

Cosmopolitanism, Trade, and Global (or Regional) Transfersⁱ

A paper for the Congress of the Basic Income Earth Network, University College,
Dublin, Ireland, June 20-21, 2008

Michael Howard
Department of Philosophy
University of Maine
Orono, ME 04401
Michael.howard@umit.maine.edu

When discussing global justice, a relatively recent topic in philosophy, I find useful a typology of different positions suggested by Van Parijs (2006). At one end of the spectrum are cosmopolitan egalitarian positions according to which distributive justice should be theorized with equal concern for every person on the planet. This is not just a statement of moral equality, but also an aspiration to equal institutional treatment. Particular states, which tend to favor their own citizens, in Van Parijs's words should be demoted from the framework to the toolbox. And the global basic structure should be redesigned to satisfy a global cosmopolitan principle such as a global difference principle or global equality of opportunity (Caney 2001; Moellendorf 2002; Tan 2004), or real freedom for all. The last of these would entail a universal basic income at the highest sustainable level globally (Van Parijs 1995). Cosmopolitan egalitarianism is to be distinguished from "peripheral global justice" and "minimal global justice". Peripheral global justice is acceptable to those who deny a global egalitarian principle, but recognize either grounds for *reparations* for past "enslavement, occupation or colonization," or some principle of *fair trade* beyond mutual gain, or some principle of allocation of costs and benefits of *cooperation* resulting in global public goods. All of these fall short of cosmopolitanism egalitarianism because "they all rely on a prior worldwide definition of legitimate entitlement to economic goods." Minimal global justice requires either an

egalitarian distribution of *natural resources*, leading to a global resource dividend, or a minimum standard of *human rights* that includes some economic entitlements, which could support something like Rawls's duty of assistance (1999). But once the minimum is attained, no further movement toward equality is required by minimal global justice. My sympathies lie with cosmopolitan egalitarianism, but all of these conceptions should be explored. Some of these diverse conceptions may be complementary, not in competition (and may provide different routes to global basic income, at different levels and with different institutional realizations). Some may be more salient in certain contexts than in others. And the foreseeable effects of peripheral or minimal global justice may be more dramatic than what appears at first glance. In that spirit, I will focus on one dimension of peripheral global justice: fair trade.

The central question of this paper is whether there is an institutional basis for distributive justice across borders (i.e., globally or regionally), that is intrinsic to trade. I understand an institutional conception of justice to be one that makes obligations of distributive justice contingent on a shared scheme of social cooperation which distributes benefits and burdens and thus gives rise to questions concerning whether those benefits and burdens are being distributed fairly. The most obvious example is a community of citizens who share a legal system and an economy, but this need not be the only set of institutions that gives rise to distributive justice.ⁱⁱ

Why ground distributive justice in actual institutions, rather than consider all inhabitants of the planet as equally entitled to an equal share of resources, or equal opportunities or some such egalitarian goal? A non-institutional cosmopolitan

egalitarianism is vulnerable to the “distant planet” objection, as expressed, for example, by Darrel Moellendorf (N.D.):

The non-institutionalist claim that strong duties of justice exist even without “contingent conditions of some institutional minimum” is “implausible” because “it would have us owing duties to construct institutions even if we hitherto had no interactions with the persons with whom the institutions would put us into relation. We would have duties of justice to persons on distant planets, assuming there are such, as soon as it becomes possible for us to erect institutions that could mediate our interaction.”

What sort of conception of global justice can be developed on an institutional basis? At first glance it seems that it is but a quick step to cosmopolitan egalitarianism, given that there exist global institutions of trade and regulation that could be said to constitute a “basic structure”, the subject of distributive justice. And if we imagine all the people of the earth in a global “original position”, where, behind a veil of ignorance, no one will know his/her nationality, we can see that each would favor something like a global difference principle, allowing global inequalities of wealth and income only if they are to the advantage of the least advantaged class of persons, regardless of nationality (see Beitz 1979).

This approach has met with considerable skepticism, not only from “realists” but from egalitarians. Rawls (1999) himself thinks the international trading system does not have a basic structure of the appropriate type. David Miller sees cosmopolitan egalitarianism as a default principle, trumped by considerations of national self-determination (2005: 71). Thomas Nagel thinks it is necessary to have a sovereign before duties of distributive justice arise. Nagel is willing to acknowledge that sufficient global

power might emerge, and then give rise to such duties, but in the meantime we need to wait, and settle for more minimal humanitarian principles on the global level.ⁱⁱⁱ A proposal I made at the BIEN Congress in Cape Town for a NAFTA Dividend—a minimum income for North America—invites this skepticism. Some have responded incredulously, as if to say, “are you telling us that whenever two or three countries begin trading they all thereby become obliged to maximize the minimum for the poorest among them? Surely that goes too far.” While a minimum income might be justified on humanitarian grounds, given the extreme poverty in Mexico (and elsewhere if we imagine a global dividend), or as a Rawlsian minimal “duty of assistance” to enable poor countries to become more well ordered, such arguments have their limits: they aim only at a minimum, not at maximizing the minimum, and they lose their force once the minimum is achieved, so that schemes proposed on such grounds have a target and a cutoff.^{iv}

The skeptics themselves have given a hint of an alternative to both non-institutional cosmopolitanism and institutional nationalism, in scattered remarks about fair trade. When I speak of fair trade I have in mind not so much fairness of particular transactions as the structure of the trading system itself, the background conditions in which transactions take place.^v Rawls hints at the more expansive conception of fair trade in *The Law of Peoples*:

“In addition to agreeing to the principles that define the basic equality of all peoples, the parties [in a global original position, who are representative of peoples] will formulate guidelines for setting up cooperative organizations and agree to standards of fairness of trade....”

He then describes organizations analogous to GATT and the World Bank, for regulating fair trade and borrowing. Free market exchanges might be assumed to be “mutually advantageous” if “suitably regulated by a fair background framework...[U]nless fair background conditions exist and are maintained over time... market transactions will not remain fair, and unjustified inequalities among peoples will gradually develop” He also acknowledges the injustice of wealthier countries monopolizing the market, and “unjustified distributive effects between peoples” following from cooperative organizations “would have to be corrected.” Finally, these background conditions “have a role analogous to that of the basic structure in domestic society.” (Rawls 1999, 42-43) Rawls gives no further guidance as to what the standards of fairness might look like, or what would count as “unjustified distributive effects”.

David Miller wants to acknowledge more strongly than Rawls that inequality matters, even if the way it matters is not such as to make us favor some version of cosmopolitan egalitarianism. Inequality of wealth between nations, (or between large corporations and small states) of sufficient magnitude can result in inequality of power between states. This in turn can result in unfair terms of cooperation globally, no real self-determination for the poorer states, or exploitation. The solution is not a principle of equality, Miller claims, but universal human rights, an international obligation to provide opportunity for self-determination and social justice (akin to Rawls’s duty of assistance), *and* avoiding exploitation (Miller 2005: 78). The last seems to go further than Rawls.^{vi} Depending on how one defines exploitation—and Miller says little about this—this addition may lead back to some such principle of equality as Miller claims to have rejected. If, for example, one defines exploitation in Roemerian terms, country A exploits

country B if B would be better off withdrawing from exchanges with its per capita share of the assets (Roemer 1982). Now this definition clearly rests on a benchmark of equality of assets or resources. And the injunction to avoid exploitation is another way of articulating a cosmopolitan position. So either Miller must embrace a stronger cosmopolitanism after all, or he must say that after all exploitation on the global level is not important as a matter of justice.

On the other hand, if one defines exploitation more weakly, as, say, a fair share of the fruits of cooperation, leaving out of account the pre-existing entitlements, this would be acceptable to many who reject cosmopolitanism egalitarianism (Van Parijs 2006; Freeman 2007). Nonetheless, a conception of fair trade that goes beyond fairness of particular transactions to embrace the background conditions and structure of trade may offer an interesting position midway between pure global egalitarianism and nationalism.

I want to suggest, following some pioneering work of Aaron James (2005; 2006), that trade itself, at a certain level of organization, generates intrinsic principles for fair trade, and that these principles can support international transfers (development aid, cash transfers (conditional or unconditional)). Such transfers could, but need not, take the form of a basic income.

James defends an *informal governance* conception of social justice. A governance conception has as a necessary condition for the application of a principle of distributive justice “some appropriate form of organizational control” (2005: p. 3). According to the “sovereignty view” of Nagel or Rawls, only sovereign states satisfy this condition. But James notes that less formal structures of governance exist, notably at the global level,

and these warrant principles of distributive justice. The core idea of an informal governance conception is this: “social coordination is something for which people can demand justification so long as such a demand can be appropriately addressed to some agent or agents. A demand for justification, if it is to be appropriate, must be addressed to some agent or agents whose conduct is to be regulated or governed according to certain, appropriate principles” (2005: p. 6).

The existing system of multilateral trade is a practice informally governed in such a way as to give rise to principles of distributive justice. James notes three features of this system of existing trade: (i) trade is “undertake for common purposes”, i.e., reliance on global markets; (ii) “it involves the coordination of action”, i.e., mutual market reliance; and (iii) “it provides a distinct subject of assessment”, i.e., the “structure of existing trade...constituted by the standing trade policies...treaties...informal expectations” and effects independent of particular transactions (2005: pp. 7-9).

James then argues that two sorts of principles of distributive justice can be defended, which complement one another: Due Care, and Fair Distribution. The principle of Due Care stipulates that “when people (or their activities) are organized as a governable social practice, we can expect them, as a collectivity, to take reasonable precautions to prevent foreseeable negative consequences of their joint activity, and to compensate for any resulting harm” (2005: p. 10). An example of an application of this principle would be compensation to people in vulnerable and affected countries for the financial crises and their effects, brought on by global capital markets, and once such vulnerability is recognized, an obligation to take precautions against such hazardous outcomes for whole economies and regions (2005: p. 12). Another application, with

respect to trade in goods and services, would be “transitional protections—in the form of unemployment pay, paid retirement, job training programs, and the availability of loans and education” (2005: p. 13).^{vii} Obviously basic income could be added to this list of measures designed to reduce vulnerability.^{viii} “Due Care requires that trading societies implement such protections, and share their cost” (2005: p. 13).^{ix}

Due Care is broad in its application, extending to everyone affected negatively by trade, and it is a duty to individuals, but it is minimalist, stipulating only that people not be made worse off (or not without just compensation); it does not address how badly off they might be independently of trade. Fair Distribution is narrower, concerning only those who participate in trade, and is an international principle comparing nations, not individuals across borders, but it is nonetheless more egalitarian than Due Care. Fair Distribution stipulates that “a given, governable practice is to be organized so that those who do their part receive an equal or otherwise acceptable share of its benefits, and no more than an equal or otherwise acceptable share of the burdens that make those benefits possible” (2005: p. 10). Like a domestic difference principle, there is here a strong presumption for equality (but only with respect to the burdens and benefits of trade—pre-existing inequalities not due to trade are off the table). Fair distribution has implications for trade practices that benefit some nations at the expense of others in a trading regime: “Trade will be unfair when inequalities emerge over time and societies are, before and during trade relations, roughly similar in all such relevant, independent factors [as size of a society, its chosen economic organization, its natural endowment, and its past good fortune—p. 14]. This is of course rarely ever the case in fact. But this general truth means that any unequal gains must meet a burden of justification: in order to be justified as fair,

any inequality must be explained as the predictable and appropriate result of one or more independent and relevant factors. The price discrimination, anti-dumping duties, and agribusiness subsidies so common in rich countries have little hope of passing any reasonable and impartial interpretation of this test” (2005: p. 17).

Note that this standard is much more egalitarian than “free trade” which might be understood as the minimal requirement that both parties consent to trade rules that result in mutually beneficial transactions. Mutually beneficial transactions are quite compatible with one partner reaping the lion’s share of the benefits and avoiding many of the burdens. Fair trade demands justification for any departure from equal sharing of the benefits and burdens internationally. Note also that Fair Distribution differs from Cosmopolitan Egalitarianism, first, in confining its scope to the benefits and burdens of trade, leaving pre-existing inequalities to one side. And second, Fair Distribution is an international principle, so, unlike a global difference principle, it does not require the maximization of the prospects of the worst off representative persons across borders. If we were required “to assess the benefits that fall to the upper class of one society by comparing benefits to the lower class of a different trading society,” James argues, “an extremely demanding condition” would need to be met: “trade must have effectively united societies, so that participation in one society is not relevantly different from participation in another” (2005: p. 15). Under Fair Distribution, “inequality across societies in total economic output is not unfair to members of a worse-off society, since no one can claim to have had a hand in creating the social advantages realized in a foreign society” (2005: p. 16). Cosmopolitan egalitarians will balk at the restrictiveness of this principle. But note well: Fair Distribution will give way, over time, to a less

restricted egalitarian principle. As James says, “Even if the globe is not fully integrated, ...independent or pre-existing factors that were once relevant or non-arbitrary will inevitably become irrelevant or arbitrary over time. The value of local factors will become inseparable from the influence of global markets. As markets are increasingly opened, the moral trajectory is toward ever greater positive claims to fair gains” (2005: p. 17).

The main point, in response to anti-cosmopolitans like Rawls and Nagel, is that there is now, on the basis of existing trade practices, justification for distributive justice principles that prevent harm, compensate for harm, and demand equal sharing of the benefits and burdens of trade. These principles will give way by degrees to cosmopolitan egalitarianism as the world achieves full economic integration. To the extent that transfers of income and wealth can be justified within national economies on the basis of reciprocity among participants in shared schemes of social cooperation, to that extent transfers internationally can be justified on the basis of reciprocity among participants in an international scheme of reliance on global markets. In response to cosmopolitan egalitarians, defenders of the informal governance theory can say, the institutions do not yet exist to warrant unrestricted egalitarian distributive justice, but full egalitarian justice can be furthered right now by promoting principles, grounded in existing institutions, which, with greater integration, will give way to egalitarianism on a global scale.

Fair Trade and Basic Income

I conclude with some quick thoughts about the implications of principles of fair trade for basic income policy. First, compare the fair trade principles with minimalist global justice approaches:

a. Egalitarian distribution of natural resources easily lends itself to a resource dividend (Pogge 2002; Howard 2007), and so is a promising basis for a global or regional basic income, but probably at a relatively low level. It does not address the wealth from labor, technology, and social organization (including trade).

b. A principle of humanitarian assistance can be readily invoked, given the depth of poverty globally and within regional trading blocs. There is a case to be made for giving such aid in the form of cash (considering, for example, the often counter-productive results of in-kind food aid). So this too is promising as a basis for basic income, but at a minimal level, with a target and a cutoff.

c. Fair trade need not be an alternative to these minimalist approaches, but can complement them and top them off. In contrast with humanitarian assistance, fair trade is ongoing. It is also progressive, in the sense that as economies become more integrated, the scope of fair sharing widens. Looking more specifically at the principles of Due Care and Fair Distribution, compensation for harm under Due Care easily lends itself to income, but not income that is regular, universal, or uniform. In the case of transitional protections, the case for basic income is as strong for an international scheme the cost of which is shared by trading societies, as it would be for basic income on the national level in comparison (or in combination) with other policies (such as unemployment insurance, etc.). But basic income's simplicity might recommend it in the context of diverse national welfare schemes. One of the problems with "free trade" is that the case for its being mutually beneficial assumes full employment and other basic social protections, which are often lacking in developing countries, so that they end up benefiting less, or even being net losers by participating in trade (Stiglitz and Charlton 2005: 24--35). A simple,

substantial global transfer of wealth, transparently supporting income security in developing country trading partners would be one measure that could help to make good on the promises of trade.

Fair Distribution, as an international principle, does not specify how individuals are to be treated. But if there is a measurable benefit (or cost) to a country from participation in a trading regime, a national case could be made for disbursing the benefit as a basic income to each citizen as his/her share of the benefits of belonging to the trading regime, just as the citizens of Alaska receive a dividend for their share of the benefits of the oil wealth.

Perhaps the most important implication of Fair Distribution, as it relates to basic income, is that it supports a strong safety net in all countries engaged in trade, funded by all the trading partners, as a necessary condition of the trading system's being fair. This is not only a matter of Due Care, but also of “fair inclusion”—insuring that “people affected by trade are...provided with the material basis for market access” (James 2006: 717). And the transfers warranted by Fair Distribution need not stop at a humanitarian minimum but could conceivably even extend to middle income countries that were for whatever reason unable to provide the necessary social protections and opportunities (James 2006: 718). In this way Fair Distribution can reinforce, and perhaps extend, international transfers warranted by humanitarian assistance or other principles.

Bibliography

- Beitz, C. 1979. *Political Theory and International Relations*. Princeton: Princeton University Press.
- Caney, S. 2001. "Cosmopolitan Justice and Equalizing Opportunities." *Metaphilosophy* 32: nos. 1-2: 113—134.
- Freeman, S. 2007. *Justice and the Social Contract: Essays on Rawlsian Political Philosophy*. Oxford: Oxford University Press.
- Hornbeck, J.F. 2004. "NAFTA at Ten: Lessons from Recent Studies." CRS Report for Congress. February 13. <http://fpc.state.gov/documents/organization/34486.pdf>
- Howard, Michael W. 2007. "A NAFTA Dividend: A Guaranteed Minimum Income for North America." *Basic Income Studies*, 2: 1, June; online access: <http://www.bepress.com/bis/vol2/iss1/art4>
- _____ 2008. "Cosmopolitanism and Self-determination," USBIG Discussion paper no. 180, <http://www.usbig.net/papers.html>.
- James, A. 2005. "Distributive Justice without Sovereign Rule: The Case of Trade." *Social Theory and Practice* 31:4; online version quoted in this paper: <https://webfiles.uci.edu/ajjames/DistributiveJusticewithoutSovereignRule.pdf>
- _____ 2006. "Equality in a Realistic Utopia." *Social Theory and Practice*, 32: 3, October; online access: http://www.faculty.uci.edu/profile.cfm?faculty_id=4884
- Krugman, P. 2007. "Trouble with Trade." *New York Times*. December 28.

- Miller, D. 2005. "Against Global Egalitarianism." In *Current Debates in Global Justice*, edited by G. Brock and D. Moellendorf, 55-79. Dordrecht, The Netherlands: Springer.
- Moellendorf, D. 2002. *Cosmopolitan Justice*. Boulder, Colorado: Westview Press.
- _____. N.D. "Equal Respect in Political and Economic Associations." Unpublished mss.
- Nagel, T. 2005. "The Problem of Global Justice." *Philosophy & Public Affairs* 33: no. 2: 113-147.
- Pogge, T. W. 2002. *World Poverty and Human Rights: Cosmopolitan Responsibilities and Reforms*. Cambridge: Polity Press.
- Rawls, J. 1999. *The Law of Peoples*. Cambridge, Mass.: Harvard University Press.
- Reich, R. 2008. "How About a Cap and Trade Dividend?" *Wall Street Journal*. June 4.
- Roemer, J. 1982. *A General Theory of Exploitation and Class*. Cambridge, Mass.: Harvard University Press.
- Stiglitz, J. and Charleton, A. 2005. *Fair Trade for All: How Fair Trade Can Promote Development*. Oxford: Oxford University Press.
- Tan, K. 2004. *Justice Without Borders: Cosmopolitanism, Nationalism and Patriotism*. Cambridge: Cambridge University Press.
- Van Parijs, P. 1995. *Real Freedom for All*. Oxford: Clarendon Press.
- _____. 2006. "Global Distributive Justice." In *Blackwell's Companion to Political Philosophy*, edited by R. Goodin, P. Pettit, and T. Pogge. Oxford: Blackwell.

Notes

ⁱ This paper is a sequel to "Cosmopolitanism and Self-determination," which I presented at the US Basic Income Guarantee Conference, Eastern Economics Association Meeting, Boston, Massachusetts, March 7-9, 2008 (Howard 2008). In that paper I survey at greater length some objections to egalitarian ("strong") cosmopolitanism, and argue for the

importance of examining “peripheral” and “minimalist” global justice conceptions that fall between nationalism and egalitarian cosmopolitanism. This paper is an attempt to articulate one such peripheral conception that seems particularly promising: fair trade.

ⁱⁱ There are other principles of justice besides those of distributive justice that need not be tied to sharing a cooperative scheme (such as respect for basic human rights and duties of mutual aid), but these provide a weak basis for claims to redistribution of wealth or income beyond a minimum or on a continuing basis.

ⁱⁱⁱ As Nagel (2005) suggests, “the path from anarchy to justice must go through injustice.... [T]he global scope of justice will expand only through developments that first increase the injustice of the world by introducing effective but illegitimate institutions to which the standards of justice apply, standards by which we may hope they will eventually be transformed. An example, perhaps, of the cunning of history.”

^{iv} Rawls endorses Pogge’s Global Resource Dividend (see Pogge 2002) as reasonable, if this is construed as having a target and a cutoff (Rawls 1999, 118—19). He thus might also endorse a NAFTA Dividend (Howard 2007), as a regional approximation to what is required by the duty of assistance, assuming difficulties in organizing this duty on the global level at this time.

^v Limiting ourselves to transactions, trade is unfair when parties violate the agreed upon rules of trade as established in treaties, or when one party uses excessive bargaining power to take advantage of weaker parties. But such a conception of fairness does not give rise to duties of distributive justice, since it does not address the background conditions in which transactions take place.

^{vi} See Freeman (2007) on Rawls, however, for something close to Miller’s point.

^{vii} Recent work suggests that wage suppression in developed countries due to trade with developing countries may be higher than previously thought (Krugman 2007).

^{viii} Elsewhere James (2006:) argues that “fair inclusion” gives warrant for positive provision to facilitate access to global markets. “If less economically developed countries are indeed supposed to have a chance to benefit from access to the global markets that already affect them, trading nations bear responsibility for the roads, communications, and other infrastructure needed to make that chance real.” We might add to this list educational and other resources that enable persons to engage with markets, and these resources could include income security in the form of a basic income.

^{ix} Costs can include the burdens of climate change. Some proposals for cap and trade of pollution credits include a universal dividend or basic income (Reich 2008).