

Universidad de las Américas, Puebla

A Rawlsian Analysis of Pension Privatization

In North America

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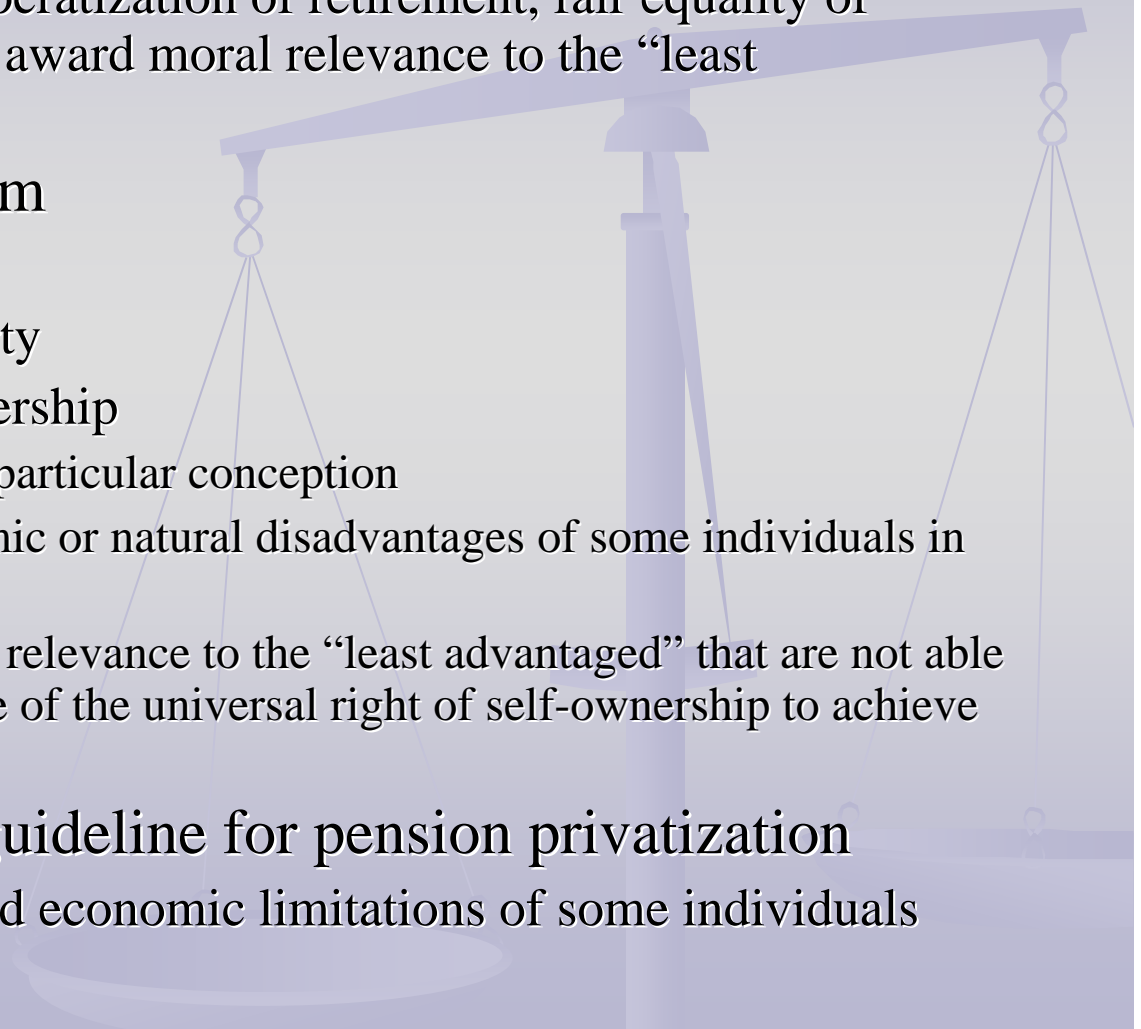


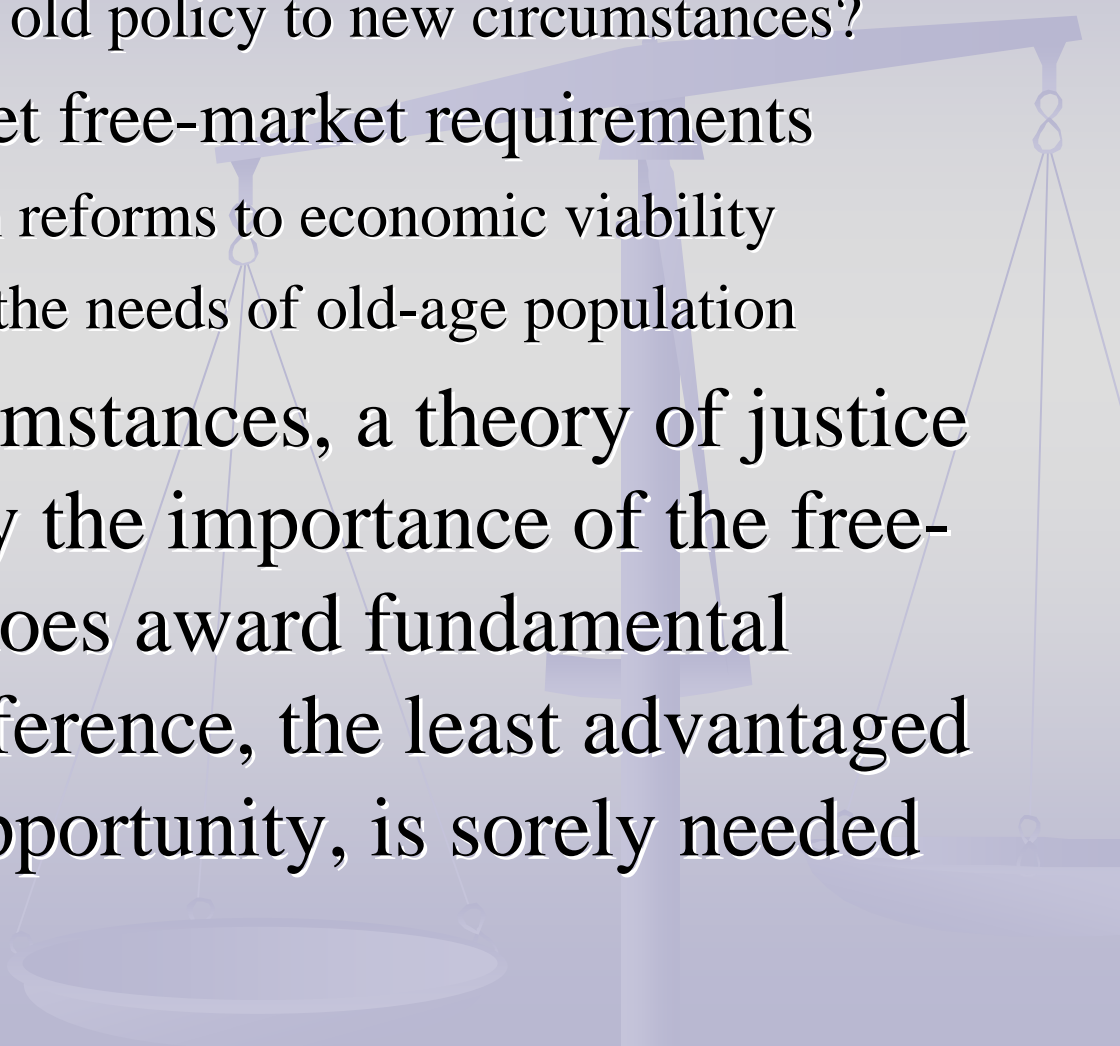
- If we were in the Original Position, under the Veil of Ignorance

- And were given information about the normal life-span of individuals where old age is inevitable and natural endowments tend to decrease during this stage of life
- Which principles would we choose?
 - Rawlsian principles based on collective and individual responsibility
 - Nozickean principles that allow individuals to fend for themselves, cancelling collective responsibilities

Individual Accounts is a Nozickean-founded policy

- Is this adequate?
- As a reform of the old PAYG social policy, does it seek to achieve the same objectives of democratization of retirement, fair equality of opportunity, and does it award moral relevance to the “least advantaged”?
- Nozickean libertarianism
 - Free-market
 - Extensive personal liberty
 - Conception of self-ownership
 - Problematic with this particular conception
 - Disregards the economic or natural disadvantages of some individuals in society
 - Does not award moral relevance to the “least advantaged” that are not able to fully take advantage of the universal right of self-ownership to achieve self-determination
- This is the theoretical guideline for pension privatization
 - Disregard the natural and economic limitations of some individuals
 - Selective policies



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- The transformation of the Welfare State
 - Privatization of Pensions
 - Adaptation of an old policy to new circumstances?
 - In the rush to meet free-market requirements
 - Limiting pension reforms to economic viability
 - Not considering the needs of old-age population
 - Under these circumstances, a theory of justice that does not deny the importance of the free-market, but that does award fundamental importance to difference, the least advantaged and equality of opportunity, is sorely needed



- John Rawls' *A Theory of Justice*

- “Justice as Fairness”

- Recognition of individuality
- Equal moral and political importance to all
- Fair share of society's resources
 - Fair equal opportunity to pursue conceptions of the good

- Liberty

- Difference

- Redistribution of social and economic inequalities in such a manner that benefits the least advantaged

- Not utilitarian, not pure equality

- Not a detractor of the free-market
- Rawls argues for limitations of free-market inequalities that are not the fault of the individual

Hypothesis and Subhypotheses

- Specifying with more precision the concept of the least advantaged in Rawls' Difference Principle, provides a more comprehensive principle that can allow the design of more just social policy in pension reforms.
- Subhypothesis 1:
 - the second principle has to include old age population as part of a more precise specification of the least advantaged
- Subhypothesis 2:
 - this exposes pension privatization as an inherently unjust program, but it will set the basis for the design of a future one in the United States

Structure of the Study

■ Chapter I:

- The analysis of the theory of Nozick and Rawls to determine which is more adequate as a guideline for social policy
 - The problems of the conception of self-ownership
 - It does not lead to self-determination

■ Chapter II:

- After determining that Rawlsian social justice is a much more adequate theory, I address the problems of Rawls that derive from his lack of specificity in identifying the members of the least advantaged part of society

- The study is mainly theoretical in nature.

- Profound understanding of the theories

- To avoid misconceptions and theoretical gaps that can subject the theories to undesirable elasticity

- Connection of the Rawlsian understanding of primary goods with a much more precise understanding of life cycles.

- Avoids lack of specificity and generalizations which were grounds of severe attacks against Rawls

■ Chapter III:

- The analysis of the pillars of pension privatization with the Rawlsian understanding of social justice and the newly specified definition of the least advantaged
 - IA eliminates social cooperation, collective responsibility and benefits more the advantaged part of society

■ Chapter IV:

- The results of the theoretical analysis of IA can be best perceived in the case of Mexico and the projected results of IA
 - IA is not a program that disregards morally irrelevant traits such as gender – deepens gender gaps
 - It is not a program that benefits the least advantaged, on the contrary.

■ Connection between the theory and the policies

■ The Rawlsian perspective of the second chapter is introduced to give a concise analysis of the practical policy: Individual Accounts.

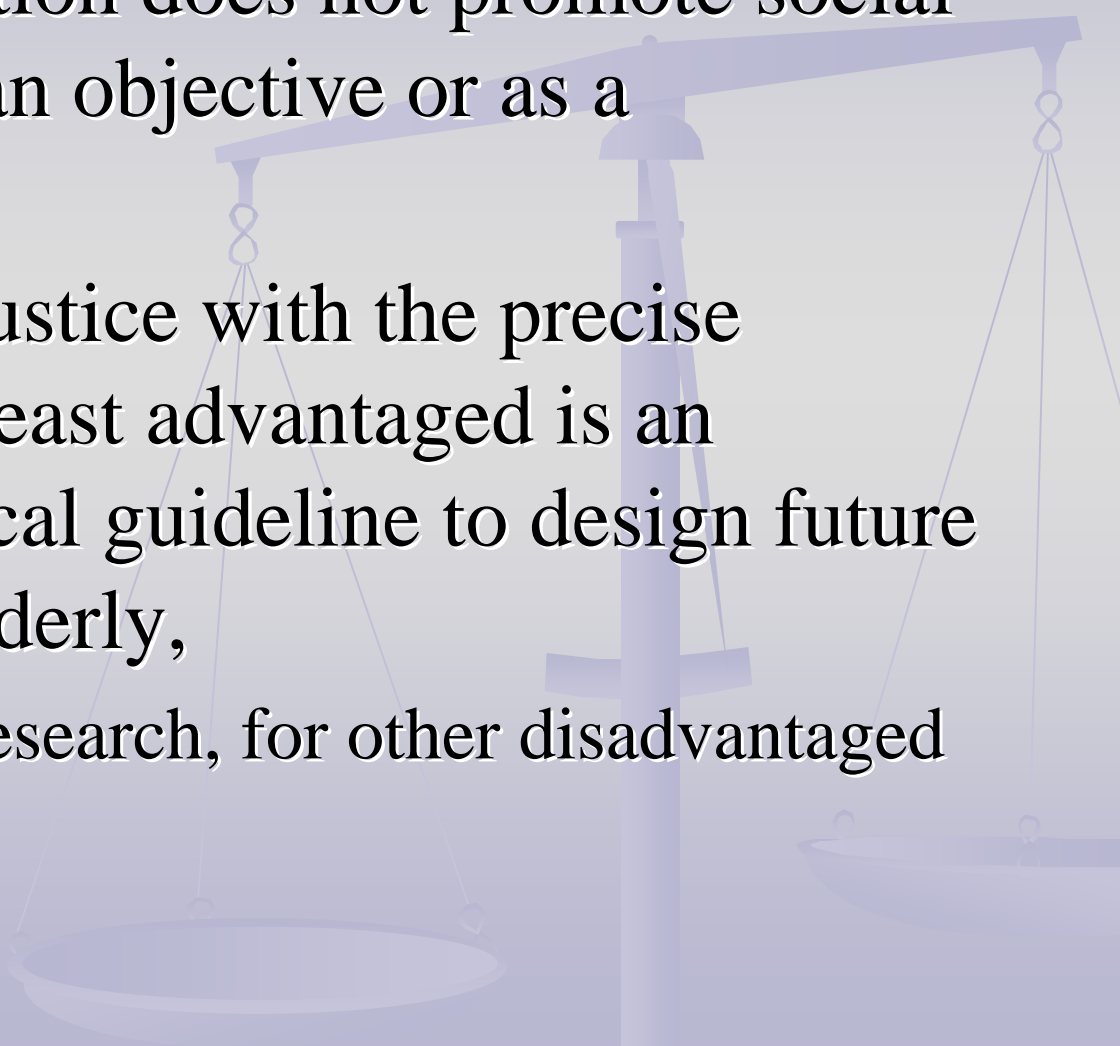
■ Portrayal of the possible results of the disregard of the theoretical chapters.

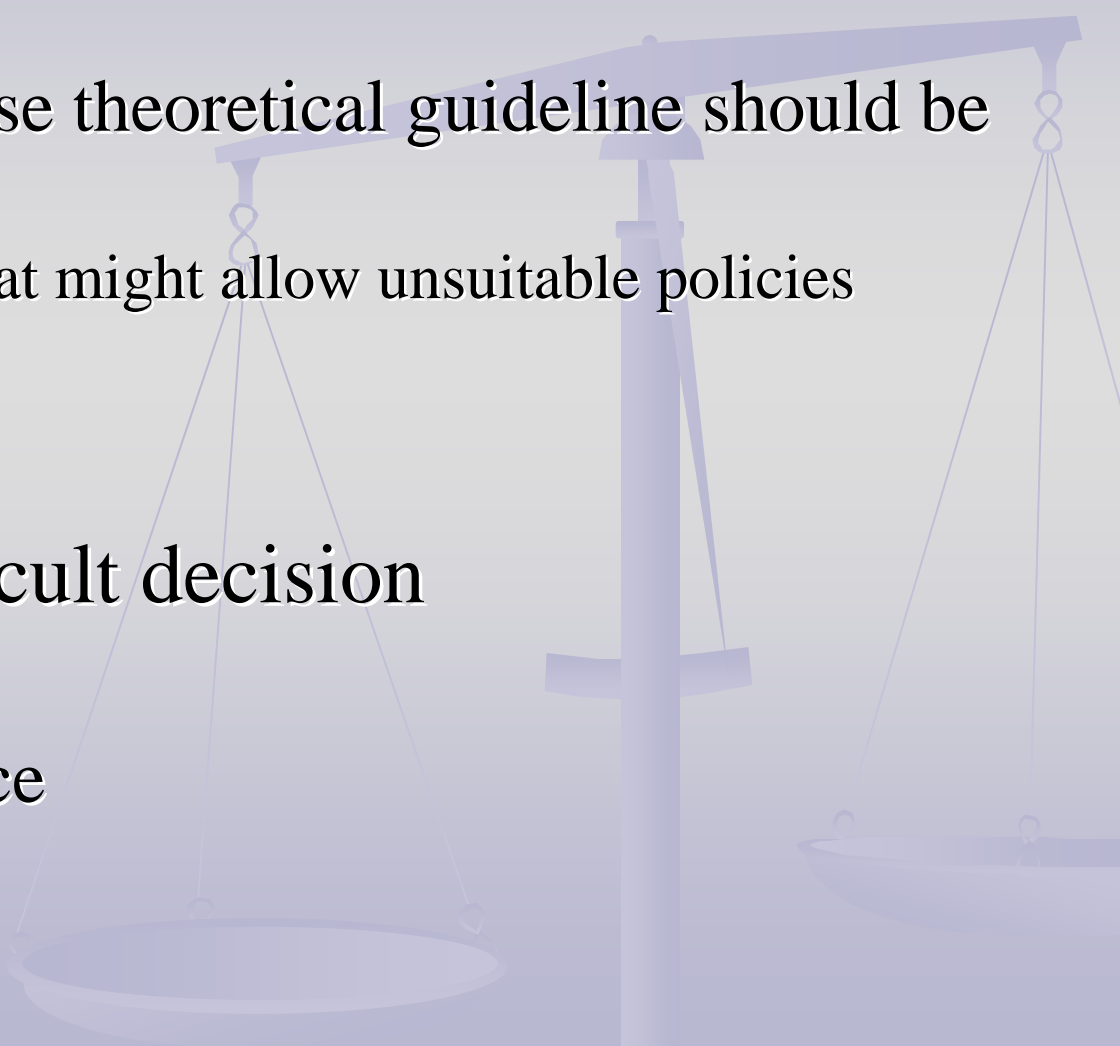
■ Practical implications of Nozickean theory

Methodological Weaknesses and Strengths

- Two main weaknesses
 - Practical implications tend to be weak
 - Analysis of policy and theory: there is a structural choice to be made that necessarily encounters a weakness
 - Daniels and Dan Brock have the opposite weakness:
 - The theoretical implications are weak and possibly allow opposite theories to find a gap where they can be introduced
 - This is what I tried to avoid with a deep and precise analysis of the theory
 - My analysis does not cover all age groups or every disadvantaged position in society
 - This analysis is only a step towards future studies that can detail who else comprises the “least advantaged.”

CONCLUSION

- Pension privatization does not promote social justice, either as an objective or as a consequence
 - Rawlsian social justice with the precise definition of the least advantaged is an adequate theoretical guideline to design future policies for the elderly,
 - and with future research, for other disadvantaged groups
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- Social justice should be prioritized when deciding social policy
 - Norman Daniels
 - However, a precise theoretical guideline should be established
 - To avoid gaps that might allow unsuitable policies
 - Dan Brock

 - States face a difficult decision
 - Tony Fitzpatrick
 - Sustainable Justice