
THE SAVINGS PRINCIPLE AND INTER-GENERATIONAL JUSTICE

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Abstract

Some of our choices can affect future opportunities of next generations or damage exhaustible resources, while technology or industrial development may have spill-over effects in the long run; such themes are frequently associated nowadays with the field of inter-generational justice. Nevertheless it is worth stressing that first debates over human actions with long term effects stemmed from the question of ‘generational sovereignty’, *i.e.*, the argument between E. Burke and T. Jefferson on bindings effects of constitutions. This article revisits only the contractualist framework of intergenerational justice and is confined to the savings principle of John Rawls’ theory of justice. The rationale is twofold: firstly, the rawlsian savings principle inspired much of the progress within studies on inter-generational justice; secondly, the rawlsian principle – each generation should save a fair share to preserve just institutions ‘on the assumption that all other generations saved in accordance with the same criterion’ – drew the parallel of a Golden Rule between generations: ‘Do unto others as you would have them do unto you’. Recent attempts to institutionalise inter-generational justice revealed that the tortuous path from ideal theory to practice may be long but worthy. Present worries and concerns, such as governmental indebtedness and duty of remembrance towards past generations and to victims of Holocaust and of communist regimes, may find in intergenerational justice and equity an anchor for justification.

Keywords: savings principle, fairness, inter-generational equity, remembrance

1. Short summary of intergenerational justice

When Edmund Burke defined society as a contract between individuals that are not contemporary, a type of “partnership not only between those who are living, but between those who are living, those who are dead, and those who are to be born”, he criticised the classical liberal view on political obligation, associated with the works of T. Hobbes, J. Locke, and J.J. Rousseau, and also suggested an unusual view on the scope of justice, namely obligations and duties among individuals that belong to different generations [1]. The old-whig philosopher, celebrated later on as the inspiring figure of modern conservatism,

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was defending the idea that experience, history, tradition, prudence, and the practical knowledge of ancestors were more substantial ingredients for the art of governing rather than the deductive appeal to a hypothetical contract. His concept of an 'Eternal Society' as an interlinking of successive societies, defined by a process of gradual learning and filtering, resemble closely our present belief that human actions have long term consequences and there are reasonable concerns not to prejudice the opportunities of our descendents, of the descendants of our descendants and virtually of all future generations.

Once the intuitive idea that members of a society owe at least remembrance to past individuals in that polity, for example to those who sacrificed their lives for its sovereignty, and that the following generation will bequest the wrongs and the goods of the present generations, we enter the field of a recent extension of justice, usually defined as inter-generational in contrast to the more commonsensical view on intra-generational norms and principles.

Some of the choices we make may damage the finite pool of resources or the welfare systems based on pay-as-you-go funding, such as pensions. For example, the decision to store nuclear waste in a certain place is certainly a risk that spans for periods exceeding one hundred years. Technology and industrial development may have pernicious consequences, thus environment related policies are now frequently associated with inter-generational justice. However it is worth stressing that the first debate on human actions with long term effects stemmed from the puzzling question of 'generational sovereignty'. In short, are there any bonds and duties for a generation to observe the rules and meta-rules, such as the polity's basic law, established by a previous generation? Are we supposed to obey the rules of a constitution enacted long before we entered the society or rather each generation should perpetually rethink the social contract to mirror a particular set of values, interests and expectations? Edmund Burke construed his 'partnership between generations' as an atemporal bond between citizens living on a continuous time axis, while T. Jefferson and T. Paine suggested that generations should be free and/or independent, 'as one nation to another', with the corollary that even constitutions ought to be revised, amended or changed according to the specific interests of a particular generation.

The debate between Jefferson and Burke over generational sovereignty was eventually watered down but the tug-of-war between two opposite perspectives became central to intergenerational justice theory – the synchronic view holds that duties, rights, entitlements are to be recognized among individuals who live in the same time or place and have an identity while the diachronic view supports the idea that duties toward past and future generations are justified even if cooperation of individuals is purely hypothetical.

Besides contributions on growth, equity and optimal saving rates in economics, the theme of justice between generations reappeared in moral reasoning only after World War II in a seminal article of Jan Narveson, 'Utilitarianism and new Generations' [2]. The author defended the classic view of Mill and Bentham against the objection that utilitarianism leads to a duty of 'producing children' because the general happiness will increase. The answer, in

short, was that the principle of maximum happiness for the greatest number of persons is at odds with any duty to increase the population, regardless of circumstances. Furthermore, there is a duty not to bring children to life if the misery of future children can be foreseen, considering that, according to utilitarianism, nothing else matters more than the amount of benefits or injuries that may affect others. Equally important, the assumption that the possibility of duties is conditioned by the very existence of people pertains to a difficulty to be solved by any inter-generational theory, also known as the ‘non-identity problem’. Can we ground and justify duties to non-existent future persons, since they have no determinate identity? Some philosophers would say no, others would rather frame interests that might characterise the people living in forthcoming generations as a sufficient reason of not affecting their opportunities.

Since the Brundtland Report in 1987 and its definition of ‘sustainable development’, the research agenda of inter-generational justice remained partially connected with environmental issues. But the whole picture should include a wide range of topics – optimal population, “public debt management, funding of pension schemes or passing on a language” [3], obligations toward dead people, inter-generational transfers, constitutionalism, climate change [4], responsibility for the past, just inheritance, sustainability, intergenerational global justice [5].

Over the past years the niche of intergenerational justice drew a growing interest in deepening previous ethical and political theories in order to approach specific themes with an improved theoretical toolbox. Presently, contractualist liberal theories compete with communitarian, Marxist, or libertarian perspectives and thus pluralism spreads on. The common ground is that robustness of intergenerational justice is saddled with puzzling difficulties, such as the non-identity problem aforementioned, the cooperation between generations (how should we imagine compliance or cooperation?), motivational considerations, conceptualisation of duties and toward future generations, lack of information and uncertainty, asymmetries of power.

The article revisits only the contractualist framework of intergenerational justice and is confined to the saving principle of John Rawls’ theory of justice. The aim is not to overview his theory; it is important more to address the question of how *justice as fairness* may overcome or not common theoretical constraints of justice between generations. Therefore the following sections comprise a concise exposition of the saving principle, a review of objections raised against rawlsian saving principle, and how these critiques can be answered. Finally some tentative remarks are sketched in respect to the implications of what would mean fair shares of burden in the post-communist societies.

2. The saving principle within contractualist theories of justice

In a short article written in 1958, John Rawls laid the basic principles of ‚justice as fairness‘, and later on developed his general conception in *A theory of justice* (1971), considered a milestone for political theory in a allegedly sterile and unproductive for moral and political reasoning post-war period. It is important to stress that society for John Rawls is seen as “a fair system of cooperation over time from one generation to the next” [6]. In a similar vein, prominent authors in the field of intergenerational justice, such as Janna Thompson, asserted that polities are inevitably ‘intergenerational communities’ [5].

Rawls defines two principle of justice, the equal opportunity and the difference principle, starting from the assumptions that „justice is a feature of social institutions” and „utilitarianism can not build a satisfying justification of rights and liberties of citizens as equal and free persons [7]. The former requires that “each person should enjoy an equal right to the most extensive system of equal fundamental liberties, compatible with a similar system of everyone else” while the latter imposes that „social and economical inequalities should be distributed such as, simultaneously a) one can reasonably anticipate that they function to the benefit of all and b) are attached to positions and offices open to all” [7, p. 53]. The chapters two and three from *A theory of justice* expound and justify the two principles (completed with the so-called ‘lexical ordering’) by means of a thought experiment known as ‘the original position’, underlying assumptions on individual rationality and a conception on ‘primary goods’ (rights, liberties, opportunities, revenues, income, and self-respect).

The saving principle enters the scene in the second part of the book, when Rawls announces that “the account of justice as fairness would be incomplete without some discussion of this important matter”, namely the justice between generations [7, p. 251]. The aim is to “describe a basic structure that satisfies these principles and by examination the duties and obligations to which they give rise”, in other words a framework of constitutional democracy which shows that this conception on justice works and it is reasonable [7, p. 171]. Chapter five of this section seems at first sight a political economy approach, but more exactly, it concerns the moral implications of such a view, which is constrained by the principles of justice as an „Archimedean point of assessing the social systems” [7, p. 231]. The connection between justice as fairness and intergenerational justice is introduced in the discussion of the just social minimum (either allowances or income supplements). Further on, the social minimum depends on “how far the present generation is bound to respect the claims of its successors” [7, p. 251]. Therefore a theory of justice can not be said to be complete without a minimal justification of principles underlying intergenerational justice.

Rawls’ normative dilemma can be restated as follows: are there duties and principles that bound the choices of individuals belonging to different generations? The answer is definitely positive, the rationale appealing to the

same suppositions of ‘original position’ and ‘veil of ignorance’. Two intuitive remarks are necessary for defining a saving principle between generations: the original position should abandon the supposition of *contemporary* individuals who choose the justice principles and there is no possible way that later generation can improve the odds of earlier generations, who could be less privileged. But we can assume that generations are like descending family lines and everyone has to ask themselves: if I would not know to which generation I belong from a given position in time, what would be the saving principle to approve, assuming that each generation will save or would have saved according to the same norm?

A saving principle is defined by Rawls as “an understanding between generations to carry their fair share of the burden of realizing and preserving a just society” [7, p. 257]. Thus, all the generations are treated in a fair manner along the history of a society and „persons in different generations have duties and obligations to one another just as contemporaries do” [7, p. 258]. Rawls reckons that it is difficult to determine a rate of saving in a precise manner, given the fact that different circumstances may lead to different schedules. For example, periods of high economic growth may be thought to impose greater accumulation than if the society is poor. In the same time, justice as fairness and its saving principle avoids the mistake of utilitarianism, namely to ask excessive savings from poorer generations for the benefit of later ones. The principle of fair saving requires every generation to adopt rules of savings that any of them would agree upon under the veil of ignorance, so that a society can maintain and fully realise the just institutions and their material base.

Although the discussion unfolds on the terrain of political economy and distributive justice, it is wrong to conclude that Rawls uses the concepts of ‘accumulation’, ‘saving schemes’ only to circumscribe the norm of justice between generations to a rate of equity in productive capital terms only. A society should preserve not only just institutions, but an extended vision on capital, since the author makes it clear that „each generation must not only preserve the gains of culture and civilisation and maintain intact those just institutions that have been established, but it must also put aside in each period of time a suitable amount of real capital accumulation” [7, p. 252]. In other words, the notion of justice between generations requires also the duty of taking care of the cultural heritage of a society. Secondly, Rawls broadens further the definition of capital, that is, “not only factories and machines, and so on, but also the knowledge and the culture, as well as the techniques and the skills, that make possible just institutions and the fair value of liberty” [7, p. 256].

Even if we can not establish a rigid rate of saving or accumulation, the principle of fair saving acts as a direct ethical constraint on the principle of difference and adds the final brush to the general theory of justice. The saving rate of a society should avoid the extremes, namely the excess to place a heavy burden on a particular generation for the benefit of others or a zero or insignificant rate of accumulation for a generation at the expense of future ones.

3. The ‘circumstances of justice’ and the savings principle

3.1. *The savings principle as intertemporal max-min*

John Rawls’ savings principle of underwent different formulations in the revised theory of *justice as fairness*. The author tried to amend and improve the main idea of justice between generations in order to answer different criticisms he received. The aim of the present article is not to defend the principle against earlier objections, nor to summarise the lengthy list of critical reactions raised. For example, one of the first objections belongs to K.J. Arrow, who demonstrated that the savings principle would “lead to zero savings in every generation for there is no way to compensate the first generation for any savings they may do” [8]. The objection typifies a common reading of section 44 of the first edition of *A theory of justice*, namely to equal the savings principle with a maximin principle in intertemporal contexts (*i.e.*, to assert a rate of saving between different generations in order to maximise the utility of the worst off individual in a generation at t_n), which is far remote from the original intentions, as K.J. Arrow acknowledges in a footnote. Still he made the sound observation that the same logic of the ‘original position’ is applicable to intergenerational justice, namely the justification of the savings principle cannot be separated from the rest of the theory.

A second early critique, raised by R. Sollow, took again the savings principle as an inter-temporal max-min rule but reached different conclusions, including a more advantageous precept of saving for finite pool of resources. R. Sollow agrees with Arrow that accumulation of stock capital in the first stages is not explained and concludes in a similar way that the principle would ‘perpetuate poverty’, being also too conservative. On the other hand, he proves that the savings principle is more sensible than a simple additive welfare approach to exhaustible resources. The corollary of R. Sollow states that generations are entitled to use finite pool resources only “as long as they add to the stock of reproducible capital” [9].

Both early objections converge on the premise that a principle of equity and justice between generations is necessary even if max-min rule in inter-temporal contexts may be unconvincing. A second shared view concerns the logic of a saving principle. How are we to build and rationalise a problem of cooperation, duties, rights, compliance, between non-existent individuals who lived, live or will live in different moments of time?

3.2. *Normative constraints on savings principle*

The normative constraints on edifying a principle for cooperation between non-contemporaries individuals are identical to the principles which govern cooperation between contemporaries, better known since D. Hume as ‘the circumstances of justice’. Of particular interest is a type of frontal assault on liberal theories and their adaptive structure to accommodate a version of justice

between generations. For example, Janna Thompson contends that liberal contractualist theories are vulnerable since they limit themselves only to individuals' lifetime interests while communitarianism is better suited to incorporate duties and obligations towards past and future generations. The core assumptions of such a view are the definition of society as being inherently a 'trans-generational polity' and the thesis that individuals have 'lifetime transcending interests' [10]. Secondly, Thompson joins the critical voices that either found the savings principle as an *ad hoc* addendum, or doubt the possibility of cooperation between generations, that is, the rawlsian 'motivational assumption' to observe that such a principle is weak.

According to David Heyd, the circumstances of justice understood as conditions that make cooperation possible and necessary are to be applied and held not only to the extension of rawlsian justice between nation-states but also to intergenerational context [11]. In other words, the subjective (mutual disinterest, pursuit of life plans) and objective circumstances (same territory, equal power of contractors and moderate scarcity) of justice constitute a normative obstacle for any theory of justice. Unlike other moral principles on justice, such as respect for persons, or sympathy for fellow creatures, the rawlsian view depends on reciprocity. The main point for Heyd is that reciprocity is impossible in inter-generational cooperation due to the natural unidirectionality of time: the interests of future generations may be harmed, the present generation depends on the behaviour of its forebears but there is no way that past generations are dependent on our actions. The conclusion defended by Heyd takes the savings principle not as a 'principle of justice' but as "a statement about the *value* of justice and the duty to maintain or promote it" [11, p. 170]. For Heyd, the rawlsian project fails as a result of a weak intrinsic coherence, but this does not amount to discarding any savings principle. The compliance between generations may be grounded on *solidarity*, as a natural tendency of human beings to cooperate "with particular people than with others", based on "common cultural heritage, shared aspirations" and so on [11, p. 184]. Some would suggest that solidarity may prove a shakier ground to build mutuality or it may vary with the extent of liberal nationalism in a society.

3.3. *The scope of savings principle*

A marginal controversy on the savings principle revolved not around the questions of justification or coherence, but on the scope of saving scheme: what is to be saved and how much? The utilitarian projections on saving are plainly rejected but the alternative answer is hardly accurate. The aim of saving for J. Rawls is preserving equal liberties and institutions that ensure a just society and the saving rate is a function of the society's welfare.

Some critics considered the scope of savings as being too narrow, for it disregards issues like ecological destruction and environmental damage, or duty to preserve natural and cultural capital, infrastructure, and a theory of justice between generations is bound to cover these long-term damages to future

generations [12]. Others derived an extended list of implications from the savings principle, for example the duty to preserve and save factories, technologies, knowledge, education, culture, learning, a minimum welfare for all individuals, an amount of real capital, a capacity to deal with internal dangers and crime, but also a potential of reaction against external threats or invasions [13]. While it is important for Roger Paden to stress the non-monetary facets of Rawls' definition of capital, 'a military and technological infrastructure to deter future aggressors' may not be necessarily required by a saving principle, even in the 'right circumstances'. Such a view would render the upper hand to the powers that be if one were to decide what an external danger is and a slippery slope of abuses may not be circumvented.

3.4. *Real capital savings*

The current debate on governments' indebtedness is a bridging theme between theories of intergenerational justice and political economy. Rawls was convinced that generations are self-interested to endorse a schedule of saving rates under a 'veil of ignorance', or, more exactly, to accept limits to a saving projection appropriately agreed upon, different in poor societies by comparison with wealthier ones. The post World War economic developments revealed the opposite trend of dissaving and growing public debts at peaks never reached before [14]. In other words, the affluent industrialised economies did not observe any rule of saving in terms of public debt percentage from GDP.

The rationale in economics for increasing deficits and public debts alludes mainly to three debatable or lacking evidence theses - the usual countercyclical strategy, public debt as a means to tax smoothing or creating intergenerational equity [14]. Another research route in political economy to explain deficits pointed to political variables instead of economic ones, given the assumption that governments use asymmetries of information and re-election calculus to place the burden of present costs to future tax-payers who "do not even need to be born today" [14, p. 174].

A recent wave of studies within political economy corroborates positive correlations between the high rates of public debts and variables such as the number of parties in ruling coalitions, the average number of parties in parliament, the frequency of change in power for parties or coalitions, or even the magnitude of the district, which lead Süßmuth and Weizsäcker to advance to tentative hypothesis that the higher dispersion of power, the higher we should expect the probability of "intertemporally inefficient budget policy" [14, p. 177].

The savings principle in *justice as fairness* purports to establish a 'reasonable rate of saving' as a natural duty of every generation, and everyone 'gains' when such a rule is accepted [7, p. 256]. In the same time it is plausible for present generations to free-ride the capital accumulation in its wide meaning adopted by Rawls at the expense of future generations in a n-number prisoner's dilemma.

4. Intergenerational justice in post-communist world

The path from ideal theory to institutionalisation of principles has never been smooth, but the scene of nation-states changed dramatically. The ideal of justice between generations may be said to face a U turn in Europe, with four countries surpassing 100% public debt of GDP and an astonishing 178% for Greece – it seems that the principle of savings should reverse its direction to an imperative of not transferring too much a burden to next generations in terms of interests' rates for contracted governmental credits and amortization of foreign loans. Some states have now an 'ombudsman for future generations' and Israel set up a 'Commission for Future Generations' in Knesset. The more publicized Norwegian fund based on oil industry (Government Pension Fund Global), established in 1990, is a positive example that interests of future generations can be properly taken care of, preventing what a fairness-related rule of savings would forbid, namely the exhaustion of finite resources to preserve a high living standard for the present generation.

The industrialised European West and the post-communist world are threatened by the temptation of continuous rescheduling of debts, with Hungary in the worst position from post-communist area and Bulgaria in a comfortable place, with less than 20% public debt as percentage from GDP [Economist, *European economy guide. Taking Europe's pulse*, Apr 29th, 2013]. In the same time, an ideal of intergenerational justice in post-communist world should also include the duties of remembrance towards the victims of the two traumas of XXth century, the Holocaust and the communist regimes. In the words of J. Thompson "a polity as an intergenerational agent is also supposed to take responsibility for injustices of the past" [5, p. 74]. This theoretical insight within intergenerational justice matches similar conclusions in countries with a traumatic recent history. For example, D. Schroeder and B. Brecher forged the concept of 'transgenerational obligations' when referring to Holocaust in Germany and substantiated the claim that "collective responsibility for a cultural context that makes crimes against humanity possible makes compensation by future generations of the community a *strict* duty" [15]. Along with duties of justice and of minimal saving schemes towards future generations, post-communist countries should also pay their fair tribute to memorialisation of past injustices.

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