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Modern Monetary Theory and Distributive Justice

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CHAPTER 1

Introduction

Abstract This chapter discusses the goals of this book. The first goal is to show the importance of a recently developed framework of macroeconomics called modern money theory for the political philosophic discipline of distributive justice. The second goal is to develop two conceptions of distributive justice to argue the following. One, a minimal standard of distributive justice can be attained through the use of state spending to achieve a form of full employment to meet the minimal needs of persons and increase their minimal opportunities. Two, a more demanding conception of distributive justice, based on the work of John Rawls, is necessary in order for the democratic aspiration of social and political equality to be achieved. This chapter also contains a brief overview of this book's chapters.

Keywords Modern money theory • Distributive justice • Political philosophy

1.1 Project Goals

In this book, I argue two main points. First, I seek to show the importance of a recently developed framework of macroeconomics called modern money theory for the political philosophic discipline of distributive justice. Many of the macroeconomic assumptions of distributive justice theories

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are unstated and unexamined. The framework of modern money theory illuminates these assumptions and provides a useful vision of distributive justice analysis and prescriptions. In particular, modern money theory authors show that there is a distinction between nominal assets and real assets and state money as a nominal token can cause changes in real terms. In addition, modern money theory authors show that the macroeconomy has historically not operated at capacity. The important theoretical result of these positions is that state spending can bring about changes in the well-being of persons without traditional redistributive measures via taxation. This is in contradistinction to standard assumptions in the distributive justice literature, which assumes that the macroeconomy is at capacity. This assumption means that redistribution is the necessary policy tool for enacting improvements in well-being. The notion that redistribution is not necessary for improvements in well-being is a fundamental shift in how distributive justice can be conceived.

Second, I develop two conceptions of distributive justice to argue the following. One, what I call a minimal standard of distributive justice can be attained through the use of state spending to achieve a form of full employment to meet the minimal needs of persons and increase their minimal opportunities. This can be done without the explicit use of redistribution. That is, persons can with their own labor meet their minimal needs and increase their minimal opportunities. I will argue that this is an attractive vision as it provides the means for persons to pursue their conception of the good. Two, I argue that a more demanding conception of distributive justice, based on the work of John Rawls, is necessary in order for the democratic aspiration of social and political equality to be achieved. This more demanding conception of justice is called justice as fairness by Rawls. I will follow Rawls in arguing that justice as fairness is the most acceptable conception of justice given all known competing conceptions of justice. Justice as fairness is the most acceptable conception of justice for persons who wish themselves and all other persons to be full participatory members in social cooperation. Also, I will follow Rawls in arguing that redistribution of wealth is potentially necessary in order for the democratic aspiration of equality to be achieved. Ultimately, I will argue that the minimal standard falls short of Rawls's more demanding conception. This is the case even though the minimal standard provides an attractive vision of a social world where persons in social cooperation promote the means for all persons to seek their conception of the good. In short, in order for the democratic aspiration of equality to be achieved, potential forms of redistribution of wealth need to be considered.

In order to show the above, I will argue that the conjectures of modern money theory have a large role to play in meeting our minimal interests and, in turn, allowing for justice as fairness to be realized. This is the case as modern money theory shows the potential for persons to use our trained talents in cooperation. That is, the improvement of our social and economic conditions is possible through our own labor. This self-provisioning shows that conflict over resources can be minimized by employing persons to meet their and other persons' needs and to increase their and other persons' opportunities. This is possible based on the conjecture that in monetary economies there are commonly underutilized resources. The activation of underutilized resources allows for the meeting of needs and the increasing of opportunities. This conjecture that the meeting of the minimal interests of persons can be readily achieved is a valuable insight given the attractiveness of this outcome. But this realization that the meeting of minimal interests can be achieved makes apparent the feasibility and desirability of the more demanding Rawlsian egalitarian standard of distributive justice for persons who hold democratic aspirations.

Thereby, I will argue that the feasibility and desirability of a Rawlsian egalitarianism is made clearer by the conjectures of modern money theory. Modern money theory is not a normative theory. It is a description of how a monetary economy operates. Modern money theory does not advance a particular argument for rules of social organization. Political philosophy is a set of normative theories, and political philosophy provides many arguments for the rules of social organization. Nevertheless, the conjectures of modern money theory provide political philosophers options for what kinds of social rules of organization may be possible and how these social rules can be achieved. Thus, modern money theory in conjunction with political philosophy helps to show that the minimal interest of persons can be fulfilled.

In turn, the shortcomings of only meeting the minimal interests of persons become apparent when scrutinized according to our democratic aspiration of equality. This is not a criticism of modern money theory. Rather, the conjectures of modern money theory provide a clear view of what is needed for persons to meet the demands of a democratic ideal. That is, persons who consider the democratic aspiration of equality to be important need to take inequalities of wealth into account. Our identification of these inequalities moves our philosophic and economic analysis into areas where redistribution may be merited. In short, the ideas about the macroeconomy that modern money theory develops show the limits of distributive justice conceptions that do not take redistribution of wealth into consideration.

I find that the project I wish to develop here is slightly complex. I seek to use economic and philosophic ideas to show the relative desirability of two conceptions of distributive justice. I argue that modern money theory has much to teach political philosophers about the constellation of ideas that we call distributive justice. Also, I endorse and criticize the minimal standard of distributive justice. Finally, my project is an exposition and defense of a Rawlsian conception of distributive justice. I engage in such a complex project because I find that contemporary philosophic conjectures about democracy in respect to the macroeconomy and private holdings of property need clarification. This includes that I need to clarify my own ideas and convictions. Notions of what is a democratic society and what is a full member of a democratic society need clarification. In particular, I show that a democratic society is composed of persons who can be full participants in social cooperation, and a full participant is an equal participant. Nevertheless, the notion of equality of participation needs to clarify what this notion requires of the members of a democratic society. And it needs to be clarified why equality of participation is desirable. These are difficult topics, which I discuss to a limited degree in this book. I discuss them at greater length in another ongoing project on a theory of political duties.

It is challenging to the convictions of many persons, including my own, to realize that it is normatively unacceptable for persons not to be able to be full participants in social cooperation. Part of this realization is that many of our actions to provide advantages for ourselves and others are not democratic. That is, attempts to create certain kinds of advantages for ourselves limit the possibility of others to be full participants in social cooperation. The kinds of advantages that Rawls is concerned with, which I follow in this book, are the advantages of class position and the use of wealth to control the economy, information, and the political process. These inequalities of class and of wealth are undemocratic as they prevent persons from having equal opportunities for the development of their talents, accessing ideas and knowledge, participating in politics, and determining how our economy should be structured. That is, if persons are unequal in respect to class position and wealth holdings, then they are not full participants in social cooperation. I hope to show the importance of this egalitarian vision in this book.

1.2 Chapter Overviews

I have written this book with four main chapters, an introduction and conclusion that provide overviews of my main arguments, and a short chapter on suggested readings. In Chap. 2, I first consider conceptions about normatively desirable distributions from the history of political philosophy. I do this by reviewing brief sections from Plato, Aristotle, and J.S. Mill. This is not a history of distributive theories or a history of distributive justice. Rather, I seek to introduce the main distributive themes of this work. These include notions about distributive standards and concerns about the stability of social structure. Next, in Chap 2, I review John Rawls's conception of justice that he called justice as fairness. As I discussed above, Rawls's ideas are important parts of my arguments in this work. Accordingly, they merit a longer exposition.

In Chap. 3, a macroeconomic framework called modern money theory is discussed in outline. Modern money theory is based on a set of ideas regarding the nature and logic of a state-issued nonconvertible currency, the possibility and persistence of demand gaps in monetary economies, and the importance of focusing on real resource uses. Modern money authors develop a notion of a job guarantee as a policy device to provide full employment and price stability. Full employment through a job guarantee is an important part of the argument for the minimal standard developed in Chap. 4.

In Chap. 4, I will argue that sovereign spending powers can be used to achieve a distributive justice standard which meets minimal needs and increases minimal opportunities. A policy of this kind is generally not discussed in most of the distributive justice literature. Rather, in the literature there is a focus on gains for the least advantaged through redistributions from the most advantaged. I argue that a state that issues its own currency can activate unused resources to meet the minimal needs and increase the minimal opportunities of all persons. That is, the spending power of a state-issued currency can facilitate persons to meet their own needs and increase their own opportunities through social cooperation. Also, in Chap. 4, I show that the distributive justice models of G.A. Cohen and Ronald Dworkin assume full utilization of resources. This assumption limits the range of Cohen's and Dworkin's models. Finally, I show that John Rawls and Jean Drèze and Amartya Sen do consider distributive situations where the full utilization of resources is not achieved.