

## **How (Not) to Criticise Property-Owning Democracy: A Response to Schemmel**

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**ABSTRACT** *Christian Schemmel makes a strong case that John Rawls underplayed the capacity of robust ‘universal welfare states’ to realise in practice liberal egalitarian principles of justice, and that improvements upon the best existing welfare states will more plausibly take the form of movement in the direction of democratic socialism rather than the more individualist regime that Rawls called a property-owning democracy. Nonetheless, I do not believe it follows from these arguments (even if accepted) that highly unjust, deeply flawed welfare states such as the United States should first focus on developing a universal welfare state and leave thoughts of property-owning democracy to the side for the foreseeable future.*

Christian Schemmel’s fine essay ‘How (Not) to Criticise the Welfare State’ makes a strong case that John Rawls underplayed the capacity of robust ‘universal welfare states’ to realise in practice liberal egalitarian principles of justice, and that improvements upon the best existing welfare states will more plausibly take the form of movement in the direction of democratic socialism rather than the more individualist regime that Rawls called a property-owning democracy.<sup>1</sup>

Nonetheless, I do not believe it follows from these arguments (even if accepted) that highly unjust, deeply flawed welfare states such as the United States should first focus on developing a universal welfare state and leave thoughts of property-owning democracy to the side for the foreseeable future.

I begin by questioning Schemmel’s argument that to assess the welfare state’s potential for realising justice, we must first focus on the *best*, actually existing example of it (i.e. Sweden). Why the *best*, as opposed to the most typical, the most influential, the most prevalent example? And what if the achievement of the *best* welfare state reflects historical, geographic, and demographic features that are particularly unusual and unique — such as relatively small size, racial homogeneity, and a particularly strong tradition of labour solidarity?

This is an important question, because Rawls does not think (nor should we) that we can rationally choose between different regime types without knowing a good deal about the specific historical, cultural, demographic, geographic and economic context in which we are operating.<sup>2</sup> But from the standpoint of crafting a just regime via the four-stage sequence starting from the original position, the parties do not have the luxury of choosing which historical context they might find themselves in. Having chosen principles of justice under a complete veil of ignorance, their next task is to design a political constitution capable of implementing the principles via a constitutional convention. At this stage, the parties become aware of crucial historical and geographic information

about their collective situation which will help inform their constitutional design.<sup>3</sup> Choice of economic and social policies ‘aimed at maximising the long-term expectations of the least advantaged under conditions of fair equality of opportunity’ — that is, the choice of economic regime — is to be worked out at the, third, legislative stage, where ‘the full range of general economic and social facts is brought to bear.’<sup>4</sup>

Suppose the parties, at the legislative stage, find themselves in a setting much like Sweden. There they might rationally observe, as Schemmel suggests, that a robust welfare state can achieve to a significant degree the two principles of justice. But there is still the further question of whether a democratic socialist regime might produce a yet greater degree of justice — for instance, by equalising economic and political power between classes and eventually moving to a society not defined by social class. If the answer to that question is yes, as Schemmel accepts, then Rawls’s fundamental claim, that the welfare state (even its best form) is not the ideal regime from the standpoint of justice is upheld. This is intuitively plausible, of course, given that real-life welfare states (even the best ones) represent a historical compromise between capitalist classes and organised labour and/or broader social interests. It is deeply implausible that parties in an original position would willingly agree to the level of wealth inequality that obtains even in a society like Sweden, where the top 1% are estimated to hold approximately 20% of wealth (compared to 35–40% in the US), a figure regarded by experts as an under-estimate.<sup>5</sup>

The bite in Schemmel’s argument is in the suggestion that the universal welfare state is by logic at least as just, if not more just, than property-owning democracy. This claim is debatable at the level of theory: Rawls, for instance, seems persuaded that there is something quite essential about assuring that productive capital is either shared (democratic socialism) or widely distributed, to the point that there is no recognisable capitalist class capable of dominating the nation’s political life as well as the fruits of its economy. Likewise, taking a hint from Rawls, some current advocates of property-owning democracy are persuaded that having a substantial number of citizens dependent on state-centred redistribution is less conducive to the formation of independent citizens with a high degree of self-respect and respect from others than a system based on ‘predistribution’ of wealth and property.<sup>6</sup>

My purpose here, however, is not to re-articulate those claims, but to point out that as a practical matter the choice between a universal welfare state and full-fledged property-owning democracy is quite unlikely to arise. If the universal welfare state is achievable only in particularly favourable historical circumstances, and those favourable historical circumstances also strongly point in the direction of preferring democratic socialism to property-owning democracy, then it is unclear why the comparison of the ‘best possible welfare state’ to property-owning democracy should come into play at all in that setting.

To formalise, suppose there are two kinds of historical situations for which one is constructing a regime. (In the real world, of course, there are many more situations that might be considered, including possibilities intermediate to the one described below.)

In Situation A, called here Scandinavialand, one finds a relatively small population, relatively small size geographically, racial homogeneity, strong labour traditions, and a political and national culture that is comfortable with corporatist, cooperative arrangements.

In Situation B, called here Americaland, one finds relatively large population, large geographic scale, a high degree of racial diversity and a scarring history of

racial oppression, weak labour traditions, and an individualist national and political culture that is more comfortable with entrepreneurial individualism than corporatist arrangements.

Clearly, Situation A has a far greater likelihood of realising a universal welfare state than Situation B. And just as clearly, in Situation A if one had a universal welfare state, the kind of regime a liberal egalitarian would probably advocate evolving towards would be a form of democratic socialism (possibly with one or two *policies* borrowed from property-owning democracy, to help disperse wealth). It is unlikely that many liberal egalitarian people in Situation A would see property-owning democracy as a *regime* as being particularly relevant, and certainly any proposal to strip away redistributive welfare state institutions in order to create property-owning democracy must meet a very high bar indeed. For instance, if a robust system of publicly subsidised housing was in place and housed a substantial proportion of the population, the quality of such housing was good, and residence in such public housing was entirely non-stigmatised, it would make little sense, at least from the standpoint of justice as fairness, to advocate privatising such housing to create (in the most literal form) a property-owning democracy. If one is already in a just democratic socialist regime, or a regime that tends in that direction, then there is no compelling reason of justice to set it aside and adopt property-owning democracy.

So in Situation A, property-owning democracy is largely if not completely irrelevant to the comparison of regimes. In those circumstances, the proper debate to be had is between universal welfare state capitalism and democratic socialism, and in particular how to devise routes to transition from UWS to some version of democratic socialism. (The Meidner plan of the 1970s was one failed route.)

Now consider Situation B. In Situation B, one is likely to have a weak, partial welfare state that fails to meaningfully correct market-based inequalities, and in which recipients of public assistance are routinely stigmatised. There may also be a weak or even non-existent labour movement, and racial and ethnic tension and conflict may make it more difficult to build a strong social democratic political coalition. Further, the large geographic scale, the fragmentation of governance this entails, and the mobility of capital may make it more difficult to regulate the operations of capitalist enterprise effectively. Here, the criticisms Rawls made of the welfare state will seem especially salient, if not altogether obvious to informed observers.

How should we evaluate alternative regime possibilities if we find ourselves in Situation B? Almost certainly we can eliminate democratic socialism *as a regime* as a realistic possibility, given the strong bias towards markets and entrepreneurial activity, and entrenched scepticism about centralised, collectivist endeavour in the political culture, though it may be possible to borrow particular *policies or practices* from democratic socialism. This leaves us with a choice between the universal welfare state and property-owning democracy.

But, contra Schemmel, this isn't really a choice at all: in Situation B, the robust, universal welfare state of the Swedish model isn't a politically attainable goal. That is to say, from the raw material offered by Situation B, there is no good reason to believe there is a plausible way to move towards a robust system of generous social provision and redistributive taxation in which these practices are not only robust but regarded as just by the overwhelming majority of the population and hence stable. For starters, the primary institutional building block of social democratic politics, organised labour, is

simply too weak to be a driving force in national politics. Moreover, because the baseline moral understanding of many people in Americaland is that people are entitled to their pre-tax market income, whereas those who receive public assistance are 'dependents' to be scorned, efforts to expand the welfare state in an egalitarian direction will always be fragile.<sup>7 8</sup> Hence, one can conclude that given the starting point of Situation B, there is no way to achieve a stable, universal welfare state.

This of course does not yet vindicate property-owning democracy. For it may well be the case that there is no way to achieve property-owning democracy from Situation B either. In that case, if one finds oneself in Situation B, you have no choice but to abandon a rigorous pursuit of liberal egalitarian principles of justice (except as an academic exercise); Americaland, and places like it, may be beyond the reach of Rawlsian justice.

This is a conclusion we should try to resist, or resist as long as we can. Here I would simply note that Schemmel's approach of insisting that we should look at the best existing *regime* biases us towards a negative answer. For when we look for the best existing regime, if we conclude it is Scandinavian social democracy, one is likely to get depressed when one confronts the deep historical reasons why, say, the United States, is not now and never can be a nation like Sweden.

An alternative approach is not to look for the best existing regime to define our choice set, but instead look at the best existing *policies and practices* evident in advanced industrialised nations, including the United States itself. As authors like Gar Alperovitz<sup>9</sup> and Erik Olin Wright<sup>10</sup> have shown, even when we look at the unpromising terrain of the United States itself, we can find an enormous array of local and state policies as well as concrete economic innovations that are democratic and egalitarian in character. One state shares oil revenue among citizens in the form of an annual dividend check. Other states and many localities own firms, directly or indirectly. Many states offer asset-building programs in which the public matches the assets savings of low-income residents. In cities, community ownership and worker ownership schemes are increasingly common.<sup>11</sup>

So if one finds oneself in Situation B, it does not seem reasonable to ask 'what is the best existing regime in the world?', especially if the best existing regime requires the circumstances of Situation A to realise. Instead, it is more promising to ask 'what are the best existing practices and institutions in Situation B, and what would it look like if we constructed a regime on the basis of these practices?' The idea of property-owning democracy itself, as espoused by James Meade, relies precisely on building a hodgepodge of ownership forms as well as inheritance tax practices, most of which already existed. Having assembled a conception of property-owning democracy based on an account of actually working property-sharing and property-dispersing practices and schemes, one can then ask this further question: which political program aimed at creating a more egalitarian economic system, one based on promoting widespread ownership of wealth and 'opportunity,' or one based on promoting a higher degree of redistribution, is likely to gain serious political traction among the mass of citizens?

Posed in this way, one can see why reasonable people in places like the United States might judge that pursuing property-owning democracy needs to be the primary route forward for liberal egalitarians. Promoting a politics of property-owning democracy does not of course imply lack of support for expanding social democratic forms of social protection and provision, or for redistributive taxation. But it does entail a mature understanding that the kinds of social protection achievable in Scenario B are likely to

be deeply inadequate and fall far short of the requirements of liberal egalitarian justice. One supports them more out of a sense of decency rather than an expectation that they could be the route to a genuinely robust welfare state.

It remains to be shown that a practical program of property-owning democracy could be developed that would both be politically attractive to residents of Scenario B and take more meaningful steps towards realisation of principles of justice. In other writings I have suggested components of such a program, including a scheme for redistributing assets into individual wealth portfolios, and greatly enhanced support for existing forms of democratic, wealth-sharing and wealth-building economic alternatives.<sup>12</sup> Alperovitz has gone yet further in spelling out a conception of a 'Pluralist Commonwealth' as an explicit alternative to mainstream liberal politics, and shown how community wealth-building strategies can and already have in the US attracted support across traditional ideological divides.<sup>13</sup> Simply put, the hunch or gamble wagered both by Alperovitz and myself is that grassroots, decentralised strategies that directly redistribute wealth and ownership are a more promising basis for transformative egalitarian politics rather than attempting to shore up a very weak welfare state, even if one also supports such efforts on grounds of decency.

To sum up, we start with Rawls's core claim: that either property-owning democracy or democratic socialism is required to realise liberal principles of justice, not welfare state capitalism.

I accept that there are multiple forms of welfare state capitalism and that some forms are much more attractive than others. I posit that there is a set of historical circumstances — i.e. Situation A — which lends itself to achievement of the more attractive, universal welfare state. I further add that in such historical circumstances, the natural step beyond the universal welfare state will almost certainly be democratic socialism, not property-owning democracy.

Conversely, there is a set of historical circumstances — i.e. Situation B — which leads predictably to a very weak, inadequate welfare state. These circumstances take democratic socialism off the table — but they also take realising a strong universal welfare state off the table. This leaves a choice between pursuing a version of property-owning democracy or attempting to shore up a deeply flawed welfare state as one's primary objective.

Implicit in this scheme is a judgment that virtually all the near and medium-term alternatives likely to emerge in Situation A will be superior from the standpoint of Rawlsian justice than all the near and medium-term alternatives likely to emerge in Situation B. Starting points and history matter. But if this is the case, it is of no use to people in Situation B to observe that, say, 20 years from now, a universal welfare state in Sweden will likely on the whole better realise the principles of justice than a United States that still has a weak welfare state but has taken some tangible though incomplete moves towards property-owning democracy, by instituting, for instance, a universal asset distribution scheme.<sup>14</sup>

That observation may be correct, but it is more a reflection of the superior starting point of Situation A than a commentary on the inherent merits of property-owning democracy. More importantly, it says nothing at all about what justice-minded citizens in Situation B should actually do. The specific circumstances of Situation B may require such citizens to pursue quite different institutional approaches to realising justice than what they might pursue in Situation A. They may rationally judge that since there is not

and is not going to be stable support for a universal welfare state in their own particular historical and cultural context, their practical alternatives are to pursue ownership-based strategies, or to give up on liberal egalitarian aspirations altogether in favour of the more limited goal of trying to secure a measure of decency within an unjust society.<sup>15</sup>

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## NOTES

1 I thank Martin O'Neill and Alan Thomas, as well as two anonymous reviewers, for helpful comments draft versions of this response and pushing me to clarify several difficult questions. I also thank Christian Schemmel for raising so many of the right issues and for inviting me to respond to his essay.

2 John Rawls, *Justice as Fairness* (Cambridge, MA: Harvard University Press, 1999).

3 John Rawls, *A Theory of Justice* (Cambridge, MA: Harvard University Press, 1971).

4 Rawls 1971 op. cit.; Rawls 1999 op. cit., p. 175.

5 Jesper Roine & Daniel Waldenstrom, 'Wealth concentration over the path of development: Sweden, 1873–2006', *Scandinavian Journal of Economics* 111 (2009): 151–187.

6 One reviewer raises the question of whether this critique of the welfare state assumes that a significant number of citizens in a Rawlsian regime endorse an 'everyday libertarian' perspective on redistribution (see Liam Murphy & Thomas Nagel, *The Myth of Ownership: Taxes and Justice* (New York: Oxford University Press, 2002)), of the kind that Rawls of course explicitly rejects. Not necessarily: even in a Rawlsian regime in which most citizens had a moral understanding of income and taxation that recognised that individuals do not have an inherent right to keep their pre-tax market earnings, the issue could and likely still would arise, at least within market societies. The concern with 'dependence' has less to do with citizens' views of the justice of redistributive taxation than with acknowledging the place of first, work and productive activity, and second, ownership, in what Rawls termed the 'social sources of self-respect'. Participation in work or equivalent productive activity (i.e. child-raising) is a critical aspect of social inclusion, a critical component of self-realisation, and a critical mechanism for earning the respect of others. The presence of groups who are persistently or disproportionately reliant on redistributive mechanisms rather than their own productive activity to secure a social minimum is standing affront to social justice, as such groups are likely to be deprived of the social sources of self-respect. Second, ownership is itself a strong proxy for power and self-determination within market societies. A system in which property ownership were more widely distributed plausibly would reduce the number of situations in which some citizens are either dependent on other, more advantaged citizens (i.e. reliant on their good will in order to secure basic goods) or structurally disadvantaged in the distribution of goods (less able to compete for opportunities due to lack of capital or economic reserves). Perhaps the best explication of this logic can be found in Tocqueville's persistent emphasis on the broad distribution of property as the foundation of (white male) democratic culture and social relations in *Democracy in America*.

7 Murphy & Nagel op. cit.

8 Note carefully: this does not mean that the advocate of property-owning democracy or any other broadly Rawlsian approach simply accepts this baseline understanding of the justice of redistributive taxation as given and permanent. The extreme everyday libertarian view that persons are entitled to keep all or virtually all of their market incomes must be flatly rejected (both for reasons of justice and because it is plainly illogical). But what about milder views, such as those recently advocated by John Tomasi (*Free Market Fairness* (Princeton, NJ: Princeton University Press, 2012)), which accept the legitimacy of some level of redistribution but still contend that those who earn money through their own activities have a strong claim to keep the bulk of their earnings that cannot be dismissed as irrelevant (from the standpoint of justice)? While the Rawlsian can say such views are mistaken, can it be said that this is a view that has no reasonable place in public discourse and hence must be dismissed entirely and taken as a plague to be uprooted wherever it is found (i.e. analogous to racism and sexism)?

This is a challenging question. Rawls's concession in *Political Liberalism* that the difference principle is not the only reasonable conception of distributive justice suggests an answer. The difference principle is the most convincing principle of distributive justice from the standpoint of justice, but it is not the only tolerable or



reasonable view. Hence the work of both institutionalising the difference principle *and* shoring up support for it must be an ongoing, gradual process, especially given challenging starting points. We cannot reasonably expect the moral attitudes of a large preponderance of citizens to change rapidly overnight, at least within the context of liberal societies. Progress, if it comes at all, will come more slowly. Recognising this point should not be seen as a compromise of Rawlsian principles. Rawls clearly intended that his theory of justice should be relevant — i.e. politically relevant — even for a nation as flawed as the United States. But this does not mean such relevance can take the form of being able to rewrite all pre-existing popular attitudes on a blank slate.

- 9 Gar Alperovitz, *What Then Must We Do? Straight Talk About the Next American Revolution* (White River Junction, VT: Chelsea Green, 2013).
- 10 Erik Olin Wright, *Envisioning Real Utopias* (New York: Verso, 2010).
- 11 Joe Guinan, 'The rise of community wealth-building institutions,' 1 October 2013. (Short article summarising large body of research.) Available at [http://www.policy-network.net/pno\\_detail.aspx?ID=4476&title=The-rise-of-community-wealth-building-institutions-](http://www.policy-network.net/pno_detail.aspx?ID=4476&title=The-rise-of-community-wealth-building-institutions-)
- 12 Thad Williamson, 'Realizing property-owning democracy: A twenty year strategy to create an egalitarian distribution of assets in the United States' in M. O'Neill & T. Williamson (eds) *Property-Owning Democracy: Rawls and Beyond* (Chichester: Wiley-Blackwell, 2012), pp. 225–248; Thad Williamson, 'Constitutionalizing property-owning democracy', *The Good Society* 22 (2013): 74–90.
- 13 Alperovitz 2013 op. cit.; Gar Alperovitz, *America Beyond Capitalism* (Hoboken, NJ: Wiley & Sons, 2004).
- 14 It may be helpful here to state explicitly what a fully developed property-owning democracy would entail. In my view it would require (as explicitly stated by Rawls) a universal social minimum and provision of universal health care and other basic social protections; a coherent scheme to distribute a significant level of assets to the entire population, including productive capital, housing, and cash savings, via targeted redistributive taxation of the most wealthy and the highest incomes; ongoing support for democratic forms of economic activity; and (most difficult) effective strategies to constrain, break up, or nationalise the largest and most powerful corporations. Even if an asset redistribution scheme were put in place, assuming the context of democratic politics, it would need to be in place for at least a generation before its full effects could be known. Consequently, we are at best one or two generations away from being able to assess definitively whether a fully or mostly-realised property-owning democracy fares vis-à-vis other possible regimes.
- 15 This response to Schemmel also suggests the need for more clarity on the role of ideal and non-ideal theory in assessing actual and potential regimes (and policies) from the standpoint of justice as fairness. Clearly the idea of 'justice as fairness' is at the level of ideal theory. But the choice of political-economic system to realise the ideal is not. That kind of choice requires knowledge of specific historical situations. And, it also requires an understanding that in the actual social world, not all possible regimes are attainable from all possible starting points. The task of the justice-informed theorist thus is not one of attempting to identify the singular best regime, but rather identify a range of plausible just regimes. Figuring out which regime can be most plausibly and fully reached from which starting point then becomes a matter of historical and political judgment. That process of judgment, in turn, requires on the one hand that we are realistic enough to be able to know that we cannot make orange juice if we are handed apples; on the other hand, it also requires that we be capable of using our imaginative capacities to base our judgments about what is possible not simply on what already exists, but what might exist in the near and medium-term future if our most promising practices and policies were to become more widespread.

Part of the difficulty here, as Miriam Ronzoni notes, is that Rawls describes the four stage sequence as an exercise in ideal theory, even though it seems quite clear that a) the choice of an economic system is to be made at the legislative (third) stage in the sequence; b) that at the third stage the parties must have full information about the sociological and political structure of the society in question, including as Ronzoni suggests 'knowledge of the baggage of injustice a society carries' (Miriam Ronzoni, 'The four-stage sequence' in J. Mandle & D.A. Reidy, *The Cambridge Rawls Lexicon* (Cambridge: Cambridge University Press, 2015), pp. 290–292, at p. 292); hence c) the actual choice of an economic system in the four-stage sequence must involve consideration of the 'nonideal circumstances' in which the parties finds themselves. Consequently, whether the parties find themselves in Scandinavialand or Americaland, as in the examples above, often will be decisive in the actual choice of a system.