

CHAPTER XVI

THE PRINCIPAL CANONS OF DISTRIBUTIVE JUSTICE

BEFORE taking up the question of the morality of profits, it will be helpful, if not necessary, to consider the chief rules of justice that have been or might be adopted in distributing the product of industry among those who participate actively in the productive process. While the discussion is undertaken with particular reference to the rewards of the business man, it will also have an important bearing on the compensation of the wage earner. The morality of rent and interest depends upon other principles than those governing the remuneration of human activity; and it has been sufficiently treated in chapters xii and xiii. The canons of distribution applicable to our present study are mainly six in number: arithmetical equality; proportional needs; efforts and sacrifices; comparative productivity; relative scarcity; and human welfare.

The Canon of Equality

According to the rule of arithmetical equality, all persons who contribute to the product should receive the same amount of remuneration. With the exception of Bernard Shaw, no important writer defends this rule to-day. It is unjust because it would treat unequals equally. Although men are equal as moral entities, as human persons, they are unequal in desires, capacities, and powers. An income that would fully satisfy the needs of one man would meet only 75 per cent, or 50 per cent, of the capacities of another. To allot them equal amounts of income would be to treat them unequally with regard to the requisites

of life and self-development. To treat them unequally in these matters would be to treat them unequally as regards the real and only purpose of property rights. That purpose is welfare. Hence the equal moral claims of men which admittedly arise out of their moral equality must be construed as claims to equal degrees of welfare, not to equal amounts of external goods. To put the matter in another way, external goods are not welfare; they are only means to welfare; consequently their importance must be determined by their bearing upon the welfare of the individual. From every point of view, therefore, it is evident that justice in industrial distribution must be measured with reference to welfare rather than with reference to incomes, and that any scheme of distribution which provided equal incomes for all persons would be radically unjust.

Moreover, the rule of equal incomes is socially impracticable. It would deter the great majority of the more efficient from putting forth their best efforts and turning out their maximum product. As a consequence, the total volume of product would be so diminished as to render the share of the great majority of persons smaller than it would have been under a rational plan of unequal distribution.

The Canon of Needs

The second conceivable rule is that of proportional needs. It would require each person to be rewarded in accordance with his capacity to use goods reasonably. If the task of distribution were entirely independent of the process of production, this rule would be ideal; for it would treat men as equal in those respects in which they are equal; namely, as beings endowed with the dignity and the potencies of personality; and it would treat them as unequal in those respects in which they are unequal; that is, in their desires and capacities. But the relation between distribution and production cannot be left out of account. The product is distributed primarily among the agents of production only, and it must be so distributed as to

give due consideration to the moral claims of the producer as such. The latter has to be considered not merely as a person possessing needs, but as a person who has contributed something to the making of the product. Whence arise the questions of relative efforts and sacrifices, and relative productivity.

Since only those who have contributed to the product participate in the distribution thereof, it would seem that they should be rewarded in proportion to the efforts and sacrifices that they exert and undergo. As an example of varying effort, let us take two men of equal needs who perform the same labor in such a way that the first expends 90 per cent of his energy, while the second expends 60 per cent. As an example of varying sacrifice, let us take the ditch digger, and the driver who sits all day on the dump wagon. In both these examples the first man expends more painful exertion than the second. This would seem to make a difference in their moral desert. Justice would seem to require that in each case compensation should be proportionate to exertion rather than to needs. At any rate, the claims of needs should be modified to some extent in favor of the claims of exertion. It is upon the principle of efforts and sacrifices that we expect our eternal rewards to be based by the infinitely just Rewarder. The principle of needs is likewise in conflict with the principle of comparative productivity. Men generally demand rewards in proportion to their products and take it for granted that the demand is just.

Like the rule of arithmetical equality, the rule of proportional needs is not only incomplete ethically but impossible socially. Men's needs vary so widely and so imperceptibly that no human authority could use them as the basis of even an approximately accurate distribution. Moreover, any attempt to distribute rewards on this basis alone would be injurious to social welfare. It would lead to a great diminution in the productivity of the more

honest, the more energetic, and the more efficient among the agents of production.

The Canon of Efforts and Sacrifice

The third canon of distribution, that of efforts and sacrifices, would be ideally just if we could ignore the questions of needs and productivity. But we cannot think it just to reward equally two men who have expended the same quantity of painful exertion, but who differ in their needs and in their capacities of self-development. To do so would be to treat them unequally in the matter of welfare, which is the end and reason of all distribution. Consequently the principle of efforts and sacrifices must be modified by the principle of needs. Apparently it must also give way in some degree to the principle of comparative productivity. When two men of unequal powers make equal efforts, they turn out unequal amounts of product. Almost invariably the more productive man believes that he should receive a greater share.

It is evident that the rule of efforts and sacrifices, like those of equality and needs, could not be universally enforced in practice. With the exception of cases in which the worker is called upon regularly to make greater sacrifices owing to the disagreeable nature of the task, attempts to measure the amounts of effort and painful exertion put forth by the different agents of production would on the whole be little more than rough guesses. These would probably prove unsatisfactory to the majority. Moreover, the possessors of superior productive power would in most instances reject the principle of efforts and sacrifices and refuse to do their best work under its operation. The principle is incompatible with social welfare.

The three rules already considered are formally ethical, inasmuch as they are directly based upon the dignity and claims of personality. The two following are primarily physical and social; for they measure economic value rather

than ethical worth. Nevertheless, they must have a large place in any system which includes competition.

The Canon of Productivity

According to this rule, men should be rewarded in proportion to their contributions to the product. It is open to the obvious objection that it ignores the moral claims of needs and efforts. The needs and use-capacities of men do, indeed, bear some relation to their productive capacities, and the man who can produce more usually needs more; but the differences between the two elements are so great that distribution based solely upon productivity would fall far short of satisfying the demands of needs. Yet we have seen that needs constitute one of the fundamentally valid principles of distribution. Between productivity on the one hand and efforts and sacrifices on the other, there are likewise important differences. When men of equal productive power are performing the same kind of labor, superior amounts of product do represent superior amounts of effort; when the tasks differ in irksomeness or disagreeableness, the larger product may be brought into being with a smaller expenditure of painful exertion. If men are unequal in productive power their products are obviously not in proportion to their efforts. Consider two men whose natural physical abilities are so unequal that they can handle with equal effort shovels differing in capacity by fifty per cent. Instances of this kind are innumerable in industry. If these two men are rewarded according to productivity, one will get fifty per cent more compensation than the other. Yet the surplus received by the more fortunate man does not represent any action or quality for which he is personally responsible. It corresponds to no larger output of personal effort, no superior exercise of will, no greater personal desert. It is based solely upon a richer physical endowment.

It is clear, then, that the canon of productivity cannot be accepted to the exclusion of the principles of needs and

efforts. It is not the only ethical rule of distribution. Is it a valid partial rule? Superior productivity is frequently due to larger effort and expense put forth in study and in other forms of industrial preparation. In such cases it demands superior rewards by the title of efforts and sacrifices. Where, however, the greater productivity is due merely to higher native qualities, physical or mental, the greater reward is not easily justified on purely ethical grounds. For it represents no personal responsibility, will-effort, or creativeness. Nevertheless, the great majority of the more fortunately endowed think that they are unfairly treated unless they are recompensed in proportion to their products. Sometimes this conviction is due to the fact that such men wrongly attribute their larger product to greater efforts. In very many cases, however, the possessors of superior productive power believe that they should be rewarded in proportion to their products, regardless of any other principle or factor. Probably the true explanation of this belief is to be found in man's innate laziness. While the prevalence of the conviction that superior productivity constitutes a just title to superior compensation does create some kind of a presumption in favor of its correctness, it must be remembered that presumption is not proof. Weighing this presumption against the objective considerations on the opposite side of the argument, we take refuge in the conclusion that the ethical validity of the canon of productivity can neither be certainly proved nor certainly disproved.

Like the rules of equality, needs, and efforts, that of productivity cannot be universally enforced in practice. It is susceptible of accurate application among producers who perform the same kind of work with the same kind of instruments and equipment; for example, between two shovelers, two machine operators, two bookkeepers, two lawyers, two physicians. As a rule, it cannot be adequately applied to a product which is brought into existence through a combination of different processes. The

engine driver and the track repairer contribute to the common product, railway transportation; the bookkeeper and the machine tender coöperate in the production of hats; but we cannot tell in either case whether the first contributes more or less than the second, for the simple reason that we have no common measure of their contributions. Sometimes, however, we can compare the productivity of *individuals* engaged in different processes; that is, when both can be removed from the industry without causing it to come to a stop. Thus, it can be shown that a single engine driver produces more railway transportation than a single track repairer, because the labor of the latter is not indispensable to the hauling of a given load of cars. But no such comparison can be made as between the whole body of engine drivers and the whole body of track repairers, since both groups are indispensable to the production of railway transportation. Again, a man can be shown to exert superior productivity because he affects the productive process at more points and in a more intimate way than another who contributes to the product in a wholly different manner. While the surgeon and the attendant nurse are both necessary to a surgical operation, the former is clearly more productive than the latter. When due allowance is made for all such cases, the fact remains that in a large part of the industrial field it is simply impossible to determine remuneration by the rule of comparative productivity.

The Canon of Scarcity

It frequently happens that men attribute their larger rewards to larger productivity, when the true determining element is scarcity. The immediate reason why the engine driver receives more than the track repairer, the general manager more than the section foreman, the floorwalker more than the salesgirl, lies in the fact that the former kinds of labor are not so plentiful as the latter. Were

general managers relatively as abundant as section foremen their remuneration would be quite as low; and the same principle holds good of every pair of men whose occupations and products are different in kind. Yet the productivity of the general managers would remain as great as before. On the other hand, no matter how plentiful the more productive men may become, they can always command higher rewards than the less productive men in the same occupation, for the simple reason that their products are superior either in quantity or in quality. Men engaged upon the more skilled tasks are likewise mistaken when they attribute their greater compensation to the intrinsic excellence of their occupation. The fact is that the community cares nothing about the relative nobility, or ingenuity, or other inherent quality of industrial tasks or functions. It is concerned solely with products and results. As between two men performing the same task, superior efficiency receives a superior reward because it issues in a larger or better product. As between two men performing different tasks, superior skill receives superior compensation simply because it can command the greater compensation; and it commands larger compensation because it is scarce.

In most cases where scarcity is the immediate determinant of rewards, the ultimate determinant is, partly at least, some kind of sacrifice. One reason why chemists and civil engineers are rarer than common laborers is to be found in the greater cost of preparation. The scarcity of workers in occupations that require no special degree of skill is due to unusual hazards and unpleasantness. In so far as scarcity is caused by the uncommon sacrifices preceding or involved in an occupation, the resulting higher rewards obviously rest upon most solid ethical grounds. However, some part of the differences in scarcity is the result of unequal opportunities. If all young persons had equal facilities for obtaining college and technical training,

the supply of the higher kinds of labor would be considerably larger than it now is, and the compensation would be considerably smaller. Scarcity would then be determined by only three factors; namely, varying costs of training, varying degrees of danger and unattractiveness among occupations, and inequalities in the distribution of native ability. Competition would tend to apportion rewards according to efforts, sacrifices, and efficiency.

How can we justify the superior rewards of that scarcity which is not due to unusual costs of any sort, but merely to restricted opportunity? So far as society is concerned, the answer is simple: the practice pays. As to the possessors of the rarer kinds of ability, they are in about the same ethical position as those persons whose superior productivity is derived entirely from superior native endowment. In both cases the unusual rewards are due to factors outside the control of the recipients; to advantages which they themselves have not brought into existence. In the former case the decisive factor and advantage is opportunity; in the latter it is a gift of the Creator. Now we have seen that this sort of productivity cannot be proved to be immoral as a canon of distribution; the same statement will hold good of this sort of scarcity.

The Canon of Human Welfare

Human welfare means the well being of all persons, considered individually as well as collectively. It includes but is not identical with public welfare or even social welfare. Not infrequently the latter phrase is synonymous with the welfare of the dominant social group. Nothing of that sort is implied here. Hence we use the word "human" rather than "social."

The canon of human welfare includes and summarizes all that is implied in the five other canons. This is its individual aspect. It requires that all human beings be treated as persons, as possessed of natural rights: this is

equality. It demands that all industrial persons receive at least that amount of income which is necessary for decent living and reasonable self-development: this is a recognition of needs. The canon of human welfare declares that some consideration must be accorded to manifestations of good will by those who take part in the processes of industry; this is a recognition of efforts and sacrifices. And it gives reasonable recognition to the canons of productivity and scarcity.

Under its social aspect, the canon of human welfare authorizes the payment to every producer of that amount which is necessary to evoke his maximum *net* product. This is not necessarily the *absolute* maximum. The latter is not always worth the price demanded. In such a case human welfare may dictate an amount of compensation which is insufficient to call forth the absolute maximum. For example, a salary of \$4,500 might induce a man to turn out a product which sells for \$5,000, while a salary of \$5,000 would evoke only the equivalent of \$5,300. The latter is the absolute maximum; the former is the net maximum. Obviously it would be uneconomic and socially wasteful to give this man more than \$4,500. That is the amount which would be assigned to him by the canon of human welfare. When the natural rights and the essential needs of the individual have been safeguarded, all additional compensation should be determined by the rule of maximum net results.

It is not contended here that this canon ought never to undergo modification or exception. Owing to the exceptional hazards and sacrifices of their occupation, a combination of producers might be justified in exacting larger compensation than would be accorded them by the canon of human welfare on the basis of net results in the present conditions of supply and scarcity. Unusual needs and capacities might also justify a strong group in pursuing the same course. All that is asserted at present is that in

conditions of average competition the canon of human welfare is not unjust. And this is all that is necessary as a preliminary to the discussion of just profits.¹

¹ A very suggestive discussion of the psychology, the general principles, and the practical limitations of distributive justice, will be found in an article by Gustav Schmoller, entitled, "The Idea of Justice in Political Economy." It is No. 113 in the Publications of the American Academy of Political and Social Science.