

Master Thesis
Philosophy, Politics and Economics



Liberty in Property-Owning Democracy

A Critical Engagement with Alan Thomas' Proposal for Alternative
Economic Institutions

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Chapter 1

Inequality Limits Liberty

“Our minds tell us, and history confirms, that the great threat to freedom is the concentration of power. Government is necessary to preserve our freedom, it is an instrument through which we can exercise our freedom; yet by concentrating power in political hands, it is also a threat to freedom” – Milton Friedman, 1962: 2.

“For millions of people, *wealth* amounts to little more than a few weeks’ wages in a checking account or low-interest savings account, a car, and a few pieces of furniture. The inescapable reality is this: wealth is so concentrated that a large segment of society is virtually unaware of its existence, so that some people imagine that it belongs to surreal or mysterious entities.” – Thomas Piketty, 2017: 259.

After more than 40 years of increasingly liberalized markets, liberal societies turn out to be as unequal in the distribution of material wealth as in the 1920s (Piketty, 2017: 23). The dream of the perfect allocation of goods by means of free markets has resulted in a reality in which wealth becomes increasingly concentrated in the hands of a minority of society. David Harvey (2005) defends this line of argument and is supported by the evidence Thomas Piketty (2017) presents in his recent book *Capital in the Twenty-first Century*. Piketty’s book demonstrates that material inequalities are considerably widening in liberal democracies over the course of the last four decades. Remarkably enough, not only inequalities in capital-ownership increased considerably but also the differences in income from labour grew rapidly between the top 10% and the bottom 50% of the populations of liberal democratic societies (Piketty, 2017: 226). Harvey states in this regard that “[t]he top 0.1 per cent of income earners in the US increased their share of the national income from 2 per cent in 1978 to over 6 per cent by 1999, while the ratio of the median compensation of workers to the salaries of CEOs increased from just over 30 to 1 in 1970 to nearly 500 to 1 by 2000” (Harvey, 2005: 16). In the United States, one of the most unequal liberal countries, the top decile currently owns 72% of the entire national wealth while the bottom 50% of the population owns only 2% (Piketty, 2017: 257). At the same time the share of the top 1% of the US population grew from about 28% of the total national wealth in 1970 to 35% in 2010 (Piketty, 2017: 349). This data might seem unsurprising with respect to the United States as they are known pioneers of *laissez-faire* economics. However, we see the same trend in countries like Germany despite its *social* market economy. In January 2018 the German newspaper, *Der Spiegel*, revealed that 45 German citizens own as much as the bottom half of the entire German population (Diekmann, 2018). From this development Harvey concludes that there is an attempt to “restore the power of economic elites” (Harvey, 2005:19), and Piketty remarks that it poses a “risk of a drift toward oligarchy” (Piketty, 2017: 514). I remain neutral regarding the question of whether or not there is an attempt to restore an elitist economic system. However, it has to be acknowledged that it

is characteristic for the actual situation of liberal democracies that society is divided into extremely unequal economic classes. But why is that worrying? It will become clear in the following that the fact that wealth is increasingly concentrated in the hands of a small fraction of society is undermining the most central value of liberal societies: liberty. It shall become clear that the concentration of economic power caused by the emergence of an economic elite causes the concentration of political power. This inequality in the distribution of power is, however, problematic for a legitimate democracy and thereby for individual liberty.

I follow Jürgen Habermas in his understanding of legitimate law guiding a society. He states that, laws are only legitimate if the addressees of the law equally perceive themselves as its authors (Habermas, 1998: 254). To perceive themselves as all authors of the law, every individual needs to have an equal status within a community. This is the status of citizenship constituted by democratic self-determination. That means that citizens need to have equal democratic self-determination, that is equal political autonomy. Habermas states that public-autonomy is co-original with private autonomy. While public-autonomy is constituted by rights of participation, private autonomy is constituted by rights guaranteeing individual liberties (King, 2018: 157). Co-originality means that the two concepts of private and public autonomy are inextricably connected (Habermas, 1998: 258). From that it follows that a person's private autonomy is limited if her public-autonomy is not guaranteed, and vice versa (Habermas, 1998: 257). Therefore, individual liberty cannot be guaranteed without public-autonomy, i.e. democratic co-determination. In that way, democratic co-determination and individual liberty are internally connected in regard to the liberal requirement of legitimate laws governing a liberal society.

I will argue in the following that massive concentrations of wealth are problematic for liberal democracies because concentrated material power undermines the democratic process. That is problematic regardless of the specific notion of democracy one favours. Whether one is a defender of an elitist democratic model,¹ or a proponent of radical democratic² ideas, as an advocate of democracy per se one should be concerned if political power is not constituted by means of rights, but by means of material wealth.

In order to clarify this, I will in chapter one *first* draw on Jeffrey Winters' (2011) definition of oligarchic power. This will help to point at the danger that wealth concentration poses for liberty. Since political co-determination is necessary for a legitimate democracy, a notion of liberty needs to recognize political co-determination in order to be sufficient for a liberal democratic society. For that reason I will, *secondly*, discuss different notions of liberty and their ability to recognize the concentration of wealth as a limitation. While I will reject positive and negative liberty, the notion of republican liberty will prove most suitable for a liberal democracy. Chapter two will be devoted to taking this insight one step further. In view of the actual trend of increasing inequalities in liberal democracies, I will introduce Alan Thomas' (2017) proposal for new economic institutions that he claims avoids the concentration of wealth and guarantees equal political co-determination. In the third chapter I will examine whether Thomas' proposal succeeds in guaranteeing liberty. In the first part of the last chapter I will focus on the internal coherence of Thomas' theory. The second and final part will be devoted

¹ Favouring rule by a democratically elected political elite (cf. Schumpeter, 1942).

² Advocating participation and deliberative engagement in politics by citizens (cf. Wright, 2011); Or most prominently (cf. Mouffe, 2000).

to analysing whether POD is sufficient in its ability to yield the institutional design that guarantees individual liberty in light of material inequalities. I will argue that Thomas' proposal is unsuccessful in guaranteeing the kind of liberty in question. The discussion will provide valuable insights for future considerations on appropriate economic institutions that aim at guaranteeing individual liberty.

1. Material and Political Power

Before turning to the discussion on different notions of liberty I first want to clarify the relation between material and political power. This will be crucial in understanding the task that actual liberal democracies face in safeguarding liberty. I will use Jeffrey Winters' (2011) analysis of oligarchic power. Thereafter I will point out its tension with democracy.

Two aspects of Winters' characterization of oligarchic power are important for the following: *first*, oligarchic power emerges if there are extreme material inequalities in society. Wealth has thereby to be distributed such that a minority of society possesses significantly more than most others who have considerably less wealth. By means of their materially superior position, oligarchs enjoy more power than the latter group (Winters, 2011: 4). That is, oligarchs maintain their position of power by means of their wealth.

Since oligarchs have no primary interest in political rule, oligarchic power is characterised *secondly* by the self-interested use of the power (Winters, 2011: 7). That is, oligarchs use their power not to achieve a higher political goal but for the advancement of their own power position by increasing their wealth. That is why oligarchs take measures to accumulate more wealth as well as measures to avoid levies. In order to achieve the latter, oligarchs engage in activities of wealth defence (Winters, 2011: 10). They use thereby a fraction of their wealth to safeguard their power position to their own advantage. The following exemplify a few possible strategies for wealth defence: One of the most prominent and recent forms is through what is known as lobbying, i.e. political influence of interest groups, or campaign financing. Interest groups influence politicians by means of campaign donations, high positions in executive board committees or the like, and thereby wield influence on political decisions, draft bills or profit from political attention (or disguise) (Monbiot, 2017). It can equally come in the form of foundations or thinktanks representing vested interests of wealthy individuals. Oligarchs also sponsor scientific studies in their interests, or allocate experts informing the media and political bodies (Monbiot, 2017). While wealth defence can include half-legal or illegal measures – for example measures of tax avoidance, which was quite recently attracting attention caused by the revelation of the *panama papers* or of several *tax havens* – it is not necessarily against the law (VanOpdorp, 2017). Wealth defence includes also, for instance, the ability of wealthy individuals to hire lawyers and other professionals who vindicate the oligarchs' vested interests. Accordingly, wealth defence can be summarized as the possibility of materially superior individuals to purchase professionals who promote their vested interests and safeguard their power positions (Winters, 2011: 18-26).

While all individuals have the possibility to hire professionals to work for them, the difference is the extent and the consistency with which materially superior individuals can advance their interests (Winters, 2011: 4). Material power enables some individuals to advance their interests

not only economically, but politically and extends their individual power from the economic sphere to the political sphere. That is, material wealth not only constitutes economic power but also political power. With that said, the emergence of oligarchies is problematic for a liberal democratic society in the following way: Democratic power and oligarchic power have different resources of power. While the power resource of an oligarchy is based on material wealth, a democracy is “based on rights, procedures, and levels of popular participation” (Winters: 11). Thus, in a democracy political power is constituted by formal rights. However, with the emergence of an oligarchy within a liberal democratic society, political power is constituted by two different resources of power: formal rights and material wealth. As I showed in the examples above, oligarchic power has not only the potential to influence the political process, but also to undermine political power constituted by formal rights. By that I refer to cases of tax evasion, that is bypassing laws by finding loopholes in legislation. Winters calls this the versatility of material power (Winters, 2011: 18). Since there are many different ways in which material wealth can be used, power by means of material wealth has the potential to transfer to spheres that are constituted by different power resources, like formal rights. Winters states accordingly that “large and concentrated sums of wealth in the hands of a small fraction of a society’s members represent a power resource that is not only unavailable to the propertyless, but significantly more versatile and potent than formal or procedural power resources such as equal voting rights – particularly when measured at the individual level. The sheer versatility of material power is what makes it so significant politically” (Winters, 2011: 18). While ordinary individuals are only able to advance their interests politically by voting, comparatively wealthy individuals have the ability to pay others who influence the political process in indirect but effective ways as I have detailed above. The many different ways in which material power can be used to influence politics are thereby only accessible to those individuals that are in possession of the material means.

What was just said suggests the concern that concentrated wealth limits democratic equality and thereby liberty. That is because the advancement of the oligarchy’s vested interests has implications for the rest of society. The interference of oligarchic power with political decisions limits the power of the *demos*. If the *demos* is not the only existing source of power that determines a society’s political direction, it follows that the addressees of the law are not its authors. Unequal political power is further a limitation of liberty. That is because political decisions within a democratic polity are equally binding for all. However, due to their material superiority, some individuals have the means to impact political decisions more meaningfully than others. “Gross inequalities in wealth generate massive inequalities in political power and influence within democracies” (Winters, 2011: 5). The wealthy minority thereby enjoys not only an advantage in advancing their individual interests privately – due to their material wealth – but also politically. In contrast, individuals who lack the material means cannot advance their personal interests with equal political power. They further face the threat of being politically disadvantaged by decisions that favour the vested interests of a wealthy minority (Winters, 2011: 10). Wealthy individuals thereby enjoy the power to influence the lives of all other members of society.

As we shall see in the next section, the limitation on equal political power coincides with the limitation of liberty. I will discuss different notions of liberty in regard to their ability to recognize political co-determination. I argued above that political co-determination is inevitable for a liberal society. In order to clarify the kind of notion of liberty here in question,

I will first reject Isaiah Berlin's two notions of liberty – positive and negative – and turn then to Philipp Pettit's republican understanding of liberty. The following discussion will highlight the urgency to safeguard liberty in the face of the massive concentration of wealth in liberal societies.

2. Liberty for a Democratic Society

In this chapter I will consider two prominent concepts of liberty by drawing on Isaiah Berlin's *Two Concepts of Liberty* (Berlin, 1969). After I have rejected them as inadequate for a democratic society I will turn to Philip Pettit's republican notion of freedom, which will prove to be adequate for recognizing equal political co-determination as inevitable for individual liberty. The following discussion will be framed with an eye on material power considering that it poses a considerable limitation on democratic equality as was shown in the previous section.

§1 Negative Liberty

Berlin defines negative liberty as the absence of interference (Berlin, 1969: 16). Individual people or a group of individuals is free if no other agent interferes in what individuals or groups of individuals would be able to do without the interference. Berlin contrasts interference by others with the "mere incapacity to attain a goal" (Berlin, 1969: 16). If individuals cannot attain their goals because they do not have the capacity to do so, it is not a limitation of freedom. It only is a limitation of freedom if another agent is causing that individuals cannot act as they would have if there were no interference. Therefore, the area in which individuals should not be interfered with is the 'naturally' given range within which they can pursue their goals.

However, the negative notion cannot account for equal political liberty as would be necessary for democracy. According to this notion all individuals are equally free regardless of their initial material and social situation, if they are guaranteed non-interference. This leads to an absurd situation in the following way: The assumption that a person is free if she is free from interference by others implies that a person who is starving without interference is still considered to enjoy maximum liberty. Berlin states in this regard: "The Egyptian peasant needs cloths or medicine before, and more than, personal liberty, but the minimum freedom that he needs today, and the greater degree of freedom that he may need tomorrow, is not some species of freedom peculiar to him, but identical with that of professors, artists, and millionaires." (Berlin, 1969: 18) In other words, the peasant is only able to care about his freedom or interference if certain conditions are satisfied. That is satisfaction of certain conditions enables the peasant to be in a position that allows him to care about freedom. Accordingly, mere non-interference is not sufficient to enable individuals to be in that position in the first place. "Without adequate conditions for the use of freedom, what is the value of freedom?" (Berlin, 1969: 17) However, if something else is needed so that liberty becomes valuable for individuals, it follows that either liberty is not primarily important to individuals or that non-interference is not sufficient for liberty. Non-interference is only important for individuals who are already in

a position to care about freedom. This contradicts that freedom, as John Rawls states, is a primary good that people have fundamental interest in obtaining for themselves, regardless of what else they want (Rawls, 2001: 58-59). Non-interference appears to be insufficient to satisfy our intuitions about freedom. If freedom is the most pivotal value it cannot be defined as something that only privileged individuals have interest in obtaining.

However, even if we suppose that all individuals in a society have sufficient subsistence to care about interference, another problem arises. Negative liberty does not require popular control or political engagement of any kind in order to be guaranteed (Berlin, 1969: 22). Accordingly, it is possible that negative freedom is guaranteed under a benevolent despotic government. A benevolent despot who would guarantee social stability and thereby ensure non-interference to all individuals would meet the requirement of negative liberty. It is even conceivable that individuals under a despotic system would have some formal political rights like freedom of assembly and freedom of speech; however, they would have no influence on political decisions. This is problematic since political rights of expression and assembly are in place in order to give individuals the power to impact politics. According to the negative view, individuals are free even though they have no power over the laws that influence the political direction of their society, as long as these laws ensure that individuals are privately free from interference. Therefore, the negative notion is insufficient for a democratic society because it would readily accept the rule of a benevolent despot as freedom-enabling. That implies that negative liberty would consider politically dominated individuals as free. Individuals under a benevolent despotic regime that guarantees non-interference would still live on the whim of the despot, hoping that he will not interfere with them. However, the ‘lucky circumstance’ of a slave whose master treats him with respect does not make the slave a free man. The same applies to legitimate rule. We would not consider a government legitimate just because it coincidentally gives us freedom. Under the rule of a benevolent despot citizens would have to accept heteronomous laws which would limit their public-autonomy. Public-autonomy is however co-original with private-autonomy, which means that if one is limited the other one is as well. Since the members of a society are subject to the laws of the despot and are not the authors of the law that determine their lives, they cannot be considered free. Law is only legitimate if individuals are in control of the political framework that preserves their freedom. The negative notion does not recognize the necessity of political co-determination against arbitrary power as an important requirement for freedom. The negative notion would even justify a dominating despotic government as liberty-enabling. Despotism would not be acceptable from a liberal perspective as legitimate rule. Therefore, the negative notion is not sufficient to guarantee liberty for a liberal democratic society.

If negative liberty is open to the benevolent despot example, oligarchic power structures seem to be supported, or at least not recognized as problematic for co-determination. It is crucial that economic institutions are informed and structured in ways that support an understanding of liberty that bolsters the aims of a liberal democratic society. The negative notion is insufficient in guaranteeing political co-determination. In the next section I will consider a notion that allows for co-determination.

§2 Positive Liberty

In contrast to the previous notion of liberty that was concerned with the area within which individuals should be free, positive liberty is concerned with the source of control. Berlin defines positive freedom as self-mastery. “[It] derives from the wish on the part of the individual to be his own master” (Berlin, 1969: 22). Individuals are thereby free if they are the source of control. This notion implies a free will that individuals must use in order to be their own source of control (Berlin, 1969: 23). Individuals are only free if they are able to follow their true interests. This requires on the one hand, that individuals have the material means to realize their true higher goals but on the other hand, that they are aware of what they ought to want. For individuals to be able to follow their true rational and moral goals, their interests must be free of “irrational impulses and uncontrolled desires” (Berlin, 1969: 23). Individual people are therefore free if they are the rational, self-directed master of themselves.

Assuming that all individuals are autonomous self-determined beings who are masters of themselves, popular control over political rule necessarily follows. Popular control is an extension of individuals who are true masters of themselves to the public sphere. That implies that individuals could not be considered their own sources of control if they are subject to heteronomous political control. Therefore, the positive notion recognizes political co-determination as necessary for self-directed individuals to be free.

While this notion recognizes popular control as necessary for legitimate rule if all individuals are self-determined, it is subject to what Berlin calls the paradox of positive liberty (Berlin, 1969: 24): Political co-determination just follows if we assume that all individuals are autonomous beings. However, it is all too likely to assume that not all individuals are able to follow their rational and moral higher goal. An oligarchy could now claim that its existence is constitutive of the realization of self-mastery for all members of a society. For instance, the oligarchy could claim that their material superiority is beneficial for society’s economic situation. They could claim that without their material superiority every individual in a society would lack the basic material means that are necessary for individuals to reach their higher goals. Accordingly, it would follow that oligarchic power is not freedom-limiting. According to Berlin, freedom understood as being able to follow one’s true interests poses a threat for individuals to be coerced by someone who claims to know what those true interests should be directed on (Berlin, 1969: 24). That is, coercive and paternalistic actions are justified for the reason to enable a person’s liberty. Thus, the positive notion results in a paradox.

Positive liberty demands individuals to follow their higher moral goals or their true interests. While this can imply political co-determination, it can equally result in political coercion. Positive liberty is open to the paradox to coerce individuals to be free which is why we should reject this notion. In the next section I will consider a notion of liberty that is able to meet the demands of a liberal democratic society.

§3 Republican Liberty

Both negative and positive liberty would allow for situations in which individuals in a society have no say about the laws under which they live. As a result, a combination of the two notions would suffer the problems of both. That is because neither can guarantee, as Habermas

demands, that the addressees of the laws are equally its authors (Habermas, 1998: 254). In the first section I argued that democratic self-rule is essential for individuals to understand themselves as the authors of the laws under which they live, which in turn is necessary for them to enjoy individual freedom. This way of thinking is supported by Philip Pettit (1997) who intends to overcome the limitations of the previous two notions of liberty by advocating republican liberty. According to the republican view, freedom is a status that comes with citizenship, which enables a person to enjoy certain rights and privileges as guaranteed by a legal framework that ensures that citizens are free from domination (Pettit, 1997: 36-41). Republicans perceive freedom as non-domination that is defined as absence from arbitrary interference (Pettit, 1997: 271). Republican liberty is characterized by the following two features:

First, republican liberty recognizes the *arbitrariness* of interference as liberty-limiting (Pettit, 1997: 22-6). That is, republicans do not recognize all kinds of interference as limitations of liberty, only those which are arbitrary. Interference is arbitrary if it is controlled by the will or judgement of the interferer without reference to the will or judgement of the person interfered with. Interference is non-arbitrary if it conforms to an agent's real interests (Pettit, 1997: 272). Pettit's understanding of real interests should not be conflated with the evaluative conception of interests as advocated by positive liberty. The evaluative notion would assume that individuals have true interests directed at a higher rational or moral goal and would be held hostage to the paradox as stated in the previous section. On the contrary, republican liberty identifies only a person's real interests – the actual interests a person expresses – as relevant. If a person experiences interference that tracks her real interests the person is in control of the interference (Harbour, 2012: 189). That is, a person had to decide between the attractive options A or B and the person chose B. If the person were interfered within B, then the person were in control over the interference, because B is her real interest. From that it follows that the laws governing a society must track the interests of the citizens in order to guarantee their freedom. In order to ensure that individuals are in control of the interference caused by the laws under which they live, appropriate institutions and procedures have to be in place (Pettit, 1997: 271). The members of a political order exercise control over the interference caused by the laws by means of procedural mechanisms, i.e. the contestatory forum (Harbour, 2012: 196). Since it is impossible that the laws track the real interests of every single individual, Pettit states that all individuals should equally have the possibility to contest and deliberate on political decisions. This, he states, takes place in the contestatory forum that has to be inclusive in order to ensure that all citizens have an equal possibility to contest political decisions and deliberate on their interests (Pettit, 1997: 187-93). If these procedures are absent, individuals are dominated because they are subject to arbitrary interference. Note that, even if interference tracks a person's interests accidentally, the person is still subject to the whim of another if appropriate institutions are not in place (Pettit, 1997: 27). That is because the republican considers liberty only ensured if an appropriate institutional design guarantees non-domination by liberty-enabling laws. Therefore, republican liberty is constituted by the status of citizenship, which is ensured by laws that track the interests of the members of a society.

The *second* characteristic of republican freedom is the *capacity*-component (Waldron, 2007: 145). Unlike the negative notion, the republican considers also those individuals as unfree who are under the potential threat of being arbitrarily interfered with by others even if the interference is not yet taking place (Pettit, 1997: 271). By contrast negative liberty only regards

interference that is actually taking place as liberty-limiting. According to the republican view the mere capacity to be dominated already limits individual liberty. Recall the example in the section on negative liberty. The benevolent despot would be accepted by advocates of negative liberty because she causes no actual interference. The republican would recognize the benevolent despot as liberty limiting because the laws and institutions are not in place that ensure citizens' rights and liberties independently from the despot's goodwill. Once again, to guarantee liberty the republican demands an institutional design that ensures that all citizens have the possibility to be in control of the interference caused by the state and other individuals (Pettit 1997: 276). Laws need to track the real interests of the citizens in order to be non-arbitrary. That is why all individuals should have the possibility to contest political decisions and to publicly deliberate (Pettit, 1997: 183-205). Republican liberty thereby explicitly recognizes the necessity of political co-determination in the way that the addressees of the law should equally be its authors. That is because republican freedom requires an institutional design that demands the equal possibility for all individuals to further their interests politically. Accordingly, republican liberty identifies oligarchic power as liberty limiting. That is for the following two reasons: *first*, oligarchic power would limit equal citizenship. If some citizens have more power to further their interests politically, the laws do not track the interests of all citizens equally. *Secondly*, the political interference caused by materially superior individuals is arbitrary since it is not constituted by laws that track the interests of all citizens, but by material power. Thus, republican liberty considers equal co-determination as inevitable for liberty. Liberty so understood needs substantial political equality, which effectively enables all individuals to further their interest. Since oligarchs have greater means to further their interests politically oligarchic power is understood as liberty limiting.

While Pettit considers inclusive deliberation and contestation as necessary to safeguard liberty, we have seen from the analysis by Winters that material power can undermine formal rights. A liberal democratic society that faces a huge concentration of power resting in the hands of a wealthy minority faces the problem that the institutions structuring people's private lives, and influencing their individual prospects to pursue their goals, are to a huge extent determined by the wealth of a minority that pursues the maintenance and expansion of their own materially superior position. This creates intensive domination of those lacking the material means. As Winters points out, the material power, due to its versatility, is not disrupted by formal political rights. If material power can circumvent formal rights, republican liberty requires finding ways to prevent that. In order to ensure that the laws track the interests of all citizens, liberty necessitates safeguards against economic domination. The remainder of this paper is devoted to this very question.

Chapter 2

A Proposal to Safeguard Liberty

In the last chapter I showed that liberal democracies suffer from increasing inequality in material wealth. Winters' definition of oligarchic power has laid the foundations to argue that the increasing concentration of wealth is a threat to liberty. That is because political co-

determination – as important for ensuring liberty – is undermined if an unelected minority of society is influencing democratic decisions more significantly than the rest of society.

Dedicating himself to that problem Alan Thomas (2017), in his recent book *Republic of Equals: Predistribution and Property-owning Democracy*, proposes a comprehensive theory that aims at giving a feasible solution for liberal societies that face the threat of a loss of liberty by dominating economic elites. Thomas suggests rearranging the economic institutions such that democratic equality is guaranteed. This he sees met by the institutions of a property-owning democracy, henceforth referred to as POD, that characterises especially by the widespread dispersion of capital among citizens. Thomas claims that POD is superior to other types of economic organization because POD is not only structuring social interaction such that outcomes are just, but he also sees it mastering the task to reconcile economic efficiency with democratic equality (Thomas, 2017: Ch. 2). Thomas states that his proposal accommodates decentralized economic exchange, structurally prevents impermissible material inequalities and ensures democratic equality. Accordingly it seems to be a promising solution to the task to safeguard liberty in the face of oligarchic power. If Thomas' proposal proves to be sufficient in structurally preventing domination, liberal societies should seriously consider implementing it given the recent threat to their most central value: individual liberty (Thomas, 2017: 86, 128, 368).

Thomas' theory is composed of three main theses:³ 1) The *complementary thesis* states that a synthesis of Rawlsian liberalism and civic republicanism is superior to either one of the theories alone, because they support each other especially in their task to prevent oligarchic power (Thomas, 2017: 10). While Thomas endorses Pettit's version of republican liberty, the content of his theory is mainly made up of Rawls' theory of justice, with him endorsing Rawls' principles of justice. Thomas' 2) *over-determination thesis* states that the institutions of POD follow from each of Rawls' principles (Thomas, 2017: 95). In his 3) *uniqueness thesis* Thomas claims that POD is the only socioeconomic framework in which liberal republican values can be realized, defending it against Welfare State Capitalism [henceforth WSC] and Liberal Socialism (Thomas, 2017: 94, 134). In this chapter I will outline the most important arguments for Thomas' theory by discussing his complementary thesis (1) and his over-determination thesis (2). In the subsequent chapter I will address the feasibility of Thomas' proposal.

1) Complementary Thesis

The basis of Thomas' proposal consists of the combination of Rawlsian liberalism and Pettit's republican notion of liberty. Even though liberalism and republicanism are often held to be rivals, Thomas argues that both views reinforce each other and are therefore complementary (Thomas, 2017: 15). That is – according to Thomas – *first*, because liberalism and republicanism have the same project. *Second*, they accommodate each other's deficiencies. *Third*, their differences are not insurmountable.

First, both liberalism and republicanism are political doctrines that aim to maximize individual liberty by means of an appropriate institutional design under the assumption of

³ I borrow the labelling of the three thesis from John Wilesmith and Nicolas Vrousalis. (Wilesmith, 2017; Vrousalis, Forthcoming)

reasonable pluralism. Thomas states that this is why both converge in their concern with economic inequality (Thomas, 2017: xv, 1). Republicanism considers economic inequality as liberty-limiting due to the resulting political domination, as stated in the previous chapter. Rawlsian liberalism, on the other hand, has an inbuilt concern for avoiding the concentration of wealth due to its principles of justice – of which more later.

Secondly, Thomas claims that liberalism and republicanism cannot only be combined, but also that their combination is superior to either theory alone, because they can accommodate each other's deficiencies (Thomas, 2017: 5). Thomas considers the notion of liberty in Rawls' theory as not strong enough to explicate the full set of requirements necessary for it to be guaranteed (Thomas, 2017: 18). Republicanism, on the other hand, is improved by liberalism's ability to stress the implications needed for the procedure in which citizens' real interests are determined (Thomas, 2017: 17). While Thomas' claim cannot feasibly be read as solving actual deficiencies of either theory, it only makes sense understood as a mutually supportive combination that serves especially well to guarantee liberty within liberal democracies (Thomas, 2017: 19). If that is what Thomas means, he made a valuable combination by endorsing a hybrid theory appropriate for the goal of equal liberty in the light of oligarchic power. However, he writes as if his proposal can solve actual deficiencies, which would be less successful (cf. Thomas, 2017: xvi, 17-19).

I begin by outlining how Thomas considers liberalism improved by the complementation with republicanism. Rawls' most important principle is liberty (Rawls, 1971: 220). He considers especially equal political liberty inevitable to ensure that all citizens have equal liberty. Rawls calls that the fair value of political liberties. That is: all individuals should have equal political power to influence the political process. The fair value proviso is further guaranteed if citizens have their highest-order interests satisfied (Rawls, 1971: 111). Rawls states that citizens are primarily interested in being able to be reasonable and rational, which is constitutive for their status of citizenship by means of which they are able to be effective political agents. This in turn guarantees that citizens are able to make use of their political liberties. In short, individuals' highest-order interests express the desire to have the conditions satisfied to be free.⁴

Thomas sees this as problematic because Rawls has not specified his notion of liberty (Thomas, 2017: 17). This can be understood as follows: assuming that Rawls endorsed negative liberty, citizenship would require mere non-interference by the state. Thomas points out that this, however, is not sufficient to guarantee citizen's highest-order interests. For citizens to be equally capable to use their rationality and reasonableness, certain social and economic conditions need to be fulfilled. Only then they are able to effectively use their formal political rights (Kerr, 2012: 469-70). As an example: for a person to be able to entertain considerations about justice as well as life plans, it is not sufficient to guarantee mere non-interference. It is necessary that she additionally enjoys a decent social and economic minimum – like sufficient subsistence and education – in order for her to be able to be a reasonable and rational person who can make effective use of her political rights. These social and economic conditions would,

⁴ Persons are, according to Rawls, rational and reasonable beings as a consequence of which they have the two moral powers, that are the capacity for a sense of justice and the capacity for a conception of the good (Rawls, 1971: 112-13). That is, rational and reasonable individuals are able to choose just principles that structure social cooperation, and are able to make their individual plans in life, i.e. to form a conception of the good and considering the necessary means to this end (Rawls, 1993: 302).

however, not follow from, e.g. negative liberty. Thus, Thomas is right to state that Rawls' requirement of the fair value of political liberties is appropriately supported by the republican notion of liberty. By demanding substantive political rights, republican liberty demands an institutional design that implies social and economic conditions in order to guarantee non-domination. Citizens must be able to actively contest and deliberate, which makes such rights necessary (Thomas, 2017: 29).

However, it is to say that this complementation is not an improvement on Rawls' liberal theory, since Rawls already assumes these requirements. Rawls states that the notion of liberty he endorses has to "guarantee equally for all citizens the social conditions essential for the adequate development and the full and informed exercise of their two moral powers" (Rawls, 1971: 112). Negative liberty as portrayed in the first chapter, would, thus, not be adequate for Rawls theory. Others, like Thomas Pogge, have stated that social and economic rights are already included in Rawls' theory as required by the value of political liberties (Pogge, 1989: 143-4). It therefore can be concluded that Thomas is not solving a deficiency of Rawls' liberal theory. However, he is right to state that republican liberty fits well within Rawls' theory because it emphasises the institutional requirements of ensuring the fair value of political liberties (Thomas, 2017: 15).

Thomas considers republicanism supported in the procedure in which the notion of domination is determined. While he states that liberalism would certify the procedures as just by providing an independent standard of fairness (Thomas, 2017: 15), he points to the following: As I outlined in the first chapter, republican liberty demands that institutions track citizens' real interests in order for them to enjoy non-domination. This is made possible by guaranteeing citizens adequate procedures for contestation and deliberation. From that it follows that the exact notion of domination is determined by procedures of contestation and deliberation. These procedures guaranteeing that citizens' interests are tracked.

However, since it is impossible to design institutions such that they track the interests of every single citizen, Pettit states that they track the *common interests* (Pettit, 2004: 156) which are "those interests that citizens share *in their role as citizens*" (Harbour, 2012: 197). This means that citizens are given the proper possibility of contestation. Laws and political decisions are arrived at not by consensus, but by bearing up against the contestation of citizens (Pettit, 1997: 278). The common interest of all citizens is to have appropriate possibilities for contestation. Thus, what counts as domination in a society is determined by contestation.

Now, Thomas considers it necessary that the procedures by which the notion of domination is determined have an independent standard of fairness. He states that in order to make sure that procedures are fair – i.e. everyone can equally contest and deliberate – republicanism should be supplemented with Rawls' highest-order interests (Thomas, 2017: 17). According to Thomas, the highest-order interests indicate the necessary requirements that all citizens should have equally guaranteed in order to have the ability to determine the notion of domination. The highest-order interests are thus specifying Pettit's common interests.

However, Thomas is not 'solving' a problem, but rather explicating what is necessarily implied in Pettit's theory. There is no actual difference between citizens who are in a position to use their highest-order interests and citizens who are able to contest and deliberate. The latter implies the former: in order to deliberate and contest, citizens need to be able to form their own opinions for which they need to use their rationality and reasonableness. If citizens' highest-order interests are not guaranteed it seems impossible for them to be able to contest and

deliberate. Even though Thomas is right that Rawls' notion of highest-order interests can serve as a specification of Pettit's common interests, I reject that this would fill a gap in Pettit's theory, as Thomas claims (Thomas, 2017: 16). It rather specifies what is already implied.

Despite Thomas being wrong in stating that he solved a deficiency, he is right in stating that the two views are compatible (Thomas, 2017: 15). Both views explicitly underline what the other view implicitly assumes. However, while Thomas is wrong to conclude from this that a liberal-republican hybrid is superior to either theory alone, it is plausible that the complementariness of both theories serves well to indicate an appropriate institutional design to guarantee liberty in a liberal democratic society.

Third, the hybrid is possible because the difference between the two views is unproblematic for a synthesis (Thomas, 2017: 11, 29). A crucial difference between liberalism and republicanism is civic virtue which is the active political and public engagement of citizens to strengthen the commonwealth (Thomas, 2017: 29). Citizen virtue is an instrumental value in order to ensure liberty. The reason for this is that laws need to track the interests of citizens in order to guarantee freedom. If citizens are not actively engaging in the political process, the laws are not able to track their interests which means that they are not promoting liberty. In that sense, the virtue of an active citizenry is instrumentally valuable to guarantee liberty.

Liberalism would deny that guaranteeing liberty involves prescribing values to individuals which they should endorse privately. That is because liberalism's strict neutrality towards individuals' private lives would not allow that their liberty is tied to such a condition (cf. Taylor, 1995: 60-2). Thomas solution is to take civic virtue as option value (Thomas, 2017: xvi), by which he understands the following: citizens should have the possibility of contestation and deliberation, however, it is not required that citizens use this possibility. If they are not actively engaging in politics their liberty is ensured by the mere possibility that they could actively engage if they wanted. Thomas mitigates the notion of instrumentality by stating that it is not required to ensure liberty. He further considers the instrumental notion of civic virtue reflected by the Rawlsian notion of citizenship that also demands the possibility for citizens to actively make use of their political rights, which is demanded by the fair value proviso (Thomas, 2017: 29). While the republican instrumentality of this value seems to have some importance in order to guarantee liberty (otherwise it cannot be guaranteed that laws track citizens' real interests which would lead to domination), Thomas assumes that, as long as the possibility prevails for all to contest and deliberate, their liberty is ensured (Thomas, 2017: 7). If no one contests or deliberates, citizens' real interests are tracked by the laws.⁵

⁵ This seems straightforwardly plausible. However, there is a problem arising from the combination of politically inactive citizens and Pettit's definition of real interests. Pettit states that manipulation is also a form of domination. However, if the evaluative notion of interests should be avoided, a republican cannot assume what a person's real interest would have been if the person were not subject to manipulation. This is especially problematic once the importance of an active citizenry is mitigated, as Thomas proposes by advocating *option values*. Consider the following example: All citizens enjoy a sufficient subsistence and appropriate rights and possibilities for contestation and deliberation. However, most citizens are reluctant to participate in politics because it might seem too time-consuming or they are more interested in spending their time otherwise. Thomas would probably consider these as valid reasons for citizens to choose not to endorse the optional value to defend their interests politically, because it would be up to citizens' own responsibility to choose to actively engage in politics. However, in fact, these citizens are structurally manipulated by a minority of a society that aims at discouraging the majority of society from actively engaging in the political process; that gives the minority the possibility to effectively structure the institutions along the lines of their own vested interests. Tocqueville (1981) describes such a situation as mild despotism. Mild despotism is

Thus, Thomas' complementary thesis is feasible since liberalism and republicanism are combinable in regard to their concern for an institutional design that ensures liberty. If Thomas' claim of the superiority of a hybrid is understood as 'serving his task well' and not as 'solving internal problems of the theories', I conclude that Thomas makes a plausible case. In the next section I will elaborate on the institutional design that Thomas proposes in order to safeguard liberty in a liberal democratic society.

2. Over-Determination Thesis

Most of the content of Thomas' theory is based on Rawls' liberal theory for a just society (Rawls, 1971, 1993, 2001). Rawls takes account of the concept of POD as possible economic institutions to realize his principles of justice. The concept of POD originates from the economist James Meade (1964). While Rawls did not specify how a well-ordered society could be realized within POD, Thomas sets himself the task of showing how the institutions of POD realize the principles of justice. It will become apparent to those who are familiar with Rawls' theory that Thomas' interpretation diverges slightly from Rawls. While I will address some deviations from Rawls I will, for reasons of space, not explicitly elaborate on the differences between Thomas and Rawls. Further, Thomas' notion of POD originates but slightly diverges from Meade and Rawls which will also not be addressed. In this chapter I will first outline Thomas' concept of POD. Thereafter I will discuss Thomas' view of the relation between POD institutions and the principles of justice.

Thomas states that the institutional design of POD aims at equalizing the economic bargaining power of all individuals, so that domination by powerful economic actors is prevented (Thomas, 2017: 80). By that he means that the institutions of POD structurally ensure that economic transactions have fair outcomes (Thomas, 2017: 89). While POD emphasises private ownership of capital the institutions prevent large accumulations of wealth from occurring (Thomas, 2017: 86, 128, 368). The concept of capital includes here *material wealth* – e.g. property, income, assets, shares, etc. – *social capital*, – e.g. political citizenship – (Thomas, 2017: 146), as well as *human capital* – e.g. the marketable value of an individual's capacity to work (Thomas, 2017: 161). Unique to POD is that capital dispersion is reached by means of *pre-distribution* (Thomas, 2017: 23, 161). Pre-distribution is the pre-emptive dispersal of productive capital that means capital is dispersed before material wealth can concentrate (Thomas, 2017: 23, 161). Following Martin O'Neill (O'Neill, 2009: 382) the institutional design of POD can be split into three categories of policy types:

when individuals would consider themselves to be in power, because they have popular sovereignty in the form of formal rights. Tocqueville states that in fact they are in tutelage, since others are shaping the institutions according to their interests. The only way to prevent such a situation is, according to Tocqueville, by means of an active political culture. This is not problematic for Thomas who would not recognize such a situation as domination because the institutions are in place for citizens to contest and deliberate. Still, bear in mind that the mitigation of citizen virtue can have far-reaching consequences for republican liberty. On the problem of manipulation in republicanism see: (Harbour, 2012: 195); On mild despotism see: (Tocqueville, 1981: 385).

- (i) *Widespread Dispersal of Capital*: Central for POD is widespread dispersal, especially of material and human capital, because it is thought to be a means for ensuring equal social capital (Thomas, 2017: 146). Human capital is dispersed by means of a publicly funded high quality education and a universal healthcare system (Thomas, 2017: 168). Material capital is dispersed by a whole range of progressive taxation schemes as well as by policies such as a society-wide unit trust, a demogrant scheme, collective holding of equity, a sovereign wealth fund managed by the state, or a pension fund (Thomas, 2017: xx, 168, 170, 252, 260, 291). While these are just options for this policy type, Thomas states that the exact policies should be determined democratically (Thomas, 2017: 137).
- (ii) *Blocking the Intergenerational Transmission of Advantage*: In order to ensure widespread dispersion of capital over time, POD endorses progressive inheritance taxes, as well as high taxes on capital gifts. This is accompanied by pre-distributive measures like publicly funded high-quality education that seek to counteract advantages due to initial social positions (Thomas, 2017: 168).
- (iii) *Safeguards against the Corruption of Policies*: While (i) and (ii) already counteract the undue influence of wealthy elites on politics, Thomas considers the former policy-types safeguarded by constitutionalizing a right to widespread capital-holding (Thomas, 2017: 123 – 143). Since the democratic process is considered to be more easily corrupted, the constitution is thought to shield policies against undue influence by material power (Thomas, 2017: 279; Wilson, 2017).

Further it is the state's role to make sure that capital-holding is widely dispersed (Thomas, 2017: xx, 90). That is why Thomas assigns the state the task of counteracting inadvertent and unforeseeable outcomes by adjusting the basic structure – i.e. the laws regulating a society (Thomas, 2017: 82). The state is thereby entitled to intervene in the distribution of goods in order to counterbalance unintended results (Thomas, 2017: 90). Due to his republican commitment, Thomas considers the strong role of the state unproblematic (Thomas, 2017: 10). I shall say more about this in the last chapter of this paper. What is important for the following discussion is Thomas' claim that POD has the best economic institutions to accommodate the principles. That is why Thomas needs to show that POD is informed and justified by the principles (Thomas, 2017: 91, 143, 326). The remainder of this chapter is devoted to this connection. Thomas argues that POD follows from each of the principles which is why he claims that the case for POD is overdetermined (Thomas, 2012: 95). In the following I will consider his arguments in order to find out whether POD provides the appropriate framework to accommodate the principles of justice. I will proceed by considering each principle seriatim.

§1 Liberty

Rawls' first principle is defined as follows: "Each person has an equal claim to a fully adequate scheme of equal basic rights and liberties, which scheme is compatible with the same scheme for all; and in this scheme the equal political liberties, and only those liberties, are to be guaranteed their fair value" (Rawls, 1993: 5, in Thomas, 2017: 35). As was already argued

in the previous section, Rawls states that individual liberty is protected if the fair value of political liberty is equally guaranteed to all individuals. The fair value proviso demands that all individuals can effectively express their real interests and thereby converges with the republican requirements for individual liberty because both concepts demand substantive political rights.

Even though it should be clear from the discussion of the previous chapter that liberty necessitates the prevention of the concentration of capital, which is why it welcomes policies aiming at capital dispersion, I will briefly elaborate Thomas' arguments: While Rawls suggests the strategy to insulate politics from the influence of wealthy elites by measures of publicly funded campaign financing, anti-corruption laws and publicly funded parties (Rawls, 2001: 149–50), Thomas considers these measures insufficient to safeguard liberty against the influence of material power (Thomas, 2017: 106–7). In light of Winters' arguments of the versatility of material power, Thomas' concern is well-founded. As we have seen, protection against oligarchic structures demands more substantive equality since formal rights are vulnerable to being undermined by material power. That is, even if lobbying were prohibited, wealthy individuals could find other ways of lawfully defending their wealth, which would still put them in a position to enjoy a greater political influence than other citizens. In order to guarantee liberty, Thomas considers it necessary that wealth concentration is prevented from occurring (Thomas, 2017: xviii, 111). The above stated policy types of POD employ not only measures to reach the constitutional aim of widespread capital (iii), which is to be long term achieved by (i)-policy types and (ii)-policy types.

Thus, POD not only pursues measures to prevent politics from corruption by private actors but also explicitly aims at the widespread dispersion of wealth by means of which its institutions express the intention to ensure liberty (Thomas, 2017: 105–11). In the last chapter I will address the ability of the institutional design of POD to achieve that aim. For now, we can conclude that its institutions express the intention to do so.

§2 Fair Equality of Opportunity

The second principle is the principle of fair equality of opportunity [henceforth: FEO], which states that “[s]ocial and economic inequalities are [...] to be attached to positions and offices open to all under conditions of fair equality of opportunity” (Rawls, 1993: 5–6, in Thomas, 2017: 116).

It demands, according to Thomas, that citizens with the same native endowments are able to compete on equal grounds (Thomas: 2017: 117). That implies measures to equalize the initial social starting position. This is ensured by (ii)-type policies as they include the distribution of human capital. Human capital promotes individuals' marketable value, by means of education. The competitiveness of individuals is further equalized if material capital is prevented from being transferred to the next generation (Thomas, 2017: 116–20). That will prevent some from using their inherited wealth to outdo others who would be equally endowed for the same career. However, equal chances for equal talents does not require continuous access to capital. O'Neill argues in that regard that once individuals have acquired their social position, the FEO would not mandate providing them with further opportunities (O'Neill, 2009: 385). Accordingly, neither widespread capital holding – i.e. (i)-type policies – nor measures to safeguard the political process against the influence of material power – i.e. (iii)-type policies

– are required. That suggests that ‘equal starting gate theories’ demanding equal opportunities at the beginning of individuals’ lifetime, would be sufficient for realizing the FEO. Thus, even if POD can accommodate the FEO, the full gamut of POD-policies is not necessary for its realization.

Secondly it is important to mention that Thomas’ interpretation of the FEO principle diverges from Rawls, who considers the principle not contingent on morally arbitrary factors like native endowments (Rawls, 1971: 64). However, Thomas states that his theory is still not contingent on native endowments because the difference principle equalizes the FEO (Thomas, 2017: 121). That is because Thomas, in contrast to Rawls, considers the principles not to be in a lexical order but as equally important (Thomas, 2017: 121). However, considering his republican commitment, Thomas must give liberty the highest priority. What he seems to argue for is that, while the FEO principle should make sure that those individuals with the same talents can compete on equal grounds, the third principle is to make sure that people’s rewards are not contingent on morally arbitrary factors (Thomas: 2017: 120-122, 172-173). I will say more about this in the following paragraph.

§3 Difference Principle

Rawls’ third principle states that inequalities in the distribution of basic goods are to be to the greatest advantage of the least well-off (Rawls, 1993: 6; in Thomas, 2017: 35).⁶ The difference principle is considered an expression of reciprocity (Thomas, 2017: 42-4, 139-43). The understanding of reciprocity here in question is based on the idea that all members are fundamentally equal to each other, which is based on equal recognition (Thomas, 2017: 145). Equal recognition means to respect others as equal. To be able to respect other individuals as equals one needs to be able to respect oneself (Thomas, 2017: 145). To be able to have self-respect, certain social and economic conditions need to be fulfilled, as was explained in the first section of this chapter. The social basis of self-respect is provided by an equal status of citizenship, which comes with equal rights; The economic basis is provided by the difference principle, that says that all are entitled to an equal share of the fruits of cooperative labour, unless inequality is to the advantage of the least well-off. Thus, the difference principle is to provide the economic basis constitutive of self-respect and is thereby an expression of an egalitarian notion of reciprocity (Thomas, 2017: 145, 47, 48, 114, 229). The conception of reciprocity here in question is borrowed from Stuart White’s *fair dues conception of reciprocity* that states:

“Each person is entitled to a share of the economic benefits of social cooperation conferring equal opportunity (or real freedom) in return for the performance of an equal handicap-weighted quantum of contributive activity” (White, 1997: 318; in Thomas, 2017: 30).

⁶ Due to Rawls’ assumptions of chain-connectedness and close-knits not only the least-advantaged are benefitting, but all members of society (Rawls, 1971: 82; cf. Thomas, 2017: Ch. 2).

From the fair dues conception of reciprocity follows that the distribution of basic goods is not contingent on morally arbitrary factors like native endowments or social starting positions. That is because from the assumption that a society is a cooperative venture it follows that each member is entitled to a fair share of the overall output (Thomas, 2017: 102). Due to the fundamental equality of all members the fair share is not to be contingent on morally arbitrary factors like native endowments and initial social starting positions (Rawls, 1971: 64). This includes that the distribution of goods should also not be contingent on talent. Accordingly, the fair dues conception Thomas endorses measures the reward against that which individuals are able to contribute to society. The fair dues conception is thus not contingent on morally arbitrary factors and expresses the egalitarian commitment to ensure the economic basis for equal self-respect.

Simone Chambers states in this regard that while this contradicts our beliefs that talents should be rewarded, we would have to equally consider talents as morally irrelevant for the distribution of basic goods if we consider gender and initial social starting positions as morally arbitrary factors (Chambers, 2012: 24-27).⁷ While the FEO answers to our intuition that effort and talent should be rewarded, the difference principle embodies the egalitarian demand that every member in a cooperative society is entitled to a fair share, which is not contingent on morally arbitrary factors like talents (Chambers, 2012: 26). The notion of reciprocity here employed is thus an expression of solidarity, i.e. not wanting more unless it benefits others as well.

If the difference principle is to ensure the material basis for equal self-respect, it cannot be understood to merely redress income inequality, because huge inequalities would still prevail due to underlying wealth. Accordingly, the difference principle demands that individuals are substantially equal in their possession of material power. The consideration is that reciprocity, which is fair interaction, is only possible if individuals can interact on equal terms. For individuals to interact on equal terms they need equal bargaining power. Accordingly, fair interaction between equal members of a society can only eventuate if the holding of capital is equalized. The assumption is that individuals need to have a certain level of equal economic power in order to perceive themselves as equals to others (Rawls, 19971: 139). In that way, the difference principle mandates the equalization of underlying wealth as well as non-human capital (O'Neill, 2012: 80). POD can account for that by its pre-distributive measures that aim at equalizing the bargaining power for individuals before they engage in economic interaction, more of which in the next chapter.

Thus, the difference principle demands the economic basis for self-respect necessary for reciprocity, it demands policies that equalize the economic bargaining power of all individuals so that they can engage in fair interaction (Thomas, 2017: 43). In that way, measures for ongoing and stable dispersion of capital follow from the difference principle. The policy types of POD (i)-(iii) pursue the widespread dispersion of human and non-human capital across generations in a stable way and therefore support the intentions of the difference principle (Thomas, 2017: 95). Thus, POD follows from the difference principle.

⁷ Like Brian Berkey (Berkey, 2015: 851) I refer to Cohen's understanding of talented individuals, who "are so positioned that, happily for them, they do command a high salary and they can vary their productivity according to exactly how high it is" (Cohen, 2008: 120).

I conclude that the over-determination thesis is not defensible in the way Thomas claims since POD institutions are not demanded by each principle separately. While liberty and the difference principle activate the full package of POD-typical policy types (i)-(iii) and thus make a plausible case for its framework, the FEO principle requires far less than ongoing, widespread distribution of capital. But still all principles can be accommodated by POD's policy types. Seen as a whole, POD provides sufficient support for all of the three principles together and as such it seems to be a plausible framework for the implementation of the principles of justice. From this Thomas sets out the uniqueness thesis, stating that POD is the only regime in which the three principles can be realized (Thomas, 2017: xviii, xix, 68, 89, 95). In the next chapter I will first outline Thomas' motivation for the uniqueness thesis, before I discuss his charges against WSC and Liberal Socialism. In the last section I will turn to Thomas' proposal in order to ascertain whether it is sufficient to accomplish the assigned task to guarantee liberty as necessary for a liberal democratic society.

Chapter 3

New Economic Institutions

The aims of this chapter will be twofold: first, I will address the inner coherence of Thomas' proposal; second, I will consider its ability to guarantee liberty. Since I will consider in the first part the solidity of the uniqueness thesis I will engage with Thomas' arguments against WSC and Liberal Socialism seriatim after I outlined Thomas' motivation to reject other regimes. Building on the counterarguments against WSC and Liberal Socialism I will consider in the second part whether POD is able to prevent large accumulations of wealth and thus ensure the type of liberty in question. But first I want to give some background information on Thomas' overall understanding of the role that POD plays in the implementation of justice. This will be helpful in order to understand his objections against WSC and Liberal Socialism.

Thomas frames the discussion on the necessity of POD as a failure of the principles if they are not implemented within the 'appropriate' regime (Thomas, 2017: 105). He claims that the principles would lead to unjust outcomes if they did not have the right background context, by which he means the correct economic institutions. This claim seems odd considering that Thomas endorses pure procedural justice (Thomas, 2017: 90). Pure procedural justice is that just procedures lead to just outcomes (Rawls, 1971: 74-6). The characteristic of pure procedural justice is that the procedure determines the just result. This is why the procedure must be carried out (Rawls, 1971: 75). For example, the fair result of a football game cannot be determined before the procedure of the game has taken place. If the procedure is fair, the result of a football game will be just regardless of the distribution of scores. Now, Thomas claims that only POD is able to allow the just working of the principles (Thomas, 2017: 94). However, this claim suggests the following question: if the principles express pure procedural justice, how could they ever lead to unjust outcomes regardless of whether POD institutions are in place or not? There are two possible interpretations of this claim. Discussing them will clarify what Thomas intends to say by making this counterfactual claim: *Interpretation one* suggests that Thomas considers the choice of the economic institutional design to be a necessary requirement for a just society (Thomas, 2017: 105). This interpretation seems likely because he frames the

discussion as if POD would be necessary for the principles to work properly (Thomas, 2017: 209). However, if the principles themselves are insufficient for justice, the economic institutions seem to represent a further necessary principle in order for a society to be just (Wilson, 2017). This is unlikely, especially because Thomas derives POD from the principles. If the principles of justice are insufficient to realize a just society, and POD is derived from the principles, then POD must be insufficient to realize a just society. That suggests the *second interpretation*: POD is simply the best regime to realize the principles because it has an appropriate institutional design that expresses the intentions of the principles. This interpretation can be explained as follows: Rawls states that even if a society adopts principles that express pure procedural justice, it will lead over time to the undermining of background justice, which is why he considers adjustments in the basic structure as necessary (Rawls, 1993: 284). That is, rules have to be inscribed in the basic structure that make adjustments possible so that the institutions of the basic structure remain just over time. Thomas considers the institutions of POD to provide that background context sufficient for the pure procedural working of the principles of justice (Thomas, 2017: 40, 137, 164).

Further, Thomas considers the institutions of POD to be a defence against G. A. Cohen's well-known critique (2008). Cohen objects that if the principles only apply to the institutions and not to individuals directly, they allow for justice-free zones that will incentivize agents to act in ways that create unjust outcomes (Cohen, 2008: 15; in Thomas, 2017: 71). Highly skilled individuals are, for example, incentivised to seek high rents for their productive contribution. This, as Cohen claims, will create unjust outcomes – in this case impermissible inequalities. Thomas states that POD avoids Cohen's critique because even if individuals act unjust, the structures of POD will not allow for unjust outcomes (Thomas, 2017: 88-9). In that way Thomas considers domination structurally prevented (Thomas, 2017: 86, 128, 368). Secondly, Thomas considers Cohen's critique to be undermined because of the following consideration about Rawls' theory: While the primary subject of justice is the basic structure, the institutions of the basic structure shape the actions of individuals (Rawls, 1971: 259). Since Thomas considers POD to be an expression of solidarity (Thomas, 2017: 42-4, 139-43), he assumes that its institutions have an educative effect on individual behaviour (Thomas, 2017: 46, 143, 146, 208, 306). This assumption is encouraged by Rawls who argues that "an economic regime, say, is not only an institutional scheme for satisfying existing desires and aspirations but a way of fashioning desires and aspirations in the future" (Rawls, 1993: 269). In that way Thomas considers POD to have an educative effect on citizens. I will return to this in the last section of this paper. What I wanted to clarify here is Thomas' motivation to defend POD against the other regime types. Thomas considers WSC and Liberal Socialism as insufficient to satisfy the task of pure adjusted procedural justice as necessary for the pure procedural working of the principles. This should be kept in mind when I discuss in the following Thomas' critique on Liberal Socialism and WSC, since orthodox Rawlsians might not consider it possible that the principles fail if implemented.

Thus, Thomas' endeavour is to consider the sufficiency of different regimes to express and support the principles by providing for a stable and just economic background that supports liberal republican values. He considers this to be solely realized by POD institutions. Before I address the sufficiency of POD to guarantee the assigned task of individual liberty, I will be concerned with the plausibility of his uniqueness thesis. In the following two subsections I will address each alternative regime type, starting with WSC.

1. Uniqueness Thesis

In this section I will outline Thomas' arguments that POD is the only socioeconomic regime within which the principles of justice can be realized. He contrasts this to WSC and liberal socialism. I will first outline Thomas' most important line of argument and will then critically engage with it. While the discussion of WSC already exhibits that Thomas' uniqueness thesis is built on unstable grounds, the engagement with Liberal Socialism will reveal that his critique is internally incoherent.

§ 1 Welfare State Capitalism

Thomas' argument against WSC rests on the consideration that the difference principle could allow for inequalities that are not in accord with republican liberty if the economic institutions are designed as WSC (Thomas, 2017: 109). Thomas has two reasons for being concerned about impermissible inequalities: if inequalities prevail that reach an impermissible range, then a) redistribution limits individual self-respect (Thomas, 2017: 49) and b) oligarchic power would pose a threat to democratic equality (Thomas, 2017: 109). I mentioned these arguments over the course of the last chapters, which is why it might be already clear that both lead to the same conclusion: self-respect as necessary for perceiving oneself as an equal to others, and equal political co-determination as necessary to guarantee that the laws track the interests of the people, are both inevitable for guaranteeing republican liberty. Thus, a) and b) lead to the limitation of liberty. Thomas considers a) and b) possible outcomes of WSC because he assumes a specific institutional design, by which he follows Rawls' ideal type of WSC institutions (Rawls, 2001: 137–8). To understand his criticism, we have to understand the notion of WSC here employed. Thereafter I will elaborate on the distinction between pre- and redistribution which is central for Thomas' argument for the superiority of POD over WSC. Thomas understands the role of WSC institutions to mitigate income inequality by redressing welfare payments (Thomas, 2017: 193). As such WSC aims at distributing a decent social minimum to individuals so that no one falls below a certain threshold (Thomas, 2017: 190). Thomas thereby perceives WSC as a social insurance scheme that provides unearned subsistence as a worst-case payment to compensate calamities. That means that WSC redistributes for reasons of welfare which is why it would allow for huge differences in income and wealth. That is why Thomas states that if WSC is understood as a social insurance scheme it expresses an egalitarian conception of reciprocity that White calls the *strict proportionality conception of reciprocity*: “one may take out only what one puts in or, relative to others, only in strict proportion to the value of what one puts in” (White 2003: 49; in Thomas, 2017: 181). This conception of reciprocity ties the amount of deserved goods to the condition of an equivalent contribution, i.e. quid pro quo distribution. In following Rawls, Thomas rejects such a distributive scheme with the argument that such a distribution would be contingent on morally arbitrary factors like native endowments which would not be in line with his understanding of reciprocity (Rawls, 1999: 57; in Thomas, 2017: 194). Thus, Thomas' rejection of WSC is based

on the charge that its institutions fail to express a notion of reciprocity that is not contingent on morally arbitrary factors (Thomas, 2017: 193).

As mentioned above, Thomas endorses the fair dues conception of reciprocity that is not contingent on morally arbitrary factors and thereby expresses the egalitarian goal to equalize brute luck (Sommer, 2016: 39). According to the strict proportionality conception of reciprocity, the talented would be entitled to receive the highest rewards. Thomas states that even if WSC institutions would promote (ii)-type policies (blocking intergenerational transfer of capital) to create equal starting positions, they would still allow for huge inequalities within a generation because the more talented would be entitled to receive more (Thomas, 2017: 172, 181-2). This would further result in impermissible inequalities that would limit liberty. According to republican liberty all members of a society should be equally able to contest and deliberate (Thomas, 2017: xviii, 6, 21, 23, 86). This prohibits massive accumulations of wealth also within one generation. Thus, Thomas' critique is that the strict proportionality conception of reciprocity is not an appropriate conception of reciprocity for an egalitarian society. From that it follows that if WSC institutions express such a notion of reciprocity it will allow for impermissible inequality that lead to the two concerns – a) to limit self-respect and b) to undermine co-determination – which in effect leads to the limitation of republican liberty.

Thomas argues that POD is superior because of its pre-distributive measures (Thomas, 2017: 208). He considers pre-distribution to be superior because wealth is distributed 'before' impermissible inequalities emerge, which is why it forestalls market interaction. He claims that pre-distribution a) guarantees self-respect because wealth is pre-emptively dispersed and b) that oligarchic power is prevented from occurring because impermissible inequalities are prevented from emerging. Even though this argument seems intuitively plausible, the distinction between pre-distribution and redistribution, in practical terms, is not so clear. James Lindley Wilson (2017) notes in this regard that there is no difference between re- and pre-distribution, if they are understood temporally. That is because redistribution is needed in order to pre-distribute (Wilson, 2017). What is pre-distributed *before* some time t in the future, is redistributed *after* someone has generated the amount of capital at time t^{-1} in the past. The difference between pre- and redistribution would, thus, be a matter of temporal perspective. That is, what is redistributed from the perspective of t^{-1} is pre-distributed from the perspective after t . Thus, the distribution is the same. If pre-distribution and redistribution are the same it suggests the worry that POD is open to the same deficiencies as WSC institutions.

Answering Wilson's remarks, Thomas rejects that the temporal distinction captures the true difference between the two terms. He states that their difference lies in their intention to shape the distributive institutions (Thomas, 2017a). In this regard, pre-distribution would be connected with ongoing economic rights that structurally prevent impermissible inequalities, while redistribution does not have this intention. However, the two concepts are still not contradistinguished as they describe different aspects of distribution: Redistribution describes the mechanism itself, e.g. distribution d from x to y . Pre-distribution describes the purpose of the distribution, – i.e. how the mechanism should be conducted – e.g. a distribution d from x to y prior to some t . However, while the former necessarily accompanies the latter, the latter can also collapse into the former.

This concern becomes apparent if we consider the exact policy mechanisms Thomas endorses. To name a few: progressive wealth and income tax, inheritance tax, high levels of estate tax, taxing of capital gains and capital gifts (Thomas, 2017: 125, 158, 168, 170). Thomas'

endorsement of a whole range of taxation schemes suggests the conclusion that pre-distribution necessarily includes redistribution. This is further supported by Meade, who states that education is basically redistribution (Thomas, 2017: 131). Thomas, however, considers education as one of the core pre-distributive measures. This suggests that pre-distribution simply specifies how redistribution should be conducted. Thus, pre-distribution would be a task specification of redistribution. Specifying the purpose of a certain sort of redistributive measure by giving it another name is not problematic per se, but rather helpful in order to emphasize the kind of redistribution in question. However, it becomes problematic if Thomas relies on this distinction in order to reject WSC as insufficient to realize liberty.⁸

Proponents of WSC could argue in this regard that pre-distribution is just another kind of redistribution or a task specification of its kind. This conclusion is supported by Piketty who notes that pre- and redistribution are commonly misunderstood as two different concepts while they are actually complementary. “The logic of redistribution and the logic of opportunities, rights and participation must be pursued together” (Piketty, 2016). Therefore, if pre-distribution is just a task specification of redistribution, why would WSC institutions not be able to implement it? Thomas gives no answer as to why pre-distribution is an exclusive mechanism of POD, which makes the rejection of WSC sound like a strawman argument.

At this point I want to come back to the ideal type of WSC institutions by which Thomas follows Rawls (Rawls, 2001: 137–8). What Thomas considers an ideal type of WSC faces the critique of being a stipulative definition that serves the purpose of showing the superiority of POD. Paul Weithman points out that the notion of ideal types neither portrays actually existing WSC institutions, nor that type of institutional design that would be the most morally desirable version of it (Weithman, 2013). Also, O’Neill argues that Rawls’ conception of WSC is a strawman idealization that draws the picture of a worst-case scenario rather than an egalitarian version of it (O’Neill, 2012: 83). This underlines the worry that Thomas’ rejection of WSC is built on thin ice. Considering that pre-distribution is a task specification of redistribution, it should be clear that WSC is in theory and in practice open to a variety of adjustments by means of which WSC would be able to equally employ pre-distributive measures. Looking at actually existing WSC systems we might further object that some of them seem to express the intention rather to endorse the egalitarian fair dues conception of reciprocity instead of, as Thomas claims, the strict proportionality conception. Thus, Thomas’ charges against WSC are built on a very narrow perception of such a regime type. In Thomas’ favour I want to concede that his worry about inegalitarian outcomes is not entirely unjustified. Thomas’ concern that WSC institutions do not express the right notion of reciprocity stems from increasing inequalities observable in liberal democracies, that also societies with WSC-type institutions were not able to escape. It should be mentioned that threshold theories, or some desert-based theories would allow for similar WSC-types as the one Thomas argues against. However, that does not exclude the possibility of an egalitarian form of WSC that endorses the fair dues conception of reciprocity. Thomas’ uniqueness thesis thus appears to be unstable and artificially construed as we could imagine that WSC would be equally able to express liberal republican values. In the

⁸ Also, O’Neill argues that there is an inherent distinction between the two concepts (cf. O’Neill, 2012: 88). However, while the theoretical distinction sounds plausible (forestalling market interaction), the practical difference is not given. That is because such a system can only be maintained by including redistribution. In that sense pre-distribution is, if not a kind of redistribution, an extension to it.

next section it shall become clear that Thomas uniqueness thesis is not only unstable but internally incoherent.

§2 Market Socialist Systems

As we have seen in the previous section, POD and WSC both equally emphasise private property, especially concerning the private possession of productive capital which is producing economic power and thus – if concentrated – political domination. While POD emphasizes the widespread private holding of capital producing economic power, we have seen that this might not be an aim of WSC per se. However, WSC is likely to be open for a task specification aiming at widespread distribution of the capital in question. Liberal Socialism shares with POD the aim of seeking to reduce economic domination in the economic sphere but sees the solution in subjecting productive capital to public determination by means of the state (Rawls, 2007: p. 323). Rawls considered both POD and Liberal Socialism to be possible candidates for economic institutions within which a just society could be realized (Rawls, 1999: xv). Thomas, who objects that the principles could be realized in both systems, states that the principles are only realizable in POD (Thomas, 2017: xviii, xix, 68, 95). However, while he explicitly disagrees with Rawls (Thomas, 2017: xviii) he does not explicitly reject Liberal Socialism, but Mandatory Market Socialism [henceforth MMS] (Thomas, 2017: 217). MMS is, according to Thomas, a system that mandates that all firms are democratically managed and worker-owned (Thomas, 2017: 200). Capital is owned by the state, while worker-owned firms lease capital by paying a fee to public banks (Schweikart, 2002). While the state is the owner of productive capital, the workers of all firms are entitled to keep the profit they produce. All workers decide democratically on the division of the firms' profit among them (Thomas, 2017: 224-5). Thomas states that MMS fails to realize the principles because it encourages exploitation (Thomas, 2017: Ch. 8). However, MMS is different to Liberal Socialism that includes free markets while the state regulates economic domination through productive capital by subjecting some components under its control so that the market is in conformity with democratic decisions (Rawls, 1971: 241-2). Even though it is questionable whether the rejection of MMS equally applies to Liberal Socialism, I will take Thomas' rejection of the former as representative for the latter, since he states throughout the book that he rejects Liberal Socialism as a possible candidate to realize justice (Thomas, 2017: xviii). This suggests again the assumption that Thomas has picked a notion of Socialism that serves the task particularly well to show the superiority of POD. However, as will become clear from the following, the rejection of MMS has considerable problems. In the following I will show that Thomas' contention with MMS leads to a dilemma:⁹ Thomas would have to accept POD as exploitative or he would have to reject his uniqueness thesis. Thereafter I will show that Thomas can only decide for one horn of the dilemma. Otherwise he would contradict a key part of his liberal republican theory, that is egalitarian reciprocity. I will conclude by stating that Thomas is unable to hold the uniqueness thesis which means that POD is not the only possible regime to realize liberal republican values.

⁹ I follow Vrousalis, Raekstad and Wilesmith in the rejection of Thomas' uniqueness thesis (Vrousalis, forthcoming; Raekstad, 2017; Wilesmith, 2017).

Thomas argues that MMS is exploitative by putting forward the following definition of exploitation by drawing on N. S. Arnold (1994):

A person x is exploited if the following three conditions are satisfied:

- a) Person x is not rewarded the value of her productive contribution
- b) Some other agent extracts the value that the agent realised
- c) Person x has no other realistic alternative (Thomas, 2017: 225)

Thomas defines ‘productive contribution’ as that which a person would be rewarded under conditions of perfect competition (Thomas, 2017: 225). It is questionable that Thomas advocates perfect competition as that situation in which rewards are allocated fairly. In a situation of perfect competition, talented individuals would be rewarded much more than in a situation in which the Rawlsian principles obtain. Perfect competition allows talented individuals to ask for high rents in exchange for their work and is thereby not sensitive to the moral irrelevance of talent for the allocation of goods. Perfect competition is thus similar to the existing economic systems to which Thomas explicitly objects (Thomas, 2017: 93) and seeks to improve upon because he thinks they do not express egalitarian reciprocity (Raekstad, 2017: 5). Thomas’ problematic definition of productive contribution already indicates the inconsistency that I will expose in this section. To do this I first want to outline Thomas’ argument against MMS. He argues that MMS is exploitative because individuals would be rewarded less than in actually existing economic systems (Raekstad, 2017). Thomas justifies this as follows: All workers in worker-owned firms decide democratically how the firm’s profit should be divided among them (Thomas, 2017: 227). Thomas states that this puts the more productive workers under the risk of being exploited by the less productive workers, because it is to be expected that in socialist firms the wages are more equal than in a free market economy (Thomas, 2017: 227). That means that especially highly skilled workers will not be able to demand high rents for their work, which they could in a perfectly competitive market. Thus condition a) is met since some workers in democratic firms are expected to extract less than they could, which will benefit other workers of the firm – thus condition b) is met. Thomas further states that workers’ job mobility will be limited in MMS (Thomas, 2017: 227). He considers the socialist job market less dynamic because firms are not as likely to hire new workers if all firms are owned by the workers, and new businesses are less likely to be started (Raekstad, 2017: 5). Thus, workers seem to be less flexible in finding new jobs, which meets thereby condition c). With that said, MMS meets the conditions a) – c) of the above stated conception of exploitation and is therewith exploitative.

However, this conclusion leads to the following dilemma: either Thomas accepts that POD is exploitative as well or he has to drop his charges against MMS. In the following I will outline why the former would be the case if Thomas held on to the just stated notion of exploitation. Thereafter I will argue that Thomas’ argument against MMS would contradict his liberal republican values. But first I shall outline why Thomas’ argument against MMS is also against POD:

If Thomas endorses the above stated notion of exploitation it would follow that POD is exploitative as well. That is because POD entails extensive measures of redistribution that are realized by taxation (Raekstad, 2017: 4). This implies that some individuals are expected to receive smaller rewards than in a situation of competitively efficient markets where highly

skilled professionals could demand high rents for their contributions. POD aims at preventing individuals from accumulating excessively more wealth than others – even if the value of individual contribution would be comparatively high. This is ensured by (i)- and (iii)-type policies aiming at the widespread dispersion of capital such that concentrations of wealth are within a permissible range. Thus, condition a) of the conception of exploitation is met due to policies (i) and (iii), which entail that some individuals in POD are likely to receive significantly less than the value of their productive contribution.

The second condition is met because pre-distributive measures have the effect that other individuals will profit from the contribution of highly skilled individuals due to policies (i) and (ii) (Raekstad, 2017: 4). These policy types intend to disperse wealth across society and across generations. That is because (i)-type policies – dispersing capital widely – and (ii)-type policies – blocking the intergenerational transmission of capital – entail redistributive measures like progressive taxation, as well as pre-distributive measures, like a demogrant scheme, or publicly funded education and healthcare. As was argued in the previous section, pre-distribution equally necessitates redistributive mechanisms. These will necessarily make it so that some individuals profit from the productive contributions of others. Thus, condition b) is met because other individuals extract some of the value of skilled individuals' contribution due to redistributive and pre-distributive measures.

Further, individuals have no other realistic alternative than to pay high taxes since the dispersion of wealth is constitutive for a well-ordered society. That is why Thomas intends to constitutionalize widespread capital holding in order to safeguard it against change. That implies that these laws expressing POD institutions are out of reach of public deliberation and contestation (Wilson, 2017). From that it follows that a person in POD would have no choice than to make the contribution. Since individuals cannot contest the current laws they have no realistic alternative to receiving less than the full value of their productive contribution. Thus, condition c) is met. Since all three conditions a) – c) of the conception of exploitation are met under a POD regime, POD is exploitative. That implies that Thomas is confronted with the dilemma to either abandon his uniqueness thesis or to abandon his own theory. He claims that MMS would fail to realize reciprocity due to being exploitative (Thomas, 2017: 245). If POD failed to realize reciprocity, it would fail to realize Rawls' principles and could thus not be defended as an appropriate regime for a liberal democratic society.

In the following I will show that, while Thomas' POD is still a possible candidate for a liberal democratic society, he has to drop his charges against MMS and accept that it is also a competitor to realize liberal republican values. That is because the conception of exploitation Thomas employs comprises a notion of reciprocity that is not reconcilable with Thomas' egalitarian aims (Wilesmith, 2017: 6). The notion of exploitation demands that a person should be rewarded the amount strictly proportional to her contribution. With that said, the notion of exploitation endorses the strict proportionality conception of reciprocity that Thomas rejected as insufficient in his discussion of WSC since it fails to realize liberal republican values. As I argued in the last section, the strict proportionality conception is contingent on morally arbitrary factors like native endowments. Since Thomas endorses republican liberty and suitably advocates the notion of the fair dues conception of reciprocity, he denies that a distribution is fair if it is contingent on morally arbitrary factors (Thomas, 2017: 121, 132, 171). Remember from the discussion on the difference principle in chapter 2 that all individuals are fundamentally equal and are in a cooperative relationship, which is why no individual person

is entitled to more than any other individual, but only if greater gains are beneficial for the worst-off. The conception of reciprocity implicit in the conception of exploitation justifies that talented individuals receive more and is, thus, not reconcilable with Thomas' egalitarian aims. As was argued before, the strict proportionality conception is not coherent with the aims of republican liberty. Once again, republican liberty demands equal citizenship that requires that all have equal co-determination. This involves, as was thoroughly argued in the first chapter, that economic inequalities are within a permissible range. It would not be permitted that some individuals could acquire impermissible amounts of wealth and would thereby have over-proportional influence over the political process, as would be allowed by the strict proportionality conception of reciprocity. In order to ensure republican liberty, a notion of reciprocity has to ensure equal citizenship. This, in turn, requires a fair distribution that is not contingent on morally arbitrary factors.

Thus, Thomas cannot employ a notion of exploitation that contradicts his egalitarian commitments since it implies a conception of reciprocity that is contingent on morally arbitrary factors and could not realize republican liberty. Since Thomas' argument against MMS is incoherent he has to abandon the claim that POD is the only possible framework within which liberal republican values can be realized. Therefore, Thomas' uniqueness thesis fails.

In this section, I argued that Thomas' rejection of WSC is built on the distinction between pre- and redistribution. This distinction is not contradictory which means that also advocates of WSC could defend pre-distributive policies. WSC institutions are likely be a candidate for realizing the principles of justice because Thomas argues against a notion that is not representative of WSC-type regimes. As a consequence, Thomas' uniqueness thesis is likely to be rejected by an egalitarian defender of WSC. What is more, Thomas' uniqueness thesis is also incoherent since he defends it with two different notions of reciprocity. Rejecting MMS as exploitative leads him into the dilemma of contradicting his own values, which is why the uniqueness thesis has to be abolished. Thus, WSC, MMS and especially Liberal Socialism – which Thomas dismisses without consideration – are still possible candidates to realize liberty. In the next section I will intensify this argument by questioning the sufficiency of POD institutions to accomplish the set task of guaranteeing liberty sufficient for a liberal democratic society.

2. Solidarity, Efficiency and Constitutional Securing

I argued in the last section that WSC as well as Liberal Socialism cannot be dismissed as possible candidates for realizing the principles of justice. As I pointed out in the beginning of this chapter, Thomas' criticisms of the two regimes are motivated by his concern for pure adjusted procedural justice. Thomas assumes that WSC and Liberal Socialism are insufficient to deal with different hazards. The charge is that if these regimes were open to these hazards, they would not be sufficient to function as economic institutions ensuring the kind of background justice as is required for pure procedural justice. In other words, the economic institutions should ensure that impermissible concentrations of wealth are prevented from occurring. The claim is, thus, that only a regime that is able prevent concentrations of wealth

from occurring can be a sufficient economic framework within which purely just procedures inevitably lead to just outcomes. Thomas criticises Liberal Socialism and WSC because the institutions encourage (or are not able to prevent) individual actions which would lead to the concentration of impermissible amounts. While I already pointed out that Thomas' rejection of the other two regimes is incoherent, his concerns are worth considering because they are in line with the overall task of this paper. If economic institutions encourage (or are not able to prevent) impermissible concentrations of wealth, they are not sufficient to guarantee liberty in a liberal democratic society. As I argued in the first chapter of this paper, wealth concentration is a threat to equal co-determination and thereby a threat to liberty. In this regard, I have set myself the task of considering whether the institutional design of POD could be a possible solution for liberal democratic societies. Accordingly, this chapter is devoted to discussing the sufficiency of Thomas' POD to realize liberty. If POD turns out to be able to prevent concentrations of wealth from occurring it will be sufficient to function as pure procedurally just background institutional design and would thus be sufficient to guarantee liberty. However, if POD is likely to allow for concentrations it cannot provide the background institutions for pure procedural justice. That is because pure procedural justice demands that outcomes are inevitably fair. If POD allows for outcomes that are not fair, it will not be sufficient as a framework to realize liberal republican values and is insufficient to realize liberty (cf. Edmundson, 2017: 140-1). Put differently, economic institutions that would undermine one of the principles, namely liberty, cannot function as an appropriate framework to realize the principles of justice. As a result, they would be insufficient for a liberal democratic society.

My strategy is the following: First, I briefly revise how POD is supposed to ensure widespread capital holding. Secondly, I show Thomas' assumptions on individual behaviour, which he claims institutions should be ready to address. Third, I will discuss whether Thomas' institutional design is able to respond to that behaviour along the following lines: it will be clear from the discussion that POD's institutional strategy comes down to the constitutional securing. Thomas argues on two grounds that a constitution can prevent the assumed human behaviour from resulting in impermissible inequalities. First, because of the regulatory role of the state and secondly, because of the educative effect of institutions on citizens' behaviour. I will reject these arguments as insufficient for realizing the assigned task. Accordingly, I will discuss these two claims *seriatim*.

§1 POD's Constitutional Strategy

POD pursues widespread capital holding. It shares with WSC the view that capital should be private property, while it shares with Liberal Socialism the aim that economic power should be equalized. The notion of capital in question comprises all those economic means that lead to economic domination (Edmundson, 2017: 150). The type of WSC that Thomas portrayed is different to POD since it fails to distribute that kind of capital that produces economic power. Liberal Socialism excludes that kind of capital from the distribution and subjects it to collective ownership. POD is different to the two regimes because it aims at equalizing the private ownership of capital that produces economic power (cf. Edmundson, 2017: 139). Thomas states that POD will thereby remove the conflict between capital and labour, i.e. the conflict between those who generate capital by owning the means of production

and those who generate capital by means of wage labour (Thomas, 2017: 90). As I outlined, widespread capital holding is brought about by mechanisms of pre-distribution and secured by constitutionalizing a right to widespread holding of capital (Thomas, 2017: 139, 279). While Thomas discusses some possible policy schemes to ensure widespread capital holding (Thomas, 2017: xx, 170, 252, 260, 291), he states that the exact policies should be determined by the democratic process (Thomas, 2017: 137). Thomas is explicit about measures of universal healthcare and publicly funded, high-quality education. However, it is unclear whether all individuals are actual holders of capital, or what universal access to capital means (Thomas, 2017: 135, 156, 162, 204, 279, 331) neither is it clear what kind of capital all have access to.¹⁰ Thomas further states that relatively large concentrations of capital prevail in POD (Thomas, 2017: 331). This is because POD reconciles efficiency and solidarity (Thomas, 2017: Ch. 2: especially: 45, 48, 245). Everything we know for sure about the institutional design of POD is that, *first*, access to education and healthcare should be ensured for all citizens equally; *secondly*, wealth, income and inheritance should be highly taxed while, *third*, the democratic process should employ a policy adjusted to the constitutional requirement of widespread capital holding. However, the effectiveness to ensure widespread dispersal of capital over the long run will depend on the exact policies that a society employs. These policies have to be determined in the democratic process but checked by the constitutional court. As such the constitution has an important role in safeguarding the stability of POD. If the constitutional regime of POD is not effective, the democratic process could be overruled by those who are in a materially superior position since inequalities in wealth remain in POD.

Thomas has two arguments for the effectiveness of the constitution: *First*, since widespread capital holding is in the constitution the state has the role to correct unforeseeable externalities and provide stability. That is, the state has to make sure that widespread capital-holding is ensured and remains (Thomas, 2017: xx). Thus, the constitution is to guarantee the stability of POD and is thereby the *sine qua non* to ensure liberty.

Second, Thomas claims that the institutions of POD have an educative effect on citizens (Thomas, 2017: 46, 143, 146, 208, 306). Since the constitution fosters and guides public discussion Thomas considers the constitutional right to universal capital holding to be educative (Thomas, 2017: 7). POD expresses reciprocity because Thomas considers the widespread distribution of capital to be an expression of egalitarian reciprocity. The institutions are expected to inform the behaviour of the citizens by guiding the law and public discourse (Thomas, 2017: 91, 114). Before I discuss the sufficiency of these claims I want to point out two assumptions about individual behaviour which Thomas considers regimes to be confronted with. This will be important for the subsequent discussion.

¹⁰ While it is unclear to me what “access to capital” means, it makes an actual difference whether citizens had universal holding of capital ensured, or simply the mere access to it because the latter seems to imply some sort of requirement. If widespread access would mean that all citizens would receive a credit card with which they could withdraw money at the next ATM, universal holding of capital would indeed be coextensive with universal access. However, Thomas considers ‘widespread holding’ and ‘universal access’ that what all are entitled to. If just a large number of citizens are holders of the credit card in this example, but all have an interest in being credit card holders, we have to ask under which conditions people are entitled to become credit card holders and why some would not be entitled to it?

§2 Assumption about Human Behaviour

In the following I want to point out the hazard that regimes have to be ready to answer in order to avoid the accumulation of capital. While Thomas has different objections against WSC and Liberal Socialism they are grounded on the same assumption concerning human behaviour that economic institutions have to forestall in order to avoid impermissible inequalities. He states that in WSC oligarchic power structures are likely to emerge because the wealthier individuals are expected to influence the political process unduly in order to avoid paying the fair share that the worst-off would be entitled to (Thomas, 2017: 189). Thomas thereby assumes that individuals are primarily interested in advancing their vested interests which WSC institutions are not able to counterbalance in order to ensure a just society. The same interest is assumed when Thomas criticises MMS: He states that the less productive in a firm will exploit the more productive, which suggests that individuals are ultimately interested in maximizing their own profit even if it were unfair to their colleagues (Thomas, 2017: 227). He further states that a worker-owned firm can be expected to exploit the general taxpayer by refusing to repay the capital usage fee (Thomas, 2017: 230) – which can be translated as some kind of tax evasion. Thus, Thomas assumes that if individuals' actions are guided by an interest in maximizing of their own profit they can be expected to engage in unfair actions in order to reach that aim. Thomas' objection against WSC and MMS is that both systems are not able to counter that kind of human behaviour. (We might already object to this conclusion considering that I rejected the uniqueness thesis.) However, Thomas claims that POD is especially expedient in accomplishing this task. This becomes clear when Thomas discusses Cohen's objection. He asserts that, under POD, human behaviour is directed in a way such that market-outcomes are fair, which would thereby avoid Cohen's criticism (Thomas, 2017: 93).

Bearing in mind this assumption about human behaviour I will now discuss whether POD is ready to tame or redirect individual behaviour so that market outcomes are prevented from resulting in impermissible concentrations of wealth.

§3 The Role of the State

Thomas claims that citizens' behaviour can be reinterpreted, by which he means the following: whether or not individual actions are guided by the interest in profit maximization, the institutional design of POD will make sure that outcomes of market transactions are just. The role of the state is thereby to make sure that this eventuates, i.e. that capital is widely dispersed among citizens (Thomas, 2017: 89-94). In this section I want to examine what this entails. The unclarity about the exact strategy of the state to achieve this will provide two possibilities, neither of which is feasible.

As I mentioned throughout this paper, Thomas defends pure procedural justice. Once again, pure procedural justice is: the outcome is just by means of conducting the procedure, like for instance the outcome of a football game. That means that outcomes of market transactions in POD would be just whatever they might be. Further, Thomas states that relatively large-scale holdings of capital prevail in POD (Thomas, 2017: 331). With that said, it is questionable how these largescale holdings of capital should be kept within a permissible range and why they would not lead to economic and, further, to political domination resulting in the same drift to

oligarchic power that actual liberal societies experience. Thomas gives the following answer: he considers this scenario prevented in POD because the state has the role of ensuring widespread dispersion of capital.

Thomas states that the state has to adjust the background so that outcomes of market transactions are patterned fair. The state has two options to accomplish this. The *first option* to determine outcomes would be by means of taxation. If it is recognized that huge amounts of capital are accumulating, the state can adjust the tax scheme. However, this runs contrary to Thomas' pure procedural commitment. However, Thomas ascribes the state the role to correct these "unintended outcomes of intended behaviour" (Thomas, 2017: 90, 162). From this it follows that also POD's strategy is to correct outcomes of market transactions. If outcomes of market transactions have to be corrected afterwards this implies that outcomes of market transactions in POD are not inevitably just. According to pure procedural justice the outcome of a procedure is just by means of conducting the procedure. If outcomes of market transactions are not just in a system of pure procedural justice this means that the procedures are not just. This suggests either of the two conclusions: Either the procedures of POD are unjust or POD is not a system of pure procedural justice.

Rawls, who differentiates between perfect, imperfect and pure procedural justice, defines the former two as having an independent standard – independent from the procedure – by means of which the outcome can be judged as just or unjust (Rawls, 1971: 74). Perfect procedural justice is that procedures lead inevitably to just outcomes (Rawls, 1971: 74). Imperfectly just procedures lead most probably, but not certainly, to just outcomes (Rawls, 1971: 74-75). Now, Thomas states that in order for a society to be just, capital has to be widely dispersed. Accordingly, Thomas considers outcomes as unjust which allow a minority of a society to possess considerably more material wealth than the rest of society. This is because, as was pointed out throughout this paper, considerable differences in wealth would lead to the limitation of republican liberty by means of which the first principle of justice would be undermined. That is why huge accumulations of capital would be considered unjust independent of the procedure. That means Thomas employs an independent standard of fairness that outcomes of procedures have to meet in order to be just. From that it follows that POD is not a system of pure procedural justice. Since Thomas considers unintended outcomes possible, he concedes that the procedures do not inevitably lead to just outcomes, i.e. widely dispersed capital. Thus, POD has imperfect just procedures.

Thomas would reply that the state's actions are adjusting the background in order for the principles to work purely procedurally (Thomas, 2017: 89). Rawls considers adjusted procedural justice an inbuilt possibility to adjust the basic structure (Rawls, 1993: 269). However, he considered it not a constant correction or supervision of outcomes of market transactions. In his discussion of Cohen's criticism Thomas rejects the interpretation that Rawls' principles would correct unjust outcomes and states that corrective justice is the wrong interpretation of Rawls (Thomas, 2017: 83-94). As should be clear from the discussion on WSC, Thomas rejects redistribution because it would make impermissible accumulations of wealth possible. While Thomas states that POD is not to be understood as a theory of redress, it is unclear how his 'predistributionist-strategy' is fundamentally different from redistribution considering that Thomas concentrates predominantly on taxation mechanisms.

The *second option* would be to adjust the notion of property. What might be considered adjusted procedural justice could be constituted by the demos. The demos can, by

means of a just procedure, adjust the institutions of the basic structure. Since the republican state is obliged to determine the institutions according to the interests of the citizens, the state would also be justified to determine the institution of property. With that said, as part of the institutional design of POD it would be possible that the state determines the institution of property. This gives rise to another problem. Thomas only considers accumulations of capital unjust if they cause the limitation of liberty. Accumulations of capital limit liberty only if they lead to political domination. Accordingly, for Thomas it is relevant that the kind of capital is dispersed that is responsible for political domination. Thus, the kind of capital responsible for political domination has to be publicly determined in order to guarantee liberty.

The problem thus is that the difference between POD and Liberal Socialism becomes ambiguous (O'Neill, 2012: 76; Kerr, 2012: 456 fn. 3). Remember that the notion of property rights is what distinguishes POD from Liberal Socialism. POD aims at advocating private property, that is, the exclusive right to capital constitutive of economic power and social domination (Wesche, 2013: 100). It is thought not to lead to political domination because of its egalitarian widespread dispersion. On the other hand, Liberal Socialism does not restrict the private possession of capital per se, but is only concerned with restricting the possibility of a private exclusive right on that kind of capital relevant for economic, and thereby social, domination. Thus, Liberal Socialism's notion of property is to be understood as public determination of property relevant for economic domination (cf. Edmundson, 2017: 139-49, fn.1). The notion of property is, thus, the difference between Liberal Socialism and POD. Accordingly in POD that kind of capital relevant for political domination is under private control: individuals have the exclusive right to their property. The exclusive right implies, however, that the institution of widespread capital holding has to be balanced against the institution of private property.

Since relatively large-scale holdings of capital prevail, it is questionable how POD would avoid the same deficiencies as actual economic institutions. The first option would be justice at the corrective level and would further not be pure procedural justice, but imperfect justice, if there were unintended outcomes of intended behaviour. That is, the outcome would be adjusted by the state. The second option is to adjust the notion of property. However this is the same strategy that liberal socialism pursues. The state can neither redress accumulations of wealth after they have happened because that would violate the exclusive right to justly acquired property. Neither can Thomas claim that the public would determine the notion of property, since that would limit the institution of private property and would be equal to the strategy of Liberal Socialism. What exactly Thomas means by his pre-distributive strategy thus remains unclear. In view of the actual situation in liberal democratic societies it can be plausibly assumed that those individuals possessing relatively large amounts of capital would make extensive use of their exclusive right to their property which means they would try to increase their amount. However, Thomas rejects this, stating that the institutions of POD would have an educative effect on citizens behaviour. The plausibility of this argument will be considered in the following section.

§4 Educative Effect

Thomas claims that POD is expressly endorsing reciprocity and can therefore be expected to incentivise individual behaviour accordingly (Thomas, 2017: 87). He claims that, in that sense, POD has an educative effect on citizens' behaviour (Thomas, 2017: Ch. 5). In this subsection I consider the opposite. I want to argue that POD, while not sufficiently incentivising individuals' solidarity, reinforces individual profit maximization. The idea is that the institutional design of POD will provide incentives for citizens to act in ways contrary to the aims of POD.

My concern is that POD adheres to conflicting values. On the one hand, it encourages individuals' solidarity because the judiciary defends a right to widespread capital holding. This represents the commitment to the fair dues conception of reciprocity which in turn is an expression of solidarity. Thus, POD incentivises individuals' solidarity. Solidarity is, according to Rawls, "the idea of not wanting to have greater advantages unless this is to the benefit of others who are less well off" (Rawls, 1971: 90; in Thomas, 2017: 142). While the constitution incentivizes to solidarity, Thomas states that POD equally fosters efficiency (Thomas, 2017: 46). The institutions that foster efficiency are in line with actually existing market institutions, which are private investment, private ownership of the means of production and wage labour (Thomas, 2017: 37; Raekstad, 2017: 6-8). Thomas claims that POD reconciles efficiency with solidarity (Thomas, 2017: Ch. 2: especially: 45, 48, 245). Further, efficiency is fostered by means of public competition for capital producing economic power. Thomas considers not only that capital which is relevant for competition constituting personal well-being, but especially that capital that is constitutive of economic power, since he favours private ownership over the means of production. Thus, in POD, efficiency is fostered by competition for economic power.

Competition is thought to foster efficiency as follows: Imagine two runners who compete with each other in being fastest to the finish. If only one runner ran without competition, he would probably just run in a comfortable pace until he reached the finish. Competition is thought to improve the performance of the runners. While runners try to be the fastest, economic actors aim at maximizing their economic power. Economic power is a scarce resource that is not obtained by everyone in POD, since the aim is *widespread* capital holding, which is different to *universal* capital holding. Just like only one of the runners can be the champion of the race, only some economic agents can obtain productive capital. Economic agents are thus competing for a scarce resource that not all will be able to obtain, and not all of them to the same degree. In a competition for a scarce resource it is expected that one outperforms another competitor. In our example of the runners, the runner who aims at winning expects that the other runner loses. It is, therefore, plausible to infer that competition fostered by institutions of POD encourages individuals to outbid others. Efficiency is thereby encouraging individuals to the opposite of solidarity. Again, solidarity demands that individuals maximize their profit *only* if others profit as well. On the contrary efficiency demands that individuals maximize their profit with the expectation that others will profit less. That means efficiency and solidarity demand opposing actions. Consider the following example: while solidarity would encourage individuals to pay taxes, efficiency would demand individuals find ways of avoiding them. Thus, POD is giving individuals opposing incentives.

If Thomas assumes that POD institutions have an educative effect on individuals he has to acknowledge that they equally incentivize individuals to act contrary to the aim of

widespread capital dispersion. That is as follows: While it can be argued that the constitution has highest authority and has therefore a stronger educative effect, there are two concerns that suggest that the constitutional effect on citizens behaviour fails to materialize: *First*, the economic institutions have massive influence on citizens' private lives since the economic position defines their social status. *Second*, Thomas assumes that individuals have a predisposition to maximise their individual profit. The institutions that encourage individuals to outbid others are thereby reinforcing that behaviour.

Since the success of long-term widespread capital holding will depend to a large degree on the exact policy scheme that a society implements, it would be predicted that the interests of citizens in maximising their competitive positions in the market will have an effect on the institutions. That is for two reasons:

First, the indetermination regarding exact policy proposals subjects the constitutionalized right to the criticism of being formal rather than substantive. Even if widespread access to capital is constitutionalized it is still debatable what counts as 'widespread'. As I said before, how this is reached would be determined by the political process. However, it can be expected that this results not in an equalization of capital but in the opposite – the concentration of capital. The republican state could here not operate as a dominating agent correcting individual wealth if this were legitimately acquired in the first place.

Secondly, the structural effect of economically dominant actors influences political decisions in their favour. That is, those possessing more productive capital would be given political precedence, which would likely result in the accumulation of wealth. The structural constraints argument states that private investment structurally undermines democratic decisions (J. Cohen, 1989: 28). Since a society's economic fate is dependent on the success of those who own the means of production, the success of parties or governments is equally dependent on a striving economy. That means that the success of parties and governments depends on those who own productive means. The structural constraints argument points out that those individuals possessing productive means affect political decision-making more significantly because a society's economic fate depends on the individuals' investment decisions. Joshua Cohen (1989) argues, that it is rational for governments to decide such that those who have the means to invest are most successful, since private investment decisions have long-term effects on the economy. Private investment is most successful if investors make more profit. That is why it is rational for the government to support the private appropriation of profits of those who are in possession of productive means (J. Cohen, 1989: 28, 44-5). Thus, parties and governments have an interest in supporting those who have capital that creates economic power. Thereby the government is supporting the profit maximization of economically dominant actors since this is in favour of the common interest of society.

While the judiciary is supposed to be protecting widespread capital-holding, it is separate to the legislation that has an interest in the support of economic dominant actors. Since legislation and judiciary are separate, the constitutional court has no influence on the content of legislations beyond making sure that legislation accords with the constitution by blocking new legislation (cf. Rawls, 1993: 362). However, parties and governments depend on a flourishing economy, which is why they will try to make legislation that supports those who have more economic power. This is rational because a striving economy is better for society and therewith better for the success of a party or a government (J. Cohen, 1989: 28). The interests of those possessing the means of production can thus be expected to have more influence on political decisions.

Since the legislation and the judiciary have to balance the right to widespread capital against other institutions, like private property, it is likely that a POD state would fail to prevent impermissible inequalities from occurring (cf. Edmundson, 2017: 136). Thus, it is to be expected that POD suffers from the same ills as actual economic institutions. This is especially likely since Thomas endorses the same economic institutions as actually existing economies: competitive markets, private property, investment, and wage labour (Raekstad, 2017: 6). On what grounds does Thomas consider it unlikely that POD suffers from the same ills as actual liberal democracies? The educative effect of POD can be expected to fail to influence individual behaviour since its institutions incentivize individuals to the contrary. The role of the state is limited since it has to respect private property.

To ensure liberty for a liberal democratic society, Thomas would be well advised to consider Liberal Socialist institutions. Liberal Socialism could avoid the problems that Thomas' proposal is confronted with. Economic domination is structurally removed by subjecting capital that is producing economic domination under public determination. That is because the state would be the legitimate owner of capital responsible for domination and could regulate the distribution of wealth. On the one hand this would structurally remove the possibility of interpersonal domination as is Thomas aim (Thomas, 2017: 80). This would be highly attractive for Thomas, because he, as a republican, would welcome the state of affairs in which the public were in full control over possible domination and thus also of domination resulting from the market. On the other hand, the joint ownership of productive capital would be more an expression of solidarity than unequal economic power and could thus be expected to have an educative effect on citizens' reciprocal behaviour.

At the core of my concern was the problem of incentives. Institutions encourage individuals to act in certain ways. While Thomas recognizes that institutions incentivise individual agency he proposes no alternative institutional structure to redirect the incentives for individuals to act otherwise. That suggests that Thomas' POD is open to the same problems that he identifies in WSC, i.e. increasing inequality. Liberal Socialist institutions remove the incentive for individuals to dominate each other in the market by subjecting market power to public control. If Thomas wants to stick with POD institutions he has to do more to prevent individuals from being incentivised to undermine republican liberty by accumulating impermissible amounts of wealth, as is his aim (Thomas, 2017: 94-6).

Conclusion

The aim of this paper was to consider Thomas' proposal for alternative economic institutions. These institutions were thought to solve the problem of limited liberty which eventuates in liberal democracies due to the massive concentration of material wealth. It was argued that it is a threat to liberty if a wealthy minority is able to influence politics and to further their vested interests by means of their wealth, which is not possible in the same way for the majority of society.

Thomas, who shares this view, considers POD to be the only feasible way to prevent the concentration of wealth and to guarantee individual liberty. While I argued that Thomas'

uniqueness thesis should be rejected, I also expressed some concerns about POD's ability to accomplish the given task. The problem is not only that Thomas is vague about the exact policies to reach the aim of widespread capital dispersion. He further accepts the basic structural design of current economic institutions leaving the question open how it would avoid the problems that liberal democracies experience at the moment.

The emphasis on pre-distribution is valuable, especially regarding human capital. Citizens of a democratic state are only able to make full use of their public autonomy if they have the educational and physical means to contest and deliberate. That is, education and bodily health are crucial for the laws to track the interests of the citizens. However, regarding material capital, Thomas' understanding of pre-distribution is less helpful. His claim that the task to care for capital dispersion is the state's responsibility, is on the one hand self-explanatory, considering that Thomas endorses republicanism. On the other hand, the threat of a drift to oligarchy remains unresolved. Since oligarchies are characterized especially by the power resource of material wealth, which is able to override legal rights due to its versatility, it will depend on the exact policies and institutions whether the state is able to prevent the emergence of oligarchic power.

I have expressed concerns that POD is not able to accomplish this task. *First* because largescale holdings of capital in private hands will prevail. This is worrying because POD is characterized *secondly* by exclusive private property rights. If individuals are in possession of a considerable amount of private property giving them the capacity to further their vested interests politically, according to the republican notion it is already a limitation on the liberty of all others – regardless of whether wealthy individuals use their material power or not. Thomas considers this prevented by the constitutionalizing of a right of widespread capital dispersion. However, this can be expected to fail to lead to the prevention of the problem since the institution of widespread capital would have to be weighed against the institution of private property. If individuals have already acquired a considerable amount of property that is threatening liberty, the state could either adjust the taxation scheme, or it could adjust the institution of property. While the former option is rejected by Thomas the latter option is also not feasible. It suggests public determination of property relevant for domination and is thereby the strategy that Liberal Socialism pursues. Thus, the distinguishable characteristic of POD – widespread dispersion of privately owned capital – becomes ambiguous.

Further, Thomas aims at providing economic institutions that encourage a society's solidarity. While the institutional design of POD incentivizes individuals to conflicting aims, it is however a valuable approach to solve the problem. A socioeconomic system that aims at realizing equal individual liberty can only be successful if it redirects individual conduct and not only aims to correct injustices once they have happened. Only then will it be possible for citizens to equally contest and deliberate. And only then will it be possible for the institutions to fully track citizens' real interests and thus guarantee individual liberty.

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