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GIVING CAPITALISTS THEIR DUE

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In general, capitalists deserve profits and losses for their contribution to the general welfare. Market imperfections and the range of permissible prices (at least within the boundaries of exploitation) prevent the alignment from being a direct one, but the connection generally holds. In the context of the market, this thesis preserves the central place of moral responsibility in moral desert. It also satisfies the fittingness and proportionality conditions of moral desert and provides a backward-looking and pre-institutional ground of it. In addition, the focus on contribution unifies several different types of act-based desert, specifically deserved profits and losses, deserved punishment, and deserved wages. Hence, to the extent that desert-satisfaction is relevant in the selection of an economic system, this result strengthens the case for capitalism.

1. INTRODUCTION

Recent discussion has focused on the notion that desert-satisfaction is a factor that determines the value of states of affairs.[1] If this is correct, then an assessment of the value of capitalism will depend at least in part on the degree to which the free market satisfies desert. In this paper, I will argue for two theses. First, allowing capitalists to keep their profits and losses will in general satisfy desert to a greater degree than will other arrangements (e.g., socialism). Second, the first thesis is the result of the capitalist's contribution to the welfare of others. These theses do not justify the market if one is not a consequentialist (or a non-consequentialist who emphasizes desert) since the goodness of the free market will not directly support its being permissible.

Before beginning, it is worth setting out a few notions related to capitalists' profits. The market is a system whereby production and distribution is the result of the voluntary exchange or gift by individual

[1] See, e.g., Feldman (1995), Kagan (1999), and Hurka (2001).

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persons or groups. A non-market system is one in which production and distribution does not occur via the market. Socialism is a system whereby the government determines production and distribution and is the primary example of a non-market system.

A capitalist is one who has two functions. First, he organizes production. That is, he chooses what, when, and how much to produce. Second, he owns the business's assets. The two combine to explain the central function of a capitalist: control over production. For example, even if the capitalist hires persons to organize production, the capitalist will delegate and approve (at some level) the actions of the organizing employee.

In a market, capitalists receive a return, which is the amount of income minus costs. The costs depend on the use of productive resources such as natural resources, labor, and capital. The return is either profit or loss depending on whether the difference is positive or negative. The profits and losses can be either individual or collective depending on the way in which persons coordinate their capitalist activities.

A person's well-being is the extent to which her life goes better. I shall assume but not defend the view that how well a person's life goes is a function of two factors.[2] The first factor is the degree to which she experiences pleasure or desire-fulfillment. The focus on desire-fulfillment rests on the notion that various desired experiences do not have any phenomenal feature in common, e.g., appreciating a philosophical argument and eating cupcakes do not have any shared experiential features. The second factor is the degree to which she has access to various objective-list elements. Objective-list elements are things that make a person's life go better independent of whether they bring her more pleasure or result in greater desire-satisfaction. This includes things such as knowledge, agency, meaningful relationships, and virtue.

My argument has three parts. In the first part, I set out an account of desert and of the desert-based criteria by which to judge capitalist profits. In the second part, I argue that capitalist profits are in general deserved. The argument begins by examining the case in the context of a perfect market and then considers the claim that market imperfections make the connection between profit and desert less direct but still reliable. In the third part, I respond to objections.

2. THE NATURE OF DESERT

Desert is a type of value. I shall assume that it has the following structure:

(1) A person, *S*, deserves benefit or cost *X* if and only if

[2] Parfit (1984: 493–502).

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(a) other things being equal, it is intrinsically better that *S* receive *X* than that he not receive it,
(b) *S* does action or has character *A*, and
(c) (a) in virtue of (b).

There might also be a causal condition (d).

(d) (b) causes *S* to receive *X*.

An area that illustrates this last condition is poetic justice. One can imagine a case where a person commits a battery and gets an appropriate punishment for battery but for one that he did not commit. In this case (a) through (c) are satisfied but it is not clear that the criminal gets the punishment that he deserves.

The notion that desert concerns the good rather than the right has several appealing features. First, it intuitively seems that the issue of what persons deserve is distinct from the issue of who has a duty to give it to them. This is particularly attractive where desert rests on such things as virtue or interactions with persons who are now deceased. Second, viewing desert-satisfaction as a determinant of the good allows us to capture our intuitions about the relative value of certain states of affairs. In particular, it allows us to say that other things being equal, the world is a better place when the virtuous get pleasure and the vicious pain than vice versa. Again, these intuitions are appealing regardless of whether we view someone as having a duty to redirect pleasure to the virtuous. Third, viewing desert in terms of the good allows us to distinguish desert from rights, where the latter are relations in which interpersonal duties occupy a central role.

Other conditions on desert are worthy of note. First, the act or character in question is something for which the agent is morally responsible. This is not obvious because we sometimes say that a person deserves compensation for an injury, where she is not responsible for receiving that injury. We also say things such as "all children deserve an education," where the children didn't do anything that warrants an education.[3] If this broader sense of desert is correct, then the desert theorist will have a hard time explaining what distinguishes desert from other intrinsic-value judgments. In any case, I shall confine desert to intrinsic-value judgments in which the agent is morally responsible for the ground of value. If one thinks that this is unduly narrow, then she should substitute "responsibility-type desert" where I have written "desert."

Second, there must be an alignment between the object of desert, *X*, and the ground, *A*. In particular, if the ground, *A*, is morally permissible or morally good (depending on whether it is an act or character trait), then

[3] The idea for these points comes from Fred Feldman (1997), especially 182–86.

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the object of desert is good for the person. The converse also holds. This feature relates institutions to desert. An institution is a rule-governed social activity.[4] The goodness of an action (and hence the relevant property of it) might causally come about because of the role of institutions but it does not make essential reference to the institution. The bad- or wrong-making feature (e.g., malicious motive or duty infringement) might come about because of the person's intentional action in the context of various social conventions, but the violation of the social convention by itself doesn't explain why the act itself is wrongful. Since the relevant properties of the ground and object of desert are not institutional, desert is pre-institutional (i.e., conceptually, but not causally, independent of institutions).

Moral desert is also not a forward-looking justification. That is, a person's desert rests on some past or present act, rather than on the consequences of her receiving the object. This in part explains two fundamental features of desert. First, the object of desert must fit the ground of it. That is, the object must be the right sort of thing. For example, a person who wins a track meet because he is the best runner does not on that basis deserve high grades in his academic courses. Second, the object of desert must be proportionate to the ground.[5] For example, a person who does a kind act for a neighbor does not deserve an eternity in heaven for it. These features are inferred from our intuitions.

It is also worth noting that, on some accounts, moral desert can be incorporated into forward-looking theories of the right. Desert is backward-looking because it makes essential reference to the past or present. However, on these accounts, desert-grounded duties might be forward-looking. This is because desert can be incorporated into the consequentialist duty to bring about the best state of affairs in the future since desert in part determines the value of a state of affairs. Thus, on these accounts, while desert is a backward-looking determinant of the good, it is compatible with forward-looking theories of the right.

It might be objected that a theory of the right is backward-looking if it requires persons to bring about outcomes because they stand in a particular relation to the past. This objection raises difficult issues as to whether the bearer of value in such a theory is merely a future state of affairs, a relation between the past and future states of affairs, or both. If this objection is sound, then desert can still be incorporated into a maximization ethic even if it rules out forward-looking theories of the right.

If these assumptions about moral desert are correct, then it has the following properties. It must be pre-institutional and not forward-looking.

[4] Arnold (1987: 390 n.6).

[5] This condition is part of (1)(a) if benefit or cost X is individuated in terms of both type and amount.

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It must have the right structure and also satisfy both fit and proportionality requirements. I shall argue that capitalist profit satisfies these conditions.

3. CAPITALISTS DESERVE THEIR PROFITS AND COSTS

3.1 Thesis

In this section I shall argue that in general capitalists deserve profits and losses and that this desert is grounded in their contribution to the general welfare. Here general welfare is a function (e.g., total or average) of individuals' welfare. The desert-satisfaction generally tracks profits and losses rather than directly tracking them for two reasons.

First, profit and loss will not strictly track contribution to the general welfare. This is in part because of market imperfections, e.g., imperfect information and transaction costs, that lessen the degree to which resources satisfy demand. This is also in part because what satisfies demand will not necessarily enhance the general welfare – either because the demander's practical reasoning (e.g., about her or others' interests) is defective or because the content and strength of persons' desires do not track the outcome of this practical reasoning.[6] The latter misalignment creates room for akrasia.[7]

Second, in some isolated transactions there is a range of profits due to the arbitrary point by which persons divide the benefits of a transaction. In this case, each individual's profit need not track the contribution to overall welfare even if the aggregate profit does so.

3.2 Assumptions

Before proceeding, it is worth laying out my undefended assumptions about the market. First, I assume that the market is just (i.e., it respects persons' moral rights). This might rest on claims about the value of non-coercive interference, efficiency, or both. This assumption is a weak one for it need not deny that a welfare-state supplement to the market is just or permissible. The latter might also be just, for example, if persons voluntarily consent to it by choosing to live within a particular country.

Second, I assume that as a general matter current private property rights are morally permissible. This assumption rests on the value of autonomy, which is relevant since autonomy requires the use of objects.[8] It also involves some mechanism by which claims of the distant past

[6] The idea for this point comes from Thad Metz.

[7] A developed argument for this claim is found in Watson (1977: 316–39).

[8] For the autonomy defense of private property rights, see Loren Lomasky (1987) and Kershnar (2002).

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are cut off.[9] This assumption is relevant because on some accounts, the distribution of private property rights might affect the distribution of wealth but not overall productive decisions. This might come about since the more efficient producer will in theory use a particular resource, but a wealth transfer might still be necessary where the more efficient producer is not the party with the legal right to the resource.[10]

One objection is that the first two assumptions are unnecessary. The concern here is that the thesis of the paper is that capitalism is just because it tracks desert. But if this is the case, then there is no need to assume that the market is just because it respects rights. The objector might assert that the second assumption is similarly superfluous. He might say that if I am defending capitalism, then I am defending an account of private property rights. This objection misconstrues my argument, which is for the value of capitalism, not its justness. It is not obvious that desert is a feature of justice, especially if the former is an element of the good and the latter an element of the right.

This is not to say that the justice of the background institution of property and the value of capitalism are completely independent of one another. The justice of capitalist property rights is conceptually prior to the value of capitalism since the distribution of moral rights affects what individuals deserve. To see this priority consider a scenario where two persons transfer the control of cars from lone individuals who are not using them to poor families that desperately need them. The first person gets the car by repossessing it when the owner stops making payments (and the sale contract allowed for repossession); the second steals it. Here, the former act grounds positive desert, the second likely does not. In this case, the distribution of moral rights in part determines the value of the acts by affecting what people deserve.

Third, I assume that price is, at least within the boundaries of exploitation, a moral-free zone.[11] That is, I assume that there is no morally privileged way to distribute a transactional surplus. This assumption allows us to avoid concerns about whether a capitalist receives a disproportionate share of the transactional benefits.[12] Such an account

[9] For arguments that current property rights can survive claims of injustice in the distant past, see Simmons (1995) and Waldron (1992).

[10] Demsetz (1972).

[11] The notion of a moral-free zone as ambiguous between the claim that the transacting parties are morally permitted to arrive at any price and that any price is equally good. I mean the former, whereas some factors, e.g., deserved wages, affect the latter.

[12] This account comes from Werthemier (1996: 20ff., 211). An account of disproportionate gain should focus on whether the stronger party is taking unfair advantage of the weaker party, not on whether the stronger party takes advantage of an unfairness to the weaker party. In the latter case the stronger party is not the cause of the unfairness to the weaker party. Focusing on the latter would make most transactions, no matter how rational and

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rests in part on the notion of a reservation value. This is a value at which a party's gain from the transaction is equal to her best alternative to a negotiated agreement. The reservation value is then used to set the reservation price. This is the minimum price she is willing to accept to enter into the agreement. The space between the parties' reservation prices constitutes the bargaining range. Any outcome within the bargaining range involves a transactional surplus that is the difference between the buyer's and seller's reservation prices. This surplus is the gain by the two parties from the contract. A reservation price may be judged as the party's actual reservation price (determined by a counterfactual about the minimum price that a party would accept) or a moral reservation price (the minimum price that a party ought to accept). The latter may take into account the subjective preferences of the relevant party but it is not fully subjective since the party may be mistaken about what is in her interest. The claim of exploitation in a mutually beneficial transaction involves the stronger party using the vulnerability of the weaker party to take a disproportionate share of the transactional surplus relative to each party's moral reservation price. If we set the level of vulnerability as involving a significant threat to a person's or their loved one's overall well-being, then exploitative transactions under current conditions will likely be rare.

Fourth, I will assume that, in general, economic value tracks persons' well-being, i.e., the amount of money spent for a particular good generally tracks the contribution of that good to a person's well-being. This relies on the notion that persons have features such as transitive ordered preferences and the ability to select appropriate means to their ends and that such features explain their spending preferences. This generalization is defeated to the extent that aggregate demand does not track well-being due to market imperfections, or if consumers fail to properly reason about what promotes well-being, or if there is a widespread misalignment between the conclusion of such reasoning and persons' desires. With these assumptions in mind, I set out the notion that in the actual market profits track contribution.

3.3 Profits in the market track contribution

The ideal market is one that is characterized by absence of externalities, zero transaction and information costs, full information, perfect

appropriate given the background conditions, unfair if the background conditions reflect injustice or unfairness, and this seems counterintuitive. Unfairness in the context of a disproportionate gain is a property of particular transactions not a property of macrostate distributions of wealth (or other resources). This distinction is useful because exploitation can take place within a just economic system and because a non-exploitative transaction can take place within the context of an unjust economic system. Also, since the wrong-making features of distributive injustice and economic exploitation might differ, the two should be kept separate for the purposes of analyzing the permissibility of different acts.

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competition, and rational individuals.[13] These characteristics lead to the maximally efficient use of resources. Under such a system, there will be no entrepreneurial profits since the costless shifting of resources eliminates any inefficient malallocation. The capitalist will still make a profit on his capital that is equal to its marginal value. When we move to the actual market, these characteristics no longer hold. For example, there are real and in fact quite weighty transaction costs. Nevertheless the market will over time move successively closer to the ideal market since it will adopt increasingly lowered costs of production and distribution as resources will be shifted to the most efficient producers and distributors. The actual market will be more efficient than a non-market since it allows for greater specialization in the use of information and better harnesses self-interested motivation.

In the actual market, the capitalist receives profits both from a return on capital and from his entrepreneurial activity. Entrepreneurial activity results from the reorganization of production. This second type of profit results because costs decrease but income stays largely fixed. The increased profit is thus the result of earlier malallocation of the factors of production. This second type of profit will decrease over time as competitors will adopt the innovations in production.

On this account, the increased profit will in general track the contribution to the general welfare since the size of the additional profit is proportional to the gains in well-being that result from the correction of malallocated resources. The idea behind the claim that increased profit will in general track the contribution to general welfare rests on the following general assumptions. First, entrepreneurial profits result from innovations that decrease production and distribution costs. Second, decreased production and distribution costs increase aggregate preference satisfaction, since buyers can now buy the same or better goods for less. Third, increased aggregate preference satisfaction tracks increased welfare, since persons prefer things that increase their welfare.

The value of the correction of malallocated resources is a function of some factors that are not under the producer's control, e.g., the nature of consumer demand and the productive threat of competitors. A concern is what the capitalist contributes when it is the workers who actually do the work of changing the workplace. The capitalist's ownership of workplace assets makes changes in the means of production in part attributable to him.

Production systems that do not use the market will be less able to reward persons' contribution to the overall welfare. This is because without the market it becomes extraordinarily difficult to measure contribution. The market allows us to gauge the nature and strength of different

[13] Buchanan (1991: 184ff.).

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consumer demands. Without such a mechanism, sales patterns are more likely to reflect governments' rather than consumers' choices as to products and prices, thus blocking any inference about the collective welfare.

An objector might claim that workers or consumers can know which citizens have contributed without paying for it. They might cite the case of baseball teams that know which of their players have contributed without having to know what they get paid. The objector might conclude that non-market production systems are as capable of rewarding persons' contributions as well as market systems. The issue is not whether non-market systems are as capable of rewarding contribution as market systems, but whether they will do so. My claim is that prices are part of a system that provides for the strongest incentives to gather and analyze the relevant data. The baseball-team analogy supports my contention. The value of a player is the result of numerous factors including the value of his likely replacement and the player's value to competitor teams. Measuring these values requires sophisticated statistical studies that would probably not have been developed or applied without a competitive market for the information, a market that in turn depends on a competitive market for players. This connection between measuring contribution and prices becomes even more important for production that does not have the same type of fan interest. For example, the communication of the contribution of raw cotton to well-being when comparing its use in underwear versus towels is unlikely to be accurately measured unless persons have the incentive to be concerned with this particular comparison.

3.4 Argument No. 1: The contribution model satisfies the desert criteria

The capitalist receipt of profits and losses on the basis of contribution aligns with the general pattern of desert. First, profit/loss receipt is preinstitutional (conceptually, but not causally, independent of institutions). The productive contribution to the well-being of others is not a fact that makes essential reference to institutions. The market in which this occurs may, although this is not clear, make essential reference to an institution but this merely serves as the context in which the contribution occurs. Second, the contribution is a past or current act and hence does not provide a forward-looking justification for capitalists keeping their profits and losses. Third, deserved profits and losses have the right structure for desert. They involve an in-virtue-of justification of treatment that is claimed to make the world a better place than its absence. Fourth, the capitalist keeping his profits and losses satisfies the fit and proportionality requirements. It intuitively seems appropriate that a person who creates economic value for others should receive economic value himself. The fit criterion is one that is a function of intuition rather than abstract argument. For example, consider the fittingness element of punishing

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culpable wrongdoers, giving good students high grades, and giving the fastest runner the prize. The consequentialist gains can in part account for these results, but they cannot justify the fittingness relation because of their forward-looking nature. Allowing capitalists to keep their profits and losses satisfies the proportionality requirement since there is a general correlation between profits (and losses) and the contribution to the well-being of others.

The link to contribution also unifies the different elements (i.e., moral responsibility and the fittingness condition). Contribution as a ground of desert preserves the essential link to the agent's moral responsibility since it focuses on outcomes, which are closely linked to practical reasoning. This is because practical reasoning, at least on some accounts, has an intention as its conclusion and intentions often, if not always, refer to outcomes the agent wants to bring about. This close relation to practical reasoning is significant since it is practical reasoning that lies at the heart of responsibility. This brings in the fittingness since in the context of capitalist activity it is about the creation of economic value (although not necessarily for others) that the capitalist reasons.

Entrepreneurial losses generally result from a misallocation of resources and where so caused reflect a diminishment of general welfare. There is an issue of whether all failures to use resources to contribute to the general welfare constitute such a misallocation given opportunity costs. I leave aside this issue since nothing in this paper rests on this claim. If contribution to the general welfare makes it desirable that the capitalist receive wealth, then a symmetrical account of desert would suggest that diminishment of welfare makes it desirable that she lose wealth.

3.5 Argument No. 2: The contribution model fits into a deeper explanation of desert

The link to contribution also unifies the different types of act-based desert and relates it to character-based desert and in so doing provides the deeper explanation for desert. Through a person's responsible actions, he connects himself to certain values. For example, a person who culpably performs a rape connects himself to certain traits, e.g., cruelty, on which supervene value or disvalue, e.g., badness. Thus, our treatment of a person reflects the fact that he has responsibly connected himself to certain values. It is in part through the bringing about of outcomes that this connection occurs. A similar thing is true of character-based desert. One likely explanation of this unity is that character-based desert rests in the end on the responsible actions whereby a person formed his character in certain ways. The practical reasoning whereby he did this did not focus on the effects of his character but rather on particular acts. Nevertheless, in deciding to do

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certain acts the agent formed himself in certain ways thereby strengthening his connection to certain values.

3.6 Argument No. 3: The contribution model fits with two other areas of act-based desert

I shall argue that the capitalist receipt of her profits and losses is deserved for its contribution to the overall well-being. I begin by noting that we intuitively hold that contribution is an appropriate ground of desert in two other areas: punishment and wages.

3.6.1 Deserved punishment. Punishment is deserved for the culpable unjust harm done on others. The harm factor explains why we think that persons who cause greater harm (e.g., murder and rape) deserve more punishment than do those who cause less harm (e.g., theft and battery). Harm can be interpreted as the wrongdoer's contribution to the unjust diminishment of another's well-being. Some of the other factors like culpability can't produce our intuitive sense of the proportionality of deserved punishment. Other factors, e.g., the utility produced by a punishment, cannot act as the ground since they are forward-looking.

It might be thought that it is the risk of harm, not the actual harm done that could equally account for my intuitions.[14] The risk of harm here is the product of its probability and magnitude. The problem with this suggestion is that likely harm is relevant only in so far as it relates to culpability, which suggests that this is just a restatement of the culpability condition. To see this, consider cases where persons pose a great risk of harm but where they are unaware of this risk. For example, imagine that persons who steal license plates generally sell them to underground garages. Unbeknownst to the license-plate thieves, the garages sell these license plates to gangs who then use them to get away with drive-by shootings. For reasons of police investigation, this fact is never publicized. It seems that the license-plate thieves do not deserve a severe punishment because even though they impose a great risk of harm on others, they are not culpable for doing so.[15] The amount of deserved punishment involves such factors as the wrongdoer's culpability, the degree of injustice and, most significantly for my purposes, the harm that the wrongdoer brought about.

3.6.2 Deserved wages. The most plausible candidates for the ground of deserved wages are each party's sacrifice, hard work, or contribution. Deserved wages do not rest on a person's sacrifice. Persons with greater

[14] This view can be seen in Parker (1991: 732–38).

[15] One might invoke proximate cause in explaining this intuition. However, if proximate cause is a stand-in for moral responsibility, and I think it is, then we still need an explanation as to why the license-plate thieves are not responsible for this further harm.

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ability often can do tasks with considerably less sacrifice than those with lower ability. This is especially true where the cause of the greater ability is something that the more able persons enjoyed developing or which is largely the result of causal factors that did not require sacrifice, e.g., superior genetic endowment. If persons with greater ability are more able than others to accomplish the same type of tasks then it seems that they have sacrificed less to bring about the result. And if a deserved distribution tracks each individual's sacrifice, then the more able persons ought, as a matter of desert, to be given a smaller share of the social surplus. This seems counterintuitive. For example, if two builders do the same task for the same client but one is able to do it more efficiently than the other due to his greater abilities, it does not seem to be a demand of desert that the less efficient builder be paid more. A similar pattern occurs with regard to desert viewed in terms of hard work. For example, consider a case in which master and apprentice create a great work of art together and the apprentice ends up doing most of the legwork (e.g., more total brushstrokes), thereby putting in the greater effort. It intuitively seems that the master deserves a greater share of the rewards since his contribution (e.g., the idea or vision) is greater. If desert tracks hard work and if persons with greater ability need not work as hard to complete the same task as persons of lesser ability, viewing desert in terms of hard work will produce the same counterintuitive pattern of results as does the focus on sacrifice.[16]

Viewing deserved wages in terms of proportionality to each participant's objective contribution has several advantages. First, it gets around the problem of discrimination against persons of greater ability that characterized the sacrifice- and desert-based analyses of fairness. Second, this account tracks our intuitions with regard to products produced as a result of the efforts of multiple persons. Here it seems that the fitting reward for each person's participation is proportional to her contribution. This is why we often think it deserved that persons who work longer hours receive more pay but think differently where one person's labor requires considerably greater skills than the others. Consider a case in which two workers do a job. The first puts in 10 hours using a backhoe while the second puts in 50 hours using a shovel. Because of the greater efficiency of the backhoe, the first accomplishes ten times as much. It does not seem undeserved for the first to get paid considerably more.

Third, this account is compatible with different accounts of value and models of contribution that might be used to fill out claims of fairness. In

[16] For a discussion of a type of desert grounded by hard work, see, e.g., Sher (1987: ch. 4). For a discussion of desert grounded by sacrifice, see, e.g., Feinberg (1970: 55–94). For a discussion of desert grounded in contribution, see, e.g., Slote (1999: 210–23). Some theorists argue that there are several desert types and that these types have different types of grounds. See, e.g., Sher, *ibid*. and McLeod (1999: 271–82).

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particular, the account is neutral with regard to whether the contribution of each person's labor is a function of its marginal product and whether the value of a contribution is a function of the socially necessary labor time that brought it about.[17] My general point about the relation of contribution to deserved wages could be accepted while rejecting one or both of these ideas.

Hence, in the context of wages, desert tracks each party's contribution. The focus on contribution unifies the different types of act-based desert, e.g., deserved punishment, wages, and profit, and unifies the act- and character-based desert-types. It unifies the types of act-based desert by viewing desert as a fitting response to values adopted when the agent acts to change in the world. In both cases, we respond to the values to which a person has connected himself.

3.6.3 Desert and effort. The most powerful objection to this argument focuses on the relation of desert to moral responsibility. The objector argues that since the ground of moral desert is something for which the agent is morally responsible, the wage a worker deserves depends on some factor that is substantially within her control. The objector continues that since a worker has substantial control over her efforts and not over her contribution or sacrifice, the former is the ground of desert. The objection thus rests on the following three propositions:

1. If something grounds moral desert, then it is something for which the agent is morally responsible.
2. If the agent is morally responsible for something, then she has substantial control over it.
3. The agent has substantial control over, and only over, her efforts.[18]

One problem with this argument is that it is not clear why the agent doesn't have substantial control over contribution. She may not have as much control as she has over her effort, but this is not required for something to ground desert. It should be noted that the worker has control over the production of certain objects, but not over whether these objects satisfy others' preferences. This is analogous to how a wrongdoer deserves punishment for doing actions that infringe on the rights of others in part

[17] An argument against the marginal product account can be found in Sen (1992). An argument against the labor theory of value can be seen in Cohen (1979: 338–60).

[18] Thad Metz argues that contribution is not substantially under our control because it is influenced by endowment (cf. Metz 2000). Endowment also affects the intensity, duration, and decision to exert effort and the planning that directs it. It is not clear why endowment substantially undermines our control for the former and not the latter, especially if we consider, as I argue below, the role of planning.

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where such actions cause the victim to suffer even though the wrongdoer does not control whether the acts bring about another's suffering.

A second problem with effort theory arises when we try to identify the scope of effort that grounds deserved wages. For example, consider where one middle-aged worker, Al, has worked much harder than a second, Bob, to develop specific abilities or more disciplined work habits, and as a result is much more efficient. As a result, the two put in the same effort but Al is far more productive. Intuitively, Al seems deserving of higher wages. But if we count the efforts that a worker puts toward developing specific abilities or general abilities (e.g., discipline), then we end up looking at effort that goes far beyond the workplace. For example, Al's discipline might have been acquired in the college weight room. This broader scope breaks the link between the desert ground and moral responsibility. This is because in many cases the decision to develop or not develop general habits, and perhaps some specific abilities, is made where the agent lacks sufficient information about the relevance of these abilities to future jobs. For example, a player's efforts in learning the intricacies of basketball are often made without considering how this might influence his future employment as a talent scout.

A third problem with effort-theory is that the agent's efficiency is a function of her planning and her monitoring and adjusting her effort in response to feedback.[19] These features are often the result of imagination, intelligence, and other mental events and capacities that do not result from conscious decision. Even if persons can plan or plan to plan, they often can't plan to plan to plan. A dilemma then arises as to whether these mental events (e.g., planning) ground deserved wages. If they do but do not result from conscious decision, then the desert ground is disconnected from moral responsibility. If they do not ground desert but do affect production, then some seemingly relevant effort will not ground desert. Also, on this second horn, wasteful and inefficient effort will generate as much desert as well-planned and well-executed effort. This is counterintuitive. This counterintuitive result persists even where we discount the failure to plan, monitor, or adjust by persons' lower capacities.

3.7 Conclusion

In general, capitalists deserve profits and losses for their contribution to the general welfare. Market and demand imperfections and the moral-free nature of prices (at least within the boundaries of exploitation) prevent the alignment from being a direct one, but the connection generally holds. The role of contribution preserves the central role of moral responsibility by

[19] The idea from this paragraph comes from George Sher, "Effort and imagination", unpublished manuscript.

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placing value on the object of practical reasoning. It satisfies the fittingness and proportionality relations. It also provides a backward-looking and pre-institutional ground of moral desert. In addition, the thesis fits into a deeper explanation of desert in terms of persons connecting themselves to values. The contribution thesis also unifies several different types of act-based desert, specifically deserved profits and losses, deserved punishment, and deserved wages. I now turn to some of the objections to the thesis that capitalists deserve their profits and losses based on their contribution to collective well-being.

4. OBJECTIONS

There are roughly three different types of objections that are raised to my thesis. First, capitalists do deserve profits and losses but not on the basis of their contribution to the general welfare. Second, persons do have moral desert but capitalists do not deserve profits and losses. Third, persons do not have moral desert. I shall address the first two, the third takes us too far afield.

4.1 Capitalists deserve profits but not on the basis of their contribution to general welfare

On some accounts, deserved profits rest on things other than contribution. These theories fit into two types of grounds: forward-looking and backward-looking theories. An influential forward-looking theory is that put forth by N. Scott Arnold.[20] Arnold views deserved punishment as a type of institutional desert. Institutional desert consists of those rules that award costs and benefits in a way that best achieves the market's essential goal. He asserts that since the market's essential goal is the efficient distribution of scarce resources, market-based desert consists of the rule or rules that best achieve this goal. On his account, the rule (or a member of the set of maximally efficient rules) that does so involves capitalists keeping their profits and losses. He argues that this reward system is maximally efficient because it provides capitalists with an incentive to produce efficiently, transfers resources to them in a manner proportionate to their past efficiency in reorganizing production, and communicates the efficient means of production to competitors. Hence, on his account, the effects of allowing capitalists to keep their profits and losses makes them deserved.

This account has several problems. The most glaring is that it makes the effects of capitalists' receipt of profits and losses rather than their acts the ground of the desert claim. This is not an act-based ground and this severs

[20] Arnold (1987: 387–402).

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any connection between moral responsibility and deserved profit. This is problematic to the extent that one thinks that desert necessarily involves a ground for which the agent is morally responsible. Another problem is that it is forward-looking. To the extent that desert is not forward-looking, this approach is mistaken. Arnold is aware of this objection and claims that institutional desert can be forward-looking where the institution in question is justified on forward-looking grounds. This conflicts with our intuitions about desert because it threatens to categorize a large set of forward-looking value judgments as desert judgments. This account also relies on an institutional desert. As mentioned above, this confuses desert whose grounds are institutional with desert whose ground is pre-institutional but whose effects causally involve institutions. It is hard to see how a ground can essentially refer to an institutional property when such properties are themselves neither something for which the agent is morally responsible nor something that is a good- (or right-) making property.

The backward-looking theories agree that capitalists deserve their profit but claim that their desert rests on something else such as risk or the postponement of gratification. The notion that risk can ground desert is unconvincing. Intuitively persons do not deserve things just for taking a risk, independent of the nature and degree of risk.[21] For example, persons who take extreme risks often seem to deserve little (e.g., persons who play the lottery). Similarly, persons who take risks that offer little benefit to the risk-taker or others also do not intuitively seem to deserve very much (e.g., persons who invest in mining gold in areas where there is little evidence that it occurs). Moreover, the fit element is not met. It is intuitively unclear how taking a risk makes it valuable for a person to receive a benefit or loss. If we link this risk to the contribution to others' welfare the fit does intuitively seem to be met, but it seems to be contribution and not risk that explains the intuitions involved.

The postponement of gratification suffers from similar difficulties.[22] Postponing gratification does not seem especially valuable; again it seems to be a function of the likely outcome and perhaps reason for the postponement. The fit element is again not met. Postponement of gratification intuitively seems to be neutral since it is not clear why it matters when a person experiences gratification. However, when linked to something like contribution the fit element does appear to be satisfied.

[21] This point can also be seen in Christman (1988: 11–12) and Arnold (1987: 395). For example, persons who risk their health by copying the stunts in *Jackass – the movie* (Paramount 2002) do not deserve profit.

[22] Postponement of gratification likely makes sacrifice the basis for desert and past a certain amount of wealth it is no longer clear that postponing gratification is a sacrifice. Schweickart (1991: 179).

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Other theories might rest deserved profits and losses on hard work or sacrifice.[23] These approaches intuitively fail to satisfy proportionality in other areas since inefficient or mentally slow workers do not seem to have strong deserts based on their hard work or sacrifice. For example, we intuitively think that a talented quarterback (Ken) who leads his team to repeat championships deserves more income for his playing than does a quarterback with mediocre talent who worked as hard as Ken but who could not read defensive alignments as well. In the context of punishment, there is a similar disconnection between hard work and sacrifice and deserved punishment. If we have analogous intuitions with regard to capitalists, and I think we do, then this suggests that these grounds will not satisfy the proportionality feature of desert.

George Sher argues to the contrary that hard work grounds desert because the person is investing his time and energy into a project. Since this is in effect an investment of his life, it has value.[24] This argument rests on the premise that since a person's life has value, whatever the life is invested in also has value. This is plausible because it appears able to satisfy the fit relation (because the life has value) and proportionality (since the amount of value tracks the amount of the agent's life mixed in). Like the investment of labor, it is not clear that a person can literally invest his life into a project. After all, a life is not an object but an object's duration in time and this seems incapable of being mixed into other physical objects.[25] A more figurative account of mixing one's life into a project escapes this metaphysical concern but only by making Sher's position obscure.

Assuming then that I am right in arguing that if capitalists deserve their profits and losses, then contribution grounds it, we still need to look at a challenge to the antecedent.

4.2 Persons deserve things but capitalists don't deserve their profits and losses

John Christman raises a powerful objection to the idea that contribution grounds capitalist desert.[26] Christman notes that in an imperfect free market, profit and loss are the result of consumer demand and the competitive threat posed by other competitors (the proximity and capacity of potential competitors). Christman then argues that profits and losses do not satisfy the proportionality requirement of desert because neither the consumer benefit nor the producer's contribution determines the size of

[23] The emphasis on hard work can be seen in Miller (1976: 109), Sadurski (1985: 134–35), and Sher (1987: ch. 4); the emphasis on sacrifice in Feinberg (1970: 55–94).
[24] Sher (1970: 60–62).
[25] The idea for this point comes from Waldron (1983: 39–42).
[26] Christman (1988: 12–15). A similar point can be seen in Nathanson (1998: 56).

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profit.[27] Christman provides three main reasons in support of these claims. First, consumer demand and competitive threat determine profit level but are not part of the consumer benefit. Second, since greater competitive threat benefits consumers, the size of profit is in fact inversely related to consumer benefit. Third, the consumer and competitor conditions are not things within the producer's control and hence not part of his contribution.

The first reason should be quickly rejected. The proponent of the contribution thesis asserts that the shape and magnitude of consumer demand and competitive threat are the context in which the benefit is provided. He does not assert that it is part of the consumer benefit. This is analogous to the way in which a starting baseball player has more value to his team the less able his backup, but the weakness of the backup is not itself a benefit that the starter provides to his team. Similarly, the amount of misallocation of resources is the context in which the consumer benefit is provided, but it is not itself a benefit.

The notion that the profit is inversely related to the benefit provided to consumers also rests on an error. The error occurs since Christman apparently holds the benefit fixed in different competitive environments and then argues that, given this level of benefit, additional profits merely harm the consumers. The problem here is that this is not something a contribution theorist would hold fixed. If one producer vastly improves production efficiency as compared to his competitors, then over time he contributes more to consumers than one who only slightly improves it. If this is correct and if profits track the degree of improvement, and I assume that they do, then profits will track contribution.

The third assumption is trickier for it seems to make the contribution theorist allow that the desert ground involves causal factors outside of the agent's control. Every desert theory must make such an allowance, however, at least to some extent. This is because it is logically impossible for agents to deserve (or even control) the traits and conditions that make their actions and character possible. That is, acceptance of the following proposition will make moral desert impossible:

> If a person does not deserve to have X and X makes Y possible, then that person does not deserve Y.

This can be seen in that no one can deserve the ability to exert effort or a life-sustaining environment.[28] Such desert would only be possible for a

[27] Christman, 13.

[28] The idea for this point comes from Sher (1970: ch. 2, esp. 26). Alan Zaitchik points out that the idea behind this attack on desert is that since desert cannot rest on a foundational base it must rest on an impossible infinite regress, Zaitchik (1977: 373). Both arguments are aimed at Rawls (1971: 104, 310–15).

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self-caused being and such a being is impossible. However, once we allow the causal basis of desert grounds to include things outside the agent's control, then the door is sufficiently open to allow persons to deserve things based on the contribution to consumers even though this depends in part on contextual factors. This is because what desert requires is merely that the ground of desert is substantially under the agent's control. The choice of what, where, and when to produce meets this test.

An objection that might be raised to this line is that the fact that persons have different opportunities to make a capitalist contribution undermines the case for desert.[29] The different opportunities are relevant only if moral desert is comparative, either in general or in the economic context. This is not true of other areas of desert. Consider deserved punishment. How much a rapist deserves to suffer for his act is intuitively independent of how much punishment past and future rapists will be given. If, for example, misogynistic judges have given other rapists one-week sentences, this does not mean that such a penalty for future rapists is deserved. A similar thing appears to be true of character-based desert. A virtuous person does not appear to deserve a life of suffering even if this is what has been given to other similarly virtuous persons. Similar intuitions hold in the context of economic desert. If others who contributed greatly to consumers have received very little benefit for their contribution, then it hardly seems deserved for the next great contributor to get little. If this pattern holds, then moral desert is probably not relational. The explanation for this is that fittingness relation is a function of the values a person has connected himself to (and perhaps also the strength of the connection) and this is conceptually independent of others' actions and characters.

Another objection is that capitalists don't deserve their profits and losses because desert rests on virtue or vice alone and capitalists' characters vary. The objector might be arguing that the negative desert that accompanies the vicious character of some capitalists overrides the positive desert that accompanies their contribution to others. This, however, is compatible with the conclusion of this paper since there is nothing about the conclusion that prevents different deserts from being combined to produce an overall desert analogous to the way that vector-forces combine to produce a net vector-force. To be interesting, then, the objector must be asserting the following.

> *Strong Character Theory*: Moral desert rests on, and only on, an agent's character.

There appear to be four main arguments for this theory. One argument behind this notion is that a person is constituted by her character and

[29] The idea for this point comes from Gillian Brock.

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hence it is what should determine a person's desert. The idea is that what should ground punishment is who we are rather than what we do. One concern with this argument is that desert rests on some factor for which we are responsible and, on a libertarian account of free will, we are fully responsible for who we are only if we chose to be that way.[30] This is because on a libertarian account a person's responsibility must rest on factors that are in the end not traceable to factors outside of his control, such as his environment or genetics. On a fundamental level, only an agent's choices are not traceable to environment or genetics. If we view choices as a type of mental act, then this theory thereby asserts that desert fundamentally rests on acts. Hence, this first argument fails to support the *Character Theory*.

A second argument is that the *Strong Character Theory* explains why we normally focus on acts. We focus on acts because we can't make reliable judgments of a person's character. We further think that acts ground deserved punishment only in so far as they reflect character. This explains why provocation and duress excuse or partially excuse the agent. They excuse because they involve a disconnection between a person's act and his character. The problem with this account is that the excusing effects of provocation and duress can also be explained in terms of their undermining a person's responsibility for his acts. They do so by introducing emotional forces that overcome a person's ability to control his acts (and would do so for an ordinary person). Thus the role of excuses such as provocation and duress does not support the *Strong Character Theory*.

A third argument for the *Strong Character Theory* is that character is less subject to moral luck (external influences that affect a person) than other factors and hence a more appropriate ground for desert. The problem with this argument is that there is also constitutive moral luck, i.e., moral luck that shapes what character one has.[31] This influence is obviously quite strong, which is why we think that it is important when raising children to have healthy environments. If the influence of moral luck prevents a factor from grounding desert, then this undermines the notion that character grounds desert. One might argue that moral luck shapes character formation less than other factors, e.g., acts and attempts. However, it is not clear what argument supports this claim. This is particularly true if we recognize the significant role genetics plays in determining a person's intelligence, personality, and life outcomes.[32] It is not clear in what sense genetics plays a similar role in determining whether

[30] The notion that desert must rest on factors that we control has been challenged, Feldman (1997: 178–84). I claim that Feldman's counterexamples (e.g., injured parties owed compensation) capture claims rather than desert.

[31] This point can be seen in Nagel (1982: 181–82).

[32] Pinker (2002: 372–78).

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someone attempts to perform or performs an act, although it may come into play in so far as a person's character explains in part his thoughts and actions. Thus, the problem of moral luck does not provide clear support for the *Character Theory*.

A fourth argument from intuitions does support the *Character Theory*. Here our intuitions suggest that the world is a better place if virtuous rather than vicious persons receive increased well-being. Consider the following case, involving the allocation of opium.

There are two persons with the same level of unhappiness, both of whom have a painful terminal illness. The first is virtuous, although his role as a space explorer has not allowed him to express it by directly benefiting many people. The second is vicious but was unable to express this for the same reason. It intuitively seems that if we have enough opium for only one person (and it can't be divided), then the world is a better place if we give it to the virtuous rather than the vicious person. These thought experiments seem a little hard to imagine since it is hard to believe that very different characters over the life of the relevant individuals didn't translate into a different number of wrongdoings. If one thinks that this difficulty does not undermine our confidence in our intuitions, then this thought experiment and ones like it still do not provide any support for the *Strong Character Theory* because they do not rule out acts as a ground of desert.

The objector might concede that the *Strong Character Theory* is false, but assert that the only acts that ground desert are ones done from certain motives (e.g., duty or love of humanity). He might assert that capitalist acts are rarely done from such motives. The problem is that some acts that ground positive desert (e.g., benefiting one's children where one identifies their interests with one's own) are done out of self-interest. Also, some acts that ground negative desert (e.g., injuring others in the pursuit of an ideological goal or to promote the interests of one's children) are done out of desirable motives. If this is correct, then act-based desert need not reduce to motive-based desert. This makes sense since that which grounds desert is something for which a person is responsible and it is not clear that persons can select the motive from which they act.

In conclusion, then, there is no support for the notion that acts don't ground desert. If this is correct, then in deciding whether capitalists deserve their profits, we have to be concerned with both their character- and act-based desert. The latter includes capitalist contributions to the welfare of others.

One last objection that might be raised is that capitalist desert rests on the legitimacy of the capitalists' ownership of the means of production both in general and in the particular ways found in the actual world.[33]

[33] Schweickart (1991: 175–76).

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A defense of this claim will take us far afield but arguments based on either autonomy or consequences are available to support the claim of legitimacy.

One last type of objection rests on the denial of moral desert in general. But a general defense of desert is a project that is outside the scope of this essay. Such a defense will likely rely on showing that our considered moral judgments cohere around certain intrinsic "better-than" judgments in which the moral ground is something for which persons are morally responsible and the existence of moral desert best explains this coherence. I will instead merely stipulate that my conclusion depends on the undefended claim that persons deserve things.

5. CONCLUSION

In general, capitalists deserve profits and losses for their contribution to the general welfare. The role of contribution preserves the central role of moral responsibility, satisfies the fittingness and proportionality relations, and provides a backward-looking and pre-institutional ground of moral desert. In addition, the thesis fits into a deeper explanation of desert in terms of persons connecting themselves to values. The contribution thesis also unifies several different types of act-based desert, specifically deserved profits and losses, deserved punishment, and deserved wages. Hence, to the extent that desert-satisfaction is relevant in the selection of an economic system, this result strengthens the case for capitalism.[34]

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