

Rethinking a New Conceptual Relation between Economic Justice, Democracy, and liberal system: An Economic Point of View

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Abstract

Liberals and libertarians believe that justice is deeply embodied in liberalism. The famous physiocratic maxim "let them do business, let people and goods move: the world works by itself" relegated to second place some virtues such as justice and equity by considering them as mechanical outputs produced by market mechanisms. The invisible hand of Adam Smith is so benevolent that it inherently purifies various actions of the market. However, reality does not often look forward to these considerations often qualified as ideal. The market is not fair and Pareto optimality is still running even if an individual walks away from the rich to the detriment of another. A rereading of justice by Rawls empowered liberalism to return to normality long sought and rarely approved. However, at the level of political governance, justice is far from being installed whenever democracy casts away almost all individuals (people) and supports a few to govern. This latter, hypothetically unable to personify and care for individuals, is forced to crush individual preferences by directing them to an unknown preference qualified as the people's preference. The aim of this paper is to study this issue by emphasizing the obligation of reviewing democracy so that it serves best the values of liberalism and justice.

Index terms— justice, fairness, liberalism, preference transmission.

1 Rethinking a New Conceptual Relation between

Economic Justice, Democracy, and liberal system: An Economic Point of View Dr. Fakhri Issaoui ? & Dr. Ghassen El Montasser ?

Abstract-Liberals and libertarians believe that justice is deeply embodied in liberalism. The famous physiocratic maxim "let them do business, let people and goods move: the world works by itself" relegated to second place some virtues such as justice and equity by considering them as mechanical outputs produced by market mechanisms. The invisible hand of Adam Smith is so benevolent that it inherently purifies various actions of the market. However, reality does not often look forward to these considerations often qualified as ideal. The market is not fair and Pareto optimality is still running even if an individual walks away from the rich to the detriment of another. A rereading of justice by Rawls empowered liberalism to return to normality long sought and rarely approved.

However, at the level of political governance, justice is far from being installed whenever democracy casts away almost all individuals (people) and supports a few to govern. This latter, hypothetically unable to personify and care for individuals, is forced to crush individual preferences by directing them to an unknown preference qualified as the people's preference. The aim of this paper is to study this issue by emphasizing the obligation of reviewing democracy so that it serves best the values of liberalism and justice.

Keywords: justice, fairness, liberalism, preference transmission. Jel: A14, B10, B11, B15 owdays, it is commonly accepted that the issue of justice has become a corner stone in all philosophical, political, sociological and economic thinking. The importance given to justice is not new; it is as old as history itself. All divine religions (Christianity and Islam) did not weary to make justice a pivotal subject as it is considered a virtue and an unquestionable value. Along these lines, philosophers have tried to examine this issue in order to give it more explicit objective and scientific dimensions. Nevertheless, we notice that human thinking on justice is very well attached to human existence. A theory of justice is a new venue. Indeed, we can fairly claim that only with the emergence of the coherent political theory of 'liberalism' did justice take such a scale and importance in human thinking.

Then, as early as the 17th century, liberalism as a concept would become the focus of those intellectuals who had been seeking a model of a new society. This latter should shake if not ruin previous structures to make room for a free society. Consequently, in its turn justice has to take its position in this society driven by liberalism, as it is an inherent value of liberalism. Nevertheless, this transition has often been taken in very simplistic and implicit tones which often hindered resolution of problem of justice or, at least, did not succeed in answering the following question: What is justice? This ill-made conceptualisation generated, additionally, judgments of value more than scientific assessments. Moreover, this book has given men of science (philosophers, sociologists and economists) theoretical and analytical means to both reread history and theorize about the concept of "fair society."

However, if justice starts to be felt in various socio-economic areas, it is far from being materialized in the political field, which remains governed by monopolising groups while excluding the individual. Democracy remains hitherto dependent on its etymological meaning, which calls for governance of the people (without seeing people govern or even have the opportunity to rally any other collective action). Liberalism that defends the individual did not, politically, bring about individual governance; rather it installed governance of the group. A priori, we confirm that there is a contradiction between the concepts of liberalism and democracy, because the first is a value, while the second is a means and an arbitration tool. The problem is that the tool has never been forced on value: it has little interest in making formal governance of an individual or a group of individuals (by the name of the people) a real governance and this can be done by enabling individual governance. The goal is to change the meaning of democracy so that it will not be the governance of the majority but of all individuals in a society. The question to be asked in this regard is: why have not formal democracies invested in this meaning? We understand and accept that democracies operate at an absolute or relative majority in poor countries that can not afford to create institutions capable of involving people in governance. However, in rich and developed countries advocating liberalism and individualism as irreversible values, we find it hard to understand this reluctance and especially the noticeable decision to eliminate the individual from the sphere of decision making. Is the individual inherently less intelligent than the politician? If the answer is yes, then why is his/her voice sought during elections? In addition, if the State believes itself to be superior to individuals, then why does it take a lot of wrong decisions which may be ruinous in the present and the future (environmental degradation, pollution, wars, and crises).

It is in those terms that our paper presents itself and tries to detect the relationship between three key concepts; democracy, liberalism and justice. Then, in order to conduct well our analysis, we will check in a second section whether the relationship between justice and liberalism is conciliation-driven or conflict-driven? The third section will examine how the current democracy concept is dealing with current economic crises. The last section examines the relationship between democracy and governance of justice (to govern or be governed).

Liberalism is a philosophical, political and economic concept advocating respect of individual liberties in all circumstances. Thus, taken from the side of political freedom we can say that liberalism has been able to provide, at least partially, one of the principles of justice like Rawls fairness (the first principle). However, did economic liberalism insure this justice? The answer is a priori negative as a detailed examination of pure and simple economic liberalism easily reveals that the issue of justice was often relegated to second place. This is not surprising given that liberal physiocratic schools, classical and neoclassical, wanted to reconcile between economics and physics. This reconciliation advocated naturalism of economics that will lead, therefore, to natural and universal economic laws. Such laws are benevolent and providential. Physiocrats (essentially Quesnay) claim that there is a natural order by which companies and individuals should abide. This natural order itself provides the organization of production and distribution. This latter is natural: wage (w) is equal to the minimum needs, the rent (R) depends on fertility of cultivated land and profit (P) is simply a residual term ($P = Y - W - R$). Thus, we see that the distribution of wealth according to this logic can only be 'fair' because it comes from a natural distribution. Hence the first note: *Note (1): Fair distribution is the one that comes from the natural operation of the market (economic laws are natural).

Physiocratic economy, advocating absolute freedom of individuals while looking for their own interests and subscribing to methodological individualism, has made the issue of justice less important since it is attached to the simple vagaries of nature. Their maxim "Let business roll, let people and goods move around; the world works by itself" compacts and confirms the above mentioned ideas. In fact, this slogan is a message to the government to refrain from any interference in the economic field, in this case, the distribution of wealth. It is nature which determines the allocation and distribution of goods and wealth. Worse, state intervention will destabilize the system and distort market mechanisms.

Freedoms of individual interests of collective interests of justice Along these lines, classic philosophy found its roots where the same physiocratic thinking persists. A. Smith advocated in his own terms liberalism as an irrevocable and irreversible value that each individual and society seeks. Free actions from each individual allow reaching some level of harmony between individual interests, on the one hand, and collective interests, on the other.

In this regard, Smith wrote that the total sum of the annual produce of land and labour of a country is naturally divided into three components: rent of land, wages of labour and profits of stocks. He shows that the interest of the first of these big categories is tightly and inseparably linked to the general interest of the society. All that benefits or damages one of these interests necessarily affects the other. 1 Adam's enthusiasm for politico-economic liberalism and for the market is mainly due to its supremacy as an allocation and a distribution mechanism that might guide the economy towards optimal situations. His hostility to the State is explained by the fact that its intervention risks to limit individual liberties and prevent the invisible hand from achieving harmony between individual and collective interests. This interventionism is more harmful than useful. Harmful because it might distort maximisation programmes installed by individuals and useless because it might add nothing to a system already "perfect" and "fair". Hence, our second note: Note (??): what will the expected opportunity behind studying justice be? Already, and according to a classic view, this issue is superfluous because nature can only be fair (the basic hypothesis of classical philosophy).(D D D D) E 2013 2 20 2 33

However, the continuous and permanent evolution of the real sphere generated some progress in politico-economic thinking which often questioned the merits of liberalism as well as classic distributive justice issued from free functioning of market mechanisms. As an illustration, without being necessarily exclusive, we can mention the contribution of the historical German school (Wagner and F. List), the protectionist school (J. Stuart Mill), the socialist anarchist school (Proudhon, Bakounine, Kropotkine) and the socialist scientific school (K. Marx and F. Engels, Lenin, Stalin), which criticised economic liberalism on its two founding principles. First, economic laws are neither absolute nor universal. They are rather variable and relative which questions naturalism of the economy and consequently makes the task of looking for distributive justice more requested and more complicated. Second, the market is no longer a conservative and a neutral mechanism; it is often a venue where injustice is created, which harms both contracting parties (consumer and producer). In other words, the market blindly transforms the power relationship which binds offer and demand and sets an equilibrium price which often deviates from the real price (it cannot cover the average cost incurred by the producer or it prevents the consumer from either accessing or fully enjoying the price because of scarcity of resources).

The above-mentioned schools, although they criticized liberalism on both its philosophical-political and economic dimensions, did not give much attention to the issue of justice. The latter often remains an implicit and a simple macro-social conception resulting from human conflict, either at the political or economic levels. However, from the advent of the 19th century a new philosophy will give momentum to the issue of justice. The merit of this philosophy does not lie in its theoretical contribution but in the criticism that it will receive later. Finally, a theory of justice is born. This philosophy is the utilitarianism whose origins went up to D. Hume. However, J. Bentham gave it more depth and much rigor. G. Ross [1990] argues that Bentham considers "the principles of action all relate usefully to pleasure and pain, which are the real springs of all our actions Under these conditions, not only are we naturally determined by pleasure and pain, but we could have no other duty than to follow their impulses ". Bentham defined utility as follows: "By the principle of utility, I mean that principle which approves or disapproves every action whatsoever, according to the trend it seems to have, either increasing or diminishing happiness of the party whose interest is in question: or, equally well, to promote happiness or to oppose it .

2 a) Post utilitarianism (the Pareto criterion)

Early twentieth century, Vilfredo Pareto, in his "Manual of Political Economy", showed that the assumption of ordinal utility is sufficient to establish the demand curve. In addition, he tried to renew utilitarianism. He considers that utility is the satisfaction that an individual gains in a given situation. This satisfaction translates into a preference scale. The introduction of preferences will make the hedonistic connotation conferred by Bentham to secondary individual actions. In other words, if the individual prefers S1 to S2 then two cases are possible. First, it is possible that S1 provides more satisfaction than S2. Second, it is possible that S1 is preferred since it has the character of duty (take the example of an activist who sacrificed his life for others). In his "Treatise on General Sociology" [1916], he insists on an optimality criterion known by his name "Pareto" and states that 'A' is optimal if it can increase the utility of a subset of individuals without damaging that of another (no matter how small).

This criterion equally contributed to both normative philosophy and positive economics. Of course, while confronting this criterion, the Benthamian utilitarianism will be blocked because the principle of maximizing social utility can not operate in the presence of the constraint of fixed utility. This rereading of utilitarianism does not save it because the Pareto criterion remains, despite its originality, silent on distributive justice.

3 Note (3):

The Pareto criterion has crossed the utilitarian sacrifice problem but did not solve the problem of distributive justice.

Rawls analysis of Justice goes beyond utilitarianism and Pareto analysis of justice, determining the principles necessary to establish "justice as fairness". These principles will allow to break with socialism (as Rawls does not opt for egalitarianism) while defending liberalism. This is supposed to be the ideal shelter of justice. The first principle requires us to place ourselves into political and economic liberalism. Equal opportunities can provide individuals the same opportunities and advantages that enable them to act. The difference principle (or Maxim) admits inequality of liberalism but assumes the said inequality should benefit the most disadvantaged categories.

Therefore, Rawls liberalism seems to be subject to moral principles in as much as the mentioned principles do not reduce the basic freedoms that are already guaranteed by the first principle. Primary goods resolve the distribution problem to which Pareto failed to find an answer as he judges goods to be provided to individuals according to the unanimity criterion. Rawls writes, "But the primary goods, as I have already observed, are all what a rational being would desire, whatever his other desires are Overall, we can say that primary social goods consist of rights, liberties and offered opportunities, incomes and wealth".

4 b) Justice and liberalism after Rawls

After the publication of the work of Rawls, it has been subject to several different criticisms by many philosophers and economists. A. Sen [1987] opposed Rawls accusing him of being interested only in means and not in the capacity of individuals to enjoy these means. Indeed, for Sen, liberalism is not simply letting people enjoy the freedoms offered to them as this permission and authorization do not mechanically translate into actual consumption. Freedom is a value, the value is a good and a good is consumable only by those who are able to consume.

Henceforth, it is not enough that an individual has the means in order to reach a given objective. In this context, Sen wrote "It is important to distinguish capability, i.e. the freedom actually enjoyed by an individual from primary goods (and other resources), on the one hand and on the other hand the life really chosen and other achieved results". Sen assumes that an individual with any disability is unable to achieve neither his objectives nor a life project. He noted that "a person with a disability may have a higher amount of primary goods but with a capacity lower than that of another person (due to disability)". According to Sen, real freedom and then justice lie in what the individual is able to do and achieve.

The position of F.V. Hayek on justice is in real terms a return or a fall-back to classic orthodoxy which advocates free market as the mechanism allowing for reaching economic efficiency and normative values. According to him, the justice problem in a free economy is superfluous. In his second volume of his book "Law, Legislation and liberty" (1973), V. Hayek insists on the fact that the term "social justice" is meaningless in a liberal society. He further argues that in an economy managed by market mechanisms, states and reached decisions cannot be qualified neither fair nor unfair because the market is a neutral conservative mechanism. However, in economies with centralised planning, justice and injustice may take place as the State's action may favour some groups at the expense of others. Hayek notes that in a market economy, the fair and the unfair are not results proper to the market but rather the way competition is practised. This extremism pushes Hayek to reject any type of equal opportunities as he considers it dangerous in as much as it may negatively influence environment of individuals.

After the collapse of the Soviet Union, Francis Fukuyama wrote in his book "The End of History and the Last Man" [1992] that the world has seen the end of "mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human governance. Citing Hegel, the author declares that the desire for mutual recognition between human beings, which for him is Thymos Platonist, is the driving force behind history. Based on this dialectical vision, Fukuyama says that history is moving towards liberal democracy as its the final step. In support of his thesis, which coincided with the collapse of both the former socialist countries block and almost the unanimous convergence towards a democratic globalization (at least formally), many countries in southern and eastern Europe, Asia, Africa and Latin America have held multiparty elections for the first time during the past two decades.

However, these experiences of democratization and democratic institutions are facing more and more political riots and economic crises that may offset their legitimacy grounds. Length and relative intensities of the global economic downturn further worsened difficulties and doubted the viability of these institutions. This confirms the possibility and even the obligation to consider researching new models and strategies to promote political stability and sustain growth. But above all, we should rethink about distribution and redistribution strategies so that justice as fairness is a criterion of irreversible political and economic choice.

Challenges facing democratic institutions, including economic imbalances, public dissent and historic instability extend beyond these. In Western democracies, governments are struggling to maintain social protection programs while adopting austerity measures to fight against high deficits. The difficulty of the European Union to reduce the effects of debt crises of the Member States has cast doubt on the effectiveness of an institution designed to preserve European unity. Even in the largest democratic state in the world, India, the government is struggling to appease widespread public dissent during decades of corruption. The Pakistani model, moving towards a democratic transition, suffers from a very unstable and even a turbulent political market mainly with a fragile economic base. For long, this new-born democracy has been occasionally delayed or stopped by military coups.

Elsewhere in Third World countries, the democratization process faces very often a decline which nourishes stifling of freedoms. In Africa, and after dismantling the abject one-party rule, this state-of-affairs is clearly consolidated in some countries that have proclaimed democracy and which were between the hammer and the anvil as they had faced chronic internal economic difficulties and constant external interference. Also, some countries in Latin America, by tracing their path to democracy after decades of dictatorship or communist military rule, have faced the same problems. This makes any process of democratization in these countries a difficult task. Thus, one can ask a fundamental question about the universalization of democracy. It goes without saying that any universal system is fundamentally based on common ideas and principles.

Parallel to the injustice done to the interior of a nation, liberal democracies are engaged as well in international injustices. We should also remember that(D D D D)

when the Greek Prime Minister George Papandreou wanted to consult his people through a referendum, he has been severely criticized since this procedure could be a disastrous deviation compared to the ultimate objective which is to rescue Greece from its deep economic crisis. Thus, in the final analysis, democracy is the lack of established values. In addition, linking liberalism with democracy is oppressive because it is provided by a massive individualism and the triumph of human rights. However, these two components do not go hand in hand and we often note bumping the second by the first, which can be seen as a smooth destruction of democracy. It is therefore clear that democracy is not idyllic. In this regard, Winston Churchill once said that "No one pretends that democracy is perfect or wise. It happened to me to hear that this is the worst of governments, except all the others that have been experienced in history. "

Many observers, in search of inspiration, turned to China, which has emerged relatively unscathed from the recession, thanks to centralized recovery programs. While China streamlines an autocratic approach which may remove some bureaucracies and afflicting democratic institutions, it pursued an economic development that may require and produce a gradual democratization of the governance structure. However, solutions to a democratic model, already in difficulty, using another autocratic model, contradict the basic principles of democracy of which, and not exclusive, people's sovereignty and freedom. The recourse to such model is justified by the fact that changes in regulation did not mitigate the social cost of change. This is why the requirements for strengthening democratic institutions are thematically similar, since they contributed nothing to the social dimension. In as much as we do not find a real compromise between the individual and social needs, intangibility of liberal democracy remains problematic. Democracy suffers and risks not reaching the goals it has set for itself or what individuals assume ex ante that it could achieve for itself ex post. Beyond this lies an idea often mentioned but rarely materialized. Democracy correlates less with law, though some argue the opposite. In fact, the mentioned democracy does not often lead to economic democratization, simply because it politically created a State and parliaments unrepresentative of individuals. Indeed, the State completely ignores individual preferences as it has, in our view, no way to detect them. It can inform itself about individuals, know about their communities, their economic situations and all other information vectors, but not their preferences which remain ultimately private personal information. Political parties assume ex ante collective programs and preferences and really look for individuals and groups of individuals endorsing those programs and preferences. This finally leads to strange governance that relegates individuals and makes them dependent on "godfather-like politicians". This latter does nothing but assume those preferences to hesitantly defend later. It is difficult for the godfather politician to associate electors' interests and make them converge towards a unified social interest. Once in power, elected politicians start to act consistently with the interests of their parties and their own interests. Social interest, assumed to be public, turns out to be a myth once it does not often overlap with the politician's individual interest which is introvert and purely ego-centred. If the public benefits from a political action, then this supposes that the politician's ego is socially expressed as a collective preference. The politician's individual interest is known for him and comes before that of the group given the fact that the elector's interest is invisible and thus likely to be disregarded.

Likewise, we draw attention to another problem in liberal democracies where we witness political bargaining that often ends in supporting the unwishedfor and unrequested objectives by individuals (the second Gulf War is illustrative yet not exclusive). The problem is that State governance suffers from lack of information that cannot allow it to know about individual preferences. Such lack of information pushes the State to make decisions on the basis of authentic information (its own interest) and imaginary information (social interest). This latter is possible given that a given individual, not considered in the collective preference, may assume that the other individuals are considered.

Where liberalism is advocated, the individual does not govern but delegates the group to do it. Is this a good governance system? The answer a priori is negative because a fair system should reach a real justice, and not just a formal one, by involving individuals in such governance, whatever minimum it is. Delegating preferences is meaningless because the politician has his own preferences which may often oppose those of the electors. Likewise, it would be difficult to conceive a parliament consisting of all individual citizens of a given nation. Then, what should be done?

In our opinion it would be interesting to think in terms of the so-called "transmission of preferences." Thus, instead of having a politician display a program and look for voters (classic pattern), individuals reveal their preferences and transmit them to relevant institutions. This may start, for example, in a given neighbourhood where people reveal their choices and expectations and quantify their needs and requests. The group chooses a

sub-group to transmit their preferences to a higher level (the city). At the national level, we will be dealing with real preferences reflecting the true signals originally made by individuals. However, can we have situations where representatives of a group deviate from their mission and start seeking their own interests? The answer is still negative for two reasons. First, they are individuals who are transmitters of preferences, not delegates. Second, they do not have privileges and benefits they can defend during negotiations. In addition, they are not politicians with political agendas, but ordinary citizens whose roles are to convey and defend individual preferences initially set.

The individual is probably the best placed to manage and protect his own interests. Moreover, he is better placed and informed than the state to govern his surroundings (neighbourhoods, schools, colleges). Collective preferences (issued from the preferences of different groups) may be more effective than those determined by politicians because they reveal only those preferences which are beneficial for them. Municipalities may opt for this way of thinking which help save them from conducting unsolicited interventions (service offering) and rationalize their actions by making them converge towards the most appropriate ones.

Such governance allows individuals to contribute actively in decision-making and allows the economy to tighten and diminish freedom granted to politicians. This is socially beneficial because it reduces the interests sought by those politicians whose roles are reduced to realizing preferences revealed individually. The effectiveness of state intervention would improve because the individual is often more informed than municipalities, relevant ministries and other political organizations at both the quick detection of problems and identification of defaults.

A first step should be undertaken to make democracy more concrete and true to its fundamental theme, the "individual". This should be able to break with the classic image where individuals delegate politicians. In fairness terms, the free individual should genuinely enjoy freedom granted to him and this can be done only when he governs or actually participates in governance. Social choice determined ex post, and although it may be against some individual preferences, is certainly democratic because it involves individual choices made by the majority. However, classic majority is virtual because it is a relative statistical (simple ratio) and political (the party that had the most votes) majority.

Justice is an irreversible value that should be individually consumed. However, democracy does not lead to fair governance where all individuals can actively participate in the decisions that affect them. Political elitism, while promoting interest groups and excluding the mass, does not lead to effective decision-making which should lead us to deeply reinterpret current democracies. In contexts where liberalism is a value, democracy should be liberal, i.e. individual-focused, allowing the individual to reveal his choices while ensuring that these choices are faithfully transmitted to higher levels.^{1 2}

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negotiations). At this level, will take place (among other

[Note: Representatives of other]

Figure 1:

¹A. Smith (1976) « La recherche sur la nature et les causes de la richesse des nations » éds Guillaumin Paris ; réédition de 1843 (première édition en 1776) .

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