal and are committed to mutual respect. It is anticipated that, should they have children and grandchildren, their standard of living will be no worse than that parents currently enjoy.

If they choose B, the unskilled couple will have to provide the livelihood of the two engineers for the coming 30 years. We shall suppose that no other feasible distribution of tasks would allow engineers to repair the reactor within the time it remains them to live. The future of children will be dealt as follows: their children will be initially schooled by the two engineers; at age 15, the two who have proven more receptive to scientific education will be trained as engineers and the other two as operators for the reactor.

Option B is selected by an unanimous vote. The two unskilled workers value the expected welfare loss (compared to A) as a sacrifice worth making, for the sake of improving the living standard of their future children. Their anticipated love for their potential children motivates a choice of taking a greater burden of the common endeavor on them.

What do moral theories have to say about this scenario? Rawls's theory entails that the two low skill parents are not *required* to do this sacrifice, as a matter of justice, but it is *permissible* for them to make it, as far as justice is concerned. Gosseries' theory entails that justice does not permit this. After all, we are setting this example up in such a way that children will be no worse off than their parents. So the selected arrangement creates an unnecessary inequality and makes the least advantaged worse off.

To be precise, Gosseries is explicit that if there is unanimity on positive saving, society ought to be permitted to save (Gosseries 2001, 326-327). This is analogous to permitting the micro-society in our example to select the arrangement in which a greater burden falls on the current workers. I will now argue that this contradicts the idea that positive saving is *unjust*, as opposed to *permissible*. According to contractualist theories of justice, we identify a just system of norms by asking whether it would be consented by those who are bound. But it is clear that people in different circumstances would give their consent to different norms. A person stuck in a deep well would consent to be enslaved by the person providing the rope to get out. One of the key issues in the contractualist approach is to specify the *circumstances* in which consent would provide a justification. Most people have the intuition that consent in unequal or unjust circumstances does not provide a valid justification for the norms that are approved. According to Rawls, only

consent in *ideal circumstances* would provide such justification. Actual consent in bargains, exchanges, and promises can create moral obligations, but it cannot make a social arrangement just (as opposed to *legitimate*), when we have independent criteria to evaluate background conditions as unjust.

I have argued so far that the prohibition of net saving is counterintuitive. Most people have the intuition that when the workers in the island example sacrifice themselves for their children, no injustice obtains. I am now going to argue that it would also be needlessly illiberal. Parties in the original position do not know what their comprehensive conception of the good is. But they know that they could be benevolent parents, willing to sacrifice their wealth to promote the standard of living of their children, or more altruistically, of future generations. They have reasons to reject a norm that makes it impossible to fulfill this life plan for no good reason at all.

To begin with, consider a society in which everybody has the above, familist-altruistic, conception of the good. Every citizen would best advance her conception of the good by saving and bequeathing money to their children, or, if they are also egalitarian, by investing in technological innovation that benefit their children and grandchildren by benefitting those generations as a whole. In this way current parents, including the worst off, give part of their legitimate share of expectations of social primary goods away.

The above possibility strikes us as intuitively just, since parents ought to be allowed to use their legitimate shares of social primary goods for any purpose that does not violate the rights of others. What rights are violated here? It is impossible to say.^[2]

Gosseries may claim that the permissibility of this scenario follows from the fact that unanimous consent was achieved. In reply, as argued above, consent in actual circumstances cannot make intergenerational saving just, unless they are permissible to begin with.

Gosseries might object that in real societies unanimous consent on saving is not likely to be achieved. Even conceding that citizens have a right to bequeath their money to their children individually, the intergenerational inequalities deriving from this should to be avoided by reducing public savings accordingly. In reply, suppose that the large majority of citizens wants to improve the living standard of the next generation; the luckiest citizens

2 The objection against the individual right to bequeath might be based on considerations of intra-generational justice. These worries can be set aside at this stage; or they could be avoided, for instance by taxing beneficiaries of inheritance and *inter vivo* gifts in proportion to how much they receive (Meade 1965), or by considering the case of technological investment, whose benefits are enjoyed by all.

save and invest in technological innovation, while a minority does not want to. If the government offsets private investments by reducing public ones, it effectively frustrates the desires of the majority, which does not seem very democratic. It seems that government should allow those who want to save and invest.

Gosses might object that this is equivalent to allowing the individuals with a majoritarian conception of the good (i.e. those who want their children to have a better life than their own) to impose it to the minority whose conception it is not.

In reply, there must be a legitimate way for democratic institutions to promote goods collectively when coordination problems may arise, even if they are not required as a matter of justice and if they are not desired by all. Rawls argues that a just and legitimate government would include an “exchange branch” to pursue goals desired by a majority of citizens, which are not required by justice, where the government is a useful means to avoid coordination problems. He writes that such policy goals are permissible when a Wicksellian tax can be approved (1999, 249). Society “is authorized by the constitution to consider only such bills as provide for government activities independent from what justice requires” (1999, 249) when:

the means of covering their costs are agreed upon, if not unanimously, then approximately so. A motion proposing a new public activity is required to contain one or more alternative arrangement for sharing the costs. Wicksell's idea is that if the public good is an efficient use of social resources, there must be some scheme for distributing the extra taxes among different kinds of taxpayers that will gain unanimous approval (1999, 249-250).

Intergenerational saving by a significantly large group of citizens who want their children's (or grand-grandchildren) lives to go well (and better than their own) is like a public good, because in order to be successful, it should not be undermined by political choices at the macro level (such as increasing government spending in welfare provisions, through public debt). Therefore, a device analogous to a Wicksellian tax may be used, to share the burden with citizens who do not want to sacrifice their consumption level for the sake of future generations, or among citizens who want to share it to a different degree, in a fair way.

Suppose that a scheme analogous to a Wicksellian tax would be approved unanimously or almost so, e.g. the government would invest in technological innovation and compensate parents who do not want to

sacrifice their well-being for the sake of future generations, by appropriately weighted tax exemptions. It is of course not easy to imagine a feasible way to implement such policy, but that is irrelevant here. The point made is a conceptual one: in principle, if a scheme of intergenerational saving could be consented to by both intergenerationally altruist and non intergenerationally altruist parents, the resulting burden would be fairly distributed.

Suppose now that a fairly distributed burden of savings is one which reduces the expectations of income and wealth of some workers. For the sake of illustration, this could be a scenario (forget about realism for a moment), in which all workers desire to augment technological investment for the sake of future generations, while all entrepreneurs do not. Let us use "Savings" to indicate a policy of tax cuts on entrepreneurs, relative to the level which would maximize the expectations of present workers and lead to no net intergenerational savings (we shall refer to the latter as "No Savings"). Under Savings, entrepreneurs would save more (both in absolute terms and in proportion to income) and consume more (in virtue of the anticipated return of future investment) than under No Savings. The additional consumption is the entrepreneurs' Wicksellian compensation; on the other hand, let us suppose, the savings of entrepreneurs lead to technological innovation, which benefits the standard of living of future workers. As a result, in comparison to No Savings, poor workers are worst off, entrepreneurs are better off, and future workers are better off both in absolute terms and relative to present ones. I would maintain that, in the scenario just given, this policy would be just (it would also be compatible with the revised formulation of the Difference Principle, that takes intergenerational savings into account, 1999, pp. 266-267).

It might be objected that the resulting level of savings would only be just because, and to the extent that, it derives from a scheme of burden redistribution that has obtained the consent of the legitimate representatives of a population. As argued before, the truth of this claim is not compatible with Gosseries' prohibition on net savings. If a higher rate of saving *qua* violation of leximin is an injustice, actual consent of the affected parties cannot turn it into justice.

It could be objected that the only reason why this argument is plausible is that it operates on the wrong currency of justice. Arguably, since Savings realizes the conception of the good of present workers, they should be regarded as being made *better* off by it. By renouncing wealth and income they achieve a higher level of welfare all things considered, in the relevant

sense of “welfare”.^[3] In other words, there is no sacrifice for workers, in the ultimately relevant currency. The rejoinder implicit in this argument is that the illiberal implication ought to be addressed by adjusting the metrics of maximin, rather than by rejecting maximin because of its (apparently illiberal) implications.

In defense of my position, consider what follows from abandoning Rawls’s currency of social primary goods. Rather than a general permission to save (limited only by the requirement of protecting the equal liberties and their priority), the government would have to allow capital accumulation *if and only if* it enhances the well-being of the worst off. The state could no longer remain agnostic with respect to the individual levels of well-being. This would make it intrusive and turn it into a “nanny state”. More generally, the shift from a resourcist to a welfarist framework is very significant and, for many reasons that it would not be appropriate to examine here, one that liberals have reasons to be suspicious of.

Part II. Gosseries’ and Rawls’s views about the accumulation phase.

As pointed out in section I, Rawls’s theory of intergenerational justice requires burdened societies, in which equal liberties cannot be enjoyed, to produce increments in material and social conditions necessary to promote future institutional schemes in which the equal liberties could be realized. This may (plausibly will always) require societies to adopt a *positive* rate of net saving. This is why Gosseries calls this phase “the accumulation phase”. Gosseries’ and Rawls’ theory about the accumulation phase coincide. Arguably, Rawls endows idealized contractors with a set of motivations capable of justifying accumulation in the steady phase. In what follows, I will reconstruct these motivations and argue, against a possible plausible objection, that they do not commit Rawls to *prescribe*, as opposed to *permit*, net savings in a society where the equal liberties and their priority are secure, as a matter of justice.

The problem of justifying intergenerational saving in the original position is that, given the “Original formulation” of the Original Position (OOP), contractors are conceived as being mutually disinterested. If I care only about my own interest and I *cannot possibly* enjoy the worth of equal

3 The relevant sense would be one including the fulfillment of other-regarding desires, or the satisfaction of thinking other-regarding desires satisfied.

liberties (because I am in a burdened society), how can it be rational for me to accumulate capital and forgo consumption? Even if I recognize that my capital will allow my descendants to achieve a higher standard of living, why should I – as a person in the OOP – promote the greater impersonal good, deriving no advantage to myself?

The reply cannot be that this choice is an adequate response to the claim of future people to achieve the higher good of liberty. Contractors in the original position are assumed to be motivated not by moral principles, but by self-interest. The reason why they agree on *just* norms is that they are constrained in their choice, among other things, by lack of information concerning their objective and subjective circumstances. What parties in the OOP want most of all is to avoid the worst outcome *for them* under the worst possible circumstances in which *anyone* could be (given that they could be *anyone*). The worst possible circumstances are those of a burdened society, where liberties are not equal. The worst possible outcome in those circumstances is having less income, causing benefits to future individuals.

It might be objected that parties in the OOP prefer equal liberties to greater expectations of income and wealth. This is true, but wholly irrelevant. The circumstances under examination is one in which the parties cannot achieve equal liberties. As self-interested individuals, they have no reason to choose a policy that brings no benefit to them, in either liberty or income terms.

Rawls explicitly recognizes that the logic of Difference Principle (roughly, *leximin*), applied to the problem of just saving over generations, entails not enough savings to contribute to significant accumulation for the sake of a future well-ordered society (Rawls 1999, 253-255). He deals with this problem by assuming that parties in the Original Position are conceived as representatives of families (Rawls 1999, 255). This changes the personal assessment of outcomes in the Modified Original Position (MOP). As a representative of a family (or rather family line, i.e. a line of descendants) I would value the greater good (liberty) befalling on future members of my family more than the cost born by present members of my family, those who are required to save with no benefit to them. In other words, parties in MOP would choose a positive rate of saving in the accumulation phase, *even if the first generations being burdened societies gain nothing directly from them.*

Part III. The coherence of Rawls's position

The former justification of Rawls's argument invites an objection: should not well-off generations be *required* to save as opposed to permitted? After all, if the equal liberties are secure, there might be other, equally valuable, ends in sight, for which it might be worthwhile to sacrifice present benefits. If family representatives are able to weight the interests of all generations, they could impose small sacrifices to the generations of the worst off in exchange for greater gains in better off ones. Thus, they would promote *whatever* rate of savings would maximize the aggregate standard of living of generations, which typically is achieved when earlier generations save and later generations enjoy the fruits of investments. Based on this argument, the idea of a steady phase (a condition in which generations are neither required nor prohibited to save) would seem incoherent. In what follows, I will try to explain how a Rawlsian could reply to this objection.

Benevolence towards children and grandchildren *requires* saving by current generations if, and only if, there is an uncontroversial benefit for future generations in sight. According to parties in the Original Position, the only uncontroversial benefit is achieving equal liberties for all. Suppose now that equal liberties for all are achieved. Reasonable people might *disagree* on what further goal is worth present sacrifices. Parties in the MOP, being deprived of information concerning their comprehensive conception of the good, will not agree on giving special value to any other good.^[4] The maximization of wealth and income for the sake of an indefinite enhancement of levels of consumption is not a goal whose value parties behind the veil of ignorance could recognize.^[5] Concerning other goals that material resources can promote (including scientific knowledge, arts, or hedonistic ways of life), they might disagree on how valuable they are.

In other words, there is an important asymmetry between the trade-offs rates used by family representatives in relation to burdened and well-

4 An obvious counterexample would be improving health or fighting disease, but remember that Rawls assumes that parties in the original position represent idealized cooperators who are healthy and with a normal lifespan. One plausible reason for this seemingly *ad hoc* assumption is that while it is easy to agree on the value of health, it is extremely easy to disagree on what amount of health, or freedom from disease, or life expectancy, would be acceptable for the sake of a dignified life.

5 It may appear that the parties should agree on at least another social priority, namely, maximizing the expectations of the social primary goods of income and wealth. That is, however, a mistake. As pointed out in note 1, the choice of the Difference Principle is not equivalent to a social welfare function maximized when the expectations of social primary goods are as high as they could possibly be.

ordered societies. In a “burdened to well-ordered” society comparison, material goods for individuals in earlier generations are traded with liberty for individuals in future generations; here the priority of liberty applies.^[6] In a “well-ordered to well-ordered” society comparison, material goods in the present generation are traded off with *more* material goods for individual in future generations, or with “perfectionist” goals that are not reasonably expected to be valued by all.

Notice that this rejection of maximizing future benefits does not contradict the earlier point that citizens of a well-ordered society who *want* to achieve net intergenerational savings (e.g. by investing in science and technology) for the sake of their children, are permitted (as a matter of justice) to do so. Suppose that the present generation wants and can improve future standards of living through (a funding scheme analogous to) a Wicksellian tax. The result of such agreement does not qualify as a duty of fundamental justice. Of course, this is not to say that citizens (or rather, legitimate representative parliaments) do not have an obligation to provide the required funds, *once* they (or their legitimate representatives) have voted unanimously (or roughly so) for the Wicksellian tax in question. This is a *derivative* obligation of justice that is neither presupposed by basic structure justice, nor prohibited by it.

Conclusion

Rawls’s view permits, as a matter of justice, policies that, via investment, improve the standard of living of future generations, at the expense of expectations of income and wealth of the current worst off group. As I have shown, this is because if a majority of citizens who happens to favor investment for the sake of benefits of future generations over present consumption exists, it may legitimately give rise to an allocation of resources that causes current worst off to be worse off and future worst off to be better off, than under a policy of lesser investment. As I have shown, this is only one of the different ways in which the machinery of the state may be legitimately employed in order to overcome coordination problems in the promotion of public goods.

6 This might appear to contradict the earlier claim (Section II) that the priority of liberty does not apply to members of burdened society. In response, we are now dealing with the *modified* Original Position, in which parties do not choose what is best *for themselves* but what for an entire family line.

If that is correct, Gosseries' position is implausible because it is illiberal, in that it makes it impossible for many citizens to fulfill other-regarding goals, which may (and often do) have an important place in their most highly preferred rational life plan. By contrast, a liberal view, such as Rawls's, would allow each generation to achieve net saving or net losses, over just background institutions, as long as the equal liberty of these institutions is not threatened by these decisions. As the example provided shows, such view may justify in special cases greater inequalities, both between intra-generational and inter-generational peers.

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