THE ROLE OF DISTRIBUTIVE JUSTICE IN ENCOURAGING PRODUCTIVE ENTREPRENEURSHIP AND GLOBAL ECONOMIC GROWTH (SUMMARY)

Jeffery S. McMullen  
*Baylor University, Jeffery_McMullen@Baylor.edu*

Kendall Artz  
*Baylor University, USA*

Recommended Citation

Available at: http://digitalknowledge.babson.edu/fer/vol27/iss22/5
SUMMARY

THE ROLE OF DISTRIBUTIVE JUSTICE IN ENCOURAGING PRODUCTIVE ENTREPRENEURSHIP AND GLOBAL ECONOMIC GROWTH

Jeffery S. McMullen, Baylor University, USA
Kendall Artz, Baylor University, USA

Principal Topic

This article offers an explanation for why certain institutional conditions encourage productive entrepreneurship and, consequently, global economic growth.

Method

We propose that property rights based in a rule of law contribute to perceptions of whether the system is distributively just according to the equity rule, which is “a single normative rule which dictates that rewards and resources be distributed in accordance with recipients’ contributions” (Leventhal, 1976:94). Because maximizing productivity has been the thrust of most distributive justice research (e.g., Adams, 1965; Homans, 1974), scholars have relied heavily on the equity ratio, which is “a proportionality between the individual’s outcome of rewards and costs (i.e., of things of intrinsic value) and his inputs or contributions of assets and liabilities” (Deutsch, 1975:144). Therefore, the more that individual members of the system believe that the system is characterized by distributive justice in terms of this equity rule, the more likely that they will choose productive entrepreneurship and the economic growth it generates over unproductive or destructive entrepreneurship (Baumol, 1990).

Results and Implications

Classical liberal philosophers and economists have suggested that the maxim of capitalism is “To each according to what he and the instruments he owns produces” (Friedman, 2002: 161-162). This maxim represents the principle of distributive justice as embodied by the equity rule. Perhaps more importantly, the principle can satisfy Kant’s test of morality - to act only according to maxims that can be universally applied (Jones, 2006). Without political institutions that ensure distributive justice, capitalism is left only with the institutions of markets and entrepreneurship which the proposed model suggests are not enough to ensure the Kantian morality of a social system. As the Kantian morality of the system diminishes, capitalism becomes susceptible to parasitic local economic growth that can diminish, and even jeopardize the sustainability of global economic growth - a point that is illustrated in the article by recent developments involving Chinese Piracy of U.S. intellectual property. Thus, because it channels entrepreneurial talent into innovative behavior instead of rent seeking or criminal behavior, distributive justice as ensured by property rights that are based in the rule of law appears to be the essence of sustainable economic growth.

CONTACT: Jeffery S. McMullen; Jeffery_McMullen@Baylor.edu; (T): 254.710.6197; Hankamer School of Business, Baylor University, Campus Box 98006, Waco, Texas 76798-8006.