

On the Choice between Property-Owning Democracy and Liberal Socialism

Kai Nielsen

There are, John Rawls argues, only two socio-economic regimes that square with his conception of justice as fairness, and his related conception of a well-ordered society (Rawls 1991, 419-20 and 2001, 136-38). They are what he calls property-owning democracy and liberal socialism. What it is to be a socialist is reasonably familiar. To be a socialist of any kind is to be for the common ownership and control of the means of production and to be for the abolition of private ownership and control of capital except *perhaps* for some very small enterprises such as small restaurants or family farms: enterprises where the owner during his working life is also a worker in the enterprise he owns. For it to be a liberal socialism it must eschew a command economy, be democratic in an unproblematic way and also be what Rawls calls a *political* liberalism protective of basic liberties and rights and respectful of what Rawls calls a reasonable pluralism.

The notion of a property-owning democracy is less familiar. A property-owning democracy, as Rawls construes it, is in the same sense as in a liberal socialism a liberal regime, but it is for the most part a private productive property-owning regime that may, as well, have some producer cooperatives owned and controlled by the workers whose cooperative it is. But—and this is the predominate way it is structured—as a property-owning democracy it is a regime in which private productive property is both extensive and widely dispersed among many different owners. Stock ownership is nearly equal in the population and there is a political and economic equality that goes with the dispersed ownership and control, though the control will characteristically be indirect going through the managers and chief executive officers of the various firms. Everyone in such a society is

in a position, barring incapacitating illness and things of that nature, to, if things go as they should, control the direction of their lives, living as they choose as long as they choose in a way that is compatible with all others being able to do likewise and as long as their choices are in accordance with the principles of justice that are accepted in liberal societies as being in accordance with our considered judgments in wide and general reflective equilibrium.

Rawls regards a property-owning democracy as being, as plainly as liberal socialism, an *alternative* to capitalism. But it does not appear to me to be so even as a model. Socialism, if it is even remotely robust, means the abolition of private ownership of capital except *perhaps* for having some very restricted small-scale private productive property ownership. We have socialism only if the means of production, or at least the major means of production, are commonly owned. There we get a clear alternative to capitalism. With property-owning democracy, with its extensive private productive property membership, we do not.

Some who have wanted to defend a Rawlsian property-owning democracy have denied that. They claim to be following Adam Smith, Karl Marx and Max Weber “in identifying capitalism as a social formation that divides society into propertied and propertyless classes (rather than defining all private [productive] property systems as capitalist)” (Krouse and McPherson 1988, 80). On this characterization “Rawls’s ideal regime should not be called capitalism at all” (Krouse and McPherson 1988, 80). His property-owning democracy is after all, they have it, an *alternative* to capitalism.

That cannot be right for then a slave society would be a capitalist society even though there was no wage labor. There would be slave-owners and slaves (a propertied class and a propertyless class) but no selling of one’s labor on a labor market. But that society is not a capitalist society. For capitalism to obtain there must be private ownership of the means of production and wage labor: workers selling their labor on a labor market. Where these are just owners and slaves—a propertied class and a property-less class—and we do not have wage labor, we do not have capitalism. The crucial distinction is between a regime with private productive property and wage labor—a capitalism—and a regime with common or, if you will, social ownership of the means of production—a socialism.

Someone might regard, I think mistakenly, that as a *mere* terminological dispute. But whether Rawls’s property-owning democracy is, as Rawls himself believes, an alternative to capitalism or, as I will argue, a form of capitalism, not putting that issue aside, another more

fundamental question arises that I shall be centrally concerned with, namely whether, if one has a Rawlsian conception of justice and a reasonable grip on how the world goes or plausibly could go, should one be for liberal socialism or for a property-owning democracy or is it the case that, as Rawls himself believes, there is no way of *philosophically* justifying giving the nod to either socio-economic regime (Rawls 2001, 139)? Is it the case that in arguing for socialism in such a context, or for that matter against it, that, as Rawls has it, one is engaging in a task that is not a philosophical one or one that a philosopher, as long as she sticks to philosophy, has no competence to answer (Rawls 2001, 139)? Philosophy, that is, can have no competence or relevance here. It is not in a philosopher's job description (Rawls 2001, 1-8 and Rawls 2002). Put otherwise, must justice as fairness be neutral here, as Rawls believes, or can we have good grounds, as I believe, for coming down on the side of democratic socialism? Or, even more fundamentally, is it possible and, if possible, an important thing for *philosophers* to do, as I believe it is and Rawls does not, to reason about these issues? But keep firmly in mind that Rawls does not think that the choice between a liberal socialism and a property-owning democracy is an unimportant one but that Philosophers qua philosophers (as jargon has it) can have no competence here.

In arguing that the socialist road is the road to be taken in this not-so-yellow wood, I have in mind three arguments, arguments which I think are within our competence. The first is connected with class, the second with community and solidarity, and the third with the scale of contemporary industry and even of a not-so-contemporary industry (e.g. industry between the First and Second World Wars). Here, for reasons of space, I shall only pursue the first argument: the argument from class.

If socialism works as it is supposed to, after having liberal socialist regimes for some time (perhaps for several decades or longer) we will come to have classless societies. Maybe, in fact, we will never achieve classlessness or even a good approximation to it, but then we will not achieve socialism either. We move toward it—we understand what we are trying to achieve—but we fail to achieve it. But one thing we do know is that we cannot achieve classlessness either in a mixed socialist/capitalist regime or in a private productive property-owning democracy even with, as *another* structure of ownership in that regime, a cooperative workers' ownership. There would, if that were to obtain, be *in addition* to

privately owned productive property in a property-owning democracy workers' cooperatively owned and controlled productive property.

Against the background of my penchant for socialism, we should ask what, after all, is so bad about classes? Well, they involve domination, subordination, exploitation, control (or partial control) by the dominant class of the other classes, insidious status distinctions and not infrequently the bowing and scraping George Orwell so detested. In a class society—any class society, private property owning democracy or not—Rawls's central ideal of people being free and equal cannot be realized. We cannot, in class divided societies, without self-deception and ideological distortion, even *regard* people as free and equal. We are not and cannot come to be free and equal in such a society and we deceive ourselves and say what is false to others if we so regard them or so regard ourselves: that we see, that is, ourselves, as we radical democrats would like to, as a *society of equals*. People cannot be free and equal as long as classes exist and classes will exist, and continue to exist, in a property-owning democracy since private productive property is an essential part of it. Rawls is right in thinking that life would not be as bad as in *laissez faire* capitalism or in welfare state capitalism, but, with classes, we would still not have achieved the society of equals that Rawls aspired to: taken as a core ideal of his ideal theory and what he would take to be a central element of his realistic utopia.

Consider—to catch something of this—something that was common to North America around a hundred years ago and surely would persist in some form in a property-owning democracy. Someone having a family farm would typically have a hired hand and many households—and not only the rich but the petty bourgeois and some moderately well off working class families as well—would have a maid. The hired hand would typically work with his employer doing the same work side by side with him and he would typically eat with the family and, where things went well, be on friendly and familiar terms with the family. The situation was often rather similar for maids in families of modest means. Maids had, of course, their assigned tasks, but they frequently worked with the mistress of the house, cooking with her, for example, and working together at many of the same things and often, except when there were dinner parties where she would serve, eating at the same table and the like. Still, between employer and employee there was a marked difference in status. The farmer or the family hired and fired; they determined what was to be done and it was in

normal circumstances they who gave the orders. Sometimes there were things that were so routine and expected that no orders were needed but, generally speaking, initially orders would have to be given. Moreover, for the employers it was their farm or their household; the hired hand or the maid, if they wanted to be employed, worked on the terms of their employer. They could, of course, bargain, though typically the bargaining power was unequal, but what transpired, if they were to be hired at all, was finally what their employers set. They sealed the bargain. And once hired, their employer determined (within limits, of course) what they were to do. If the hired hand or the maid got too 'uppity' (as it was put) they could be, and not infrequently were, summarily fired and were out in the cold. Or, if times got bad, they were similarly so fired—let go, as it was put—though normally in such situations with regret.

Rawls wants people—all people—to be in control of their lives and he conjectures they will standardly achieve this in a properly functioning property-owning democracy. But being a society which admits of such employer-employee relations as described above, there will inevitably be bosses and bossed: some who are in subordinate positions and some who in the respect in question are not. There are, of course, more harsh forms of subordination and less harsh forms, and in some places it has, through workers' struggles, been in various ways attenuated, but domination, subordination, exploitation, control, self-respect undermining status distinctions and the like remain; and some of these things are in some form inescapable as long as we have classes and, as Rawls has characterized a property-owning democracy, there will remain, and inescapably, classes. This will not yield a society of equals. In such a regime people cannot be free and equal and we cannot without self-deception regard them as such.

I have concentrated on small group face-to-face relations—relations or relations something like those which would exist in any property-owning democracy as characterized by Rawls, or, for that matter, though to a less extent, in a socialist society as well that allowed for in 'small matters' some private ownership of the means of production. (That may be some reason (*pace* Jon Elster) for going for a more robust socialism which excludes both?) For work in large enterprises, whether in factories or in the service industry, similar things go on though the form they take are somewhat different. But there exists in them

domination, exploitation, subordination, insidious status-distinctions, hierarchy and the like. Remember Simone Weil on factory life.

Workers—the hired—when they enter the workplace are not in charge of their lives and, if they cease to be workers and go on welfare, they are perhaps even more extensively controlled. Their supervisors are not capitalists but workers themselves; however, they answer, if they are to keep their jobs, to the interests of capitalists. And there are between supervisors and their welfare clients strong relations of dependency and subordination and domination. But these are effectively the only choices for most people in class societies and both embody subordination and domination and tend to function to undermine self-respect. Either work in such conditions or go on welfare in such conditions—either way people are not free and equal. Rawls, in *regarding* them as free and equal, gives us a false picture of what could be the case in any capitalist society.

Perhaps in a property-owning democracy there would be more self-employed people not employing others and *perhaps* there would be a sufficiently robust guaranteed annual income that would make it the case that more people were more in control of their own lives than in standard capitalist societies and so, it might be thought, such societies would approach Rawls's ideal. But for the guaranteed annual income to work those who *entirely* rely on it must be a minority—probably a rather small minority. Moreover, they would only be in control of their own lives. Not everyone could be self-employed with no employer for some other work in which they needed to engage and not everyone could rely on a guaranteed annual income that was sufficient for them to sustain themselves in some acceptable way: meaning by that, that their needs would be sufficiently met so that they could flourish (Couture 1998). So classes—with the class conflicts attenuated a bit—would remain.

We might have to say 'That's just tough; that's the way life is' and try to ameliorate the ill effects of class a bit in the ways Rawls suggests or in some other more practical ways. This might be just what to do. *Perhaps* that is what we should conclude, *but* for the option that Rawls himself leaves in place, namely liberal democratic socialism. The ills I described here are principally ills caused by the private ownership and control of the means of production. Is this just something with which we have to live?

There is, I believe, a reasonable reply to the not unnatural retort that that's no option at all. History, it is frequently said, for example by Sidney Hook and Richard Rorty, has shown that socialism, at least in contemporary conditions, is an unworkable hugely inefficient way of carrying on production which can yield neither egalitarian justice nor any other kind of reasonable justice, i.e. something that deserves to be called justice.

Here by way of a response enters market socialism à la Alex Nove, John Roemer and David Schweickart (Nove 1983; Roemer 1994; Schweickart 1993). They together and separately (for they do not in every respect agree) make a powerful case for a market socialism that can be both efficient and just and as well for a socialist egalitarianism. And, particularly on Schweickart's formulation, a strong case is made for a society, and eventually a world, which would be a world in which people—all reasonably normal adult people—have effective control over their lives and thus meeting on this socialist conception Rawls's deepest ideals, ideals which Rawls thinks mistakenly (I have argued) a fully functioning property-owning democracy would also meet. A socialist society or a *completely* worker owned and controlled property-owning democracy (assuming they would be different) can perhaps satisfy or approximate this Rawlsian ideal, but even the best of capitalist societies cannot.

Rawls has an old fashioned conception of philosophy: a conception that has become very problematical (Rawls 2001 and 2002). He does not here take to heart the arguments of his colleague Quine that the fence is down. There is no clear conception of the *a priori* or the analytic such that we can divide up our discourse into propositions or sentences which are either analytic or in some other way *a priori*, on the one hand, or empirical or *a posteriori* on the other, and then demarcate philosophy as being exclusively concerned with the *a priori*. There is no such sheltered task that is philosophy's own; there is no such sheltered task for the political philosopher that sharply distinguishes her role from that of the political scientist, the legal theorist, the sociologist, the economist or the historian. There are for all of these disciplines more or less characteristic things people do in working within them and these things are themselves diverse even within a single discipline. There are, of course, characteristic discipline-rooted activities. *Usually* at a multi-disciplinary conference we can tell whether it is an economist, sociologist, political scientist, historian or philosopher speaking. But not always and between these disciplines there is a lot of overlap as well.

Sometimes what political philosophers, political scientists, legal theorists or sociologists do is indistinguishable. The philosopher is not the keeper of the *a priori*, never concerned with empirical issues or barred from arguing about them or utilizing them in her philosophical argumentation. Philosophy is not a name of a natural kind. And that holds for other disciplines as well. It is arbitrary for Rawls to say that it is not the task of political philosophy to argue about the relative merits of property-owning democracy, on the one hand, or liberal democratic socialist, on the other (Rawls 2001, 139). We will not, of course, get anything *conclusive* here or for that matter any place else where substantive matters are at issue. But Rawls as a good fallibilist recognizes that. However, it remains the case that some claims have greater plausibility than others. It has been the burden of my argument to justify in these terms the claim (*pace* Rawls) that liberal democratic socialism, and as something within the purview of philosophical organization, is more firmly in accordance with justice as fairness than a property-owning democracy. If one has the conception of justice that Rawls has one should choose a regime of liberal democratic socialism over a regime of property-owning democracy.¹

¹ Suppose I am wrong here and *philosophy* is so restricted. Still, and on Rawls's own showing, we are not barred from reasonably and rationally arguing the issue. If Rawls is right the considerations and arguments will be more historically and contextually restricted than philosophical arguments standardly are. But that should not bother Rawls for many of his own arguments are so restricted, e.g. his own principles of justice. Still, even if what is going on is not a matter of philosophy it can be a matter of reasonable and rational discussion and deliberation where one side can be right and the other wrong. And that, after all, is the central consideration (Rawls 2001, 139).

Bibliography

Couture, Jocelyne (1998): "Critical Notice of Philippe Van Parijs's *Real Freedom for All: What (If Anything) Can Justify Capitalism?* *Manuscrito* XXI, 2: 163-84.

Krouse, Richard and McPherson, Michael (1988): "Capitalism, 'Property-Owning Democracy', and the Welfare State." In Amy Gutman, ed., *Democracy and the Welfare State*. Princeton, NJ: Princeton University Press, pp. 79-105.

Nove, Alex (1983): *The Economics of Feasible Socialism*. London, UK: George Allen & Unwin.

Rawls, John (1999): *Collected Papers*. Cambridge, MA: Harvard University Press.

_____ (2001): *Justice as Fairness: A Restatement*. Cambridge, MA: Harvard University Press.

_____ (2002): "For the Record." In S. Phineas Uphams, ed., *Philosophers in Conversation*. New York, NY: Routledge, pp. 1-13.

Roemer, John (1994): *A Future for Socialism*. Cambridge, MA: Harvard University Press.

Schweickart, David (1993): *Against Capitalism*. Cambridge, UK: Cambridge, University Press.