

Property-Owning Democracy,
Predistribution & The Welfare State:
Evaluating the Rawlsian Case for Property-Owning
Democracy

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1 Introduction

Do we need to look beyond the welfare state to pursue a more socially and economically just society? If so, what kind of economic system is worthy of replacing the welfare state? If not, which of the various versions of the welfare state should governments strive to construct? Should the interventionism of the welfare state be limited to the provision of a social 'safety net'? Or should the welfare state adopt more ambitious aims? To answer these questions requires examining the relationship between a society's institutional structure and the realisation of justice and other associated values. Identifying a configuration of economic institutions and policies capable of achieving and sustaining justice is a task of central importance to both contemporary political theory and practice.

Within his theory of justice as fairness, John Rawls proposes that a property-owning democracy (henceforth, POD) should form part of the basic structure of society (2001, pp.135-140). The history of the term POD, prior to its appearance in Rawls's liberal-egalitarian theory, is not straightforward. It is possible to observe considerable fluctuations in the ideological character of POD, since it has, during different periods and in different forms, been endorsed by both conservatives on the right, and progressives on the left.¹ However, the source of Rawls's inspiration was the account of POD posited by James Meade, who imagined it as a system in which "the ownership of property could be equally distributed over all the citizens in the community" (1964, p.40). Meade envisaged POD as a means of reconciling the accomplishment of egalitarian goals with the efficiency of a market economy. Rawls echoes Meade in characterising POD as a regime which ensures "the widespread ownership of productive assets and human capital ... to put all citizens in a position to manage their own affairs on a footing of a suitable degree of social and economic equality" (2001, p.139). Like Meade, Rawls outlines POD as a regime that is designed to achieve normative ends (the values of justice as fairness) whilst incorporating the institutions of private property and a competitive market. Rawls presents POD as the most favourable regime-type, and contrasts it with a selected range of alternatives that he considers inadequate with regard to the standards of justice.

¹ See Jackson (2012, pp.33-48)

Amongst the regimes that Rawls deems deficient is welfare state capitalism (henceforth, WSC). Rawls stresses the “distinction between a property-owning democracy, which realizes all the main political values expressed by the two principles of justice, and a capitalist welfare state, which does not” (2001, p.135).² A substantial proportion of Rawls’s discussion of just institutional arrangements is concerned with contrasting the virtues of POD as an economic system, with the shortcomings of WSC. Rawls’s remarks about the distinction between WSC and POD imply that he understood his own theoretical framework as prescribing a transition from the former to the latter. This dimension of Rawls’s philosophy has, only relatively recently, received the attention that it warrants.³ As Rawlsian philosophers have attempted to explicate Rawls’s account of POD and explore the possibility of its practical implementation, one contestable issue that has emerged is its underlying philosophical justification.

This essay represents an attempt to further scrutinise the rationale behind Rawls’s endorsement of POD. More specifically, I propose that POD does not necessarily perform better than a welfare state system in terms of realising the values of political liberty, equality of opportunity, reciprocity and social equality. Whilst I acknowledge that the ‘predistributionist’ nature of POD enables it to meet the demands of Rawlsian justice, I shall deny that this lends decisive support to POD over a welfare state system. Such a view overlooks the prospects of a predistributionist welfare state (henceforth, PWS). I will argue that an expansion and a reorientation of the overarching aims of the welfare state could bring about a PWS which would be at least as capable as POD when it comes to realising the values of justice as fairness. As a result, my elaboration of PWS will weaken the normative justification for POD and shed light onto an alternative route that can be taken to progress towards a more just society.

In Section 2, I will describe how Rawls presents POD and WSC. I will examine the distinction Rawls draws between the two regime-types in greater detail, focusing on their distributive aims and their approaches to the ownership of productive resources. In Section 3, I will closely examine the notion of ‘predistribution’. I will argue that a predistributionist approach is not exclusive to POD, as it can coherently be pursued by a PWS. I will then outline the key

² Rawls makes this distinction explicit in *Justice as Fairness* as he thought that “a serious fault of [*A Theory of Justice*] is that it failed to emphasize this contrast” between a deficient welfare state and a superior property-owning democracy (2001, p.139).

³ See O’Neill and Williamson (2012). For discussion of the philosophical justification of POD, see *Part One: Property-Owning Democracy: Theoretical Foundations*, especially Chapters 3-6.

institutions and policies of PWS and illustrate that it occupies a conceptual space between Rawls's POD and WSC. Following this, Section 4 will compare the prospects of POD and PWS in terms of the values of justice as fairness. My primary aim here is to expose some gaps in the justification of POD related to reciprocity and social equality, and demonstrate that PWS is equipped to promote these values at least as well as POD. Section 5 will contain my concluding remarks.

2 Welfare State Capitalism vs Property-Owning Democracy (in Rawls's Terms)

2.1 When is a Regime Just?

Rawls's evaluation of WSC and POD is motivated by his attempt to ascertain the kind of regime required to meet the demands of justice. Accordingly, there are two preliminary questions that ought to be answered to contextualise Rawls's comparison of the two regime-types. Firstly, there is the question of what exactly a 'regime' refers to, and secondly, what are the conditions that must be satisfied for a 'regime' to be deemed just? I will address these questions in turn.

Rawls interprets regimes as "social systems, complete with their political, economic, and social institutions" (2001, p.136). To refer to a society's regime is to refer to its collection of institutions, and the way in which they interact with each other to produce systematic processes. Examples of the kind of institutions that determine the nature of a society's regime include, amongst other things, its political constitution, its legal apparatus, and its economic structures and policies.

Considering the various forms that these institutions can take, and the abundance of ways they can be configured, we begin to appreciate that there are a multitude of possible different regime-types. It is not uncommon for societies to diverge in terms of the content of their constitutions, or the scope of their legal system, or the approaches they take to shaping economic conditions. Rather than examine all the nuanced versions of potential regimes, Rawls focuses on a series of regimes that differ primarily in terms of their economic systems. The scope of Rawls's inquiry extends to five regimes: laissez-faire capitalism; welfare-state capitalism; state socialism; property-owning democracy; and liberal socialism (2001, p.136). These five candidates are distinguishable in terms of certain fundamental economic features, such as the ownership and

control of economic assets, the organisation of economic production, and the distribution of income, wealth, and capital.

Before assessing Rawls's appraisal of these economic systems, I will clarify the standards Rawls invokes to judge their value. The framework Rawls appeals to in comparing and evaluating the alternative regime-types is his multi-dimensional conception of justice as fairness. Rawls's theory of justice famously stipulates that the 'basic structure' is its primary subject. This means that justice depends on the adherence of the basic structure, that is "the main political and social institutions and the way they fit together as one scheme of cooperation", to certain principles of justice (2001, p.4). Rawls's first principle asserts that each individual person is incontrovertibly entitled to a set of equal basic liberties. The second principle is separated into two components. It states, firstly, that the opportunity to access the various social positions within society must be fair and equal; and secondly, that any social and economic inequalities that persist must be arranged according to the difference principle, so that those in the worst-off position are as well-off as possible (2001, p.42). When evaluating regimes from a Rawlsian standpoint, we are essentially asking to what degree a particular set of institutions supports, or impedes, the pursuit of a social arrangement capable of satisfying the demands of these two principles.

Rawls proceeds to claim that when the principles of justice properly govern the basic structure of society, this results in the realisation of the "values of political justice ... equal political and civil liberty; fair equality of opportunity; social equality and reciprocity" (2001, p.91).⁴ The value of political liberty relies primarily on the first principle of justice being upheld, and it appears that the function of the two strands of the second principle, is to achieve equality of opportunity and reciprocity. Exactly how Rawls envisages that the principles of justice realise social equality, however, is not evidently clear.⁵ Nonetheless, the successful realisation of these values is indicative of a regime that has aligned itself with the principles of justice. Therefore, the capacity

⁴ In a later passage of *Justice as Fairness*, Rawls reiterates the view that "the values of justice expressed by the principles of justice for the basic structure [are]: the values of equal political and civil liberty, fair equality of opportunity, and economic reciprocity as well as the social bases of citizens' self-respect" (2001, p.190). On this occasion, Rawls appears to replace the value of 'social equality' with the 'social bases of self-respect'. However, as will be shown in Section 4.4, the two are closely interlinked.

⁵ I will return to this issue in Section 4.4.

to promote this set of values can be understood as the normative criteria Rawls employs to judge the different regime-types, and discern which amongst them is the best.

Invoking this normative framework, Rawls swiftly dismisses both state socialism and laissez-faire capitalism. Rawls declares that state socialism “violates the equal basic rights and liberties” (2001, p.138), presumably due to its denial of the basic right to occupational freedom. The conditions imposed by a centralised command economy infringe on the civil liberty of individuals to determine their own productive role in the economy. Laissez-faire capitalism is condemned because it “rejects both the fair value of the equal political liberties and fair equality of opportunity” (2001, p.137). This regime’s acceptance of market outcomes, and general indifference to potentially extreme levels of economic inequality, tends to produce a society in which the rich have privileged access to positions of power and influence, whilst the poor are deprived of opportunities to access such positions.

WSC meets the same fate. Rawls asserts that “welfare-state capitalism also rejects the fair value of the political liberties, and while it has some concern for equality of opportunity, the policies necessary to achieve that are not followed” (2001, pp.137-138). Rawls adds that under WSC “a principle of reciprocity to regulate economic and social inequalities is not recognized” (2001, p.138). Rawls’s critique of WSC is grounded in its apparent incompatibility with substantive political liberty and equality of opportunity, as well as the absence of reciprocity. Even though WSC may be deemed preferable to state socialism and laissez-faire capitalism in certain ways (since, for example, it is not completely indifferent to economic inequality), there is no doubt that, for Rawls, it falls remarkably short of realising the values that pertain in a just society.

The two remaining candidates are POD and liberal socialism. According to Rawls, both of these regimes perform significantly better than their counterparts at promoting the values of justice. “Both a property-owning democracy and a liberal socialist regime set up a constitutional framework for democratic politics, guarantee the basic liberties with the fair value of the political liberties and fair equality of opportunity, and regulate economic and social inequalities by a principle of mutuality” (2001, p.138). Rawls refrains from definitively asserting that one of these two regimes represents the ultimate institutional ideal, instead insisting that the decision to pursue either POD or liberal socialism regime should be determined by rational deliberation amongst citizens, taking into account the relevant political and historical circumstances (2001,

p.139). Despite this, it is POD that Rawls chooses to explicate further (leaving the composition and characteristics of liberal socialism largely underdeveloped).⁶ Rawls's development of POD emphasises the way in which it ought to be distinguished from WSC. My aim for the remainder of this section is to analyse how Rawls presents the comparison between these two regime-types.

2.2 Distributive Aspirations

There are two dimensions to Rawls's comparison between WSC and POD. For Rawls, they differ fundamentally in terms of their overarching distributive aims and their regulation of the ownership of productive resources. Although distribution and ownership are related, they represent two distinct institutional aspects of regimes that can be independently analysed.

A helpful way to characterise the difference between the distributive aims of WSC and POD is in terms of the *ex post / ex ante* distinction. On the one hand, a regime can opt for "ex post corrections to the inequalities generated by the market - i.e. they take the existing level of inequality in market income as a given, and ask how best to tax some of the unequal income of the advantaged and transfer it to the disadvantaged" (Kymlicka, 2002, p.82). We can attribute *ex post* distributive aims to a particular regime when it accepts the outcomes of market processes, but attempts to mitigate some of the disparities that they tend to produce. Such *ex post* aims are satisfied when those who endure the adverse effects of the market system are compensated, typically through income transfers. Alternatively, a regime can endorse the principle that "people should have equal *ex ante* endowments when they enter the market ... i.e. in their capacity to invest in productive assets or in developing their own skills and talent" (Kymlicka, 2002, p.82). A regime which adopts *ex ante* distributive aims seeks to reduce underlying inequalities in access to economic resources, independently of how they fare in the

⁶ Although Rawls's remarks about POD are generally considered to be in need of significant elaboration, his account of liberal socialism is even more limited. Rawls perhaps thought that the political, historical and cultural conditions within contemporary capitalist welfare states regimes would be more conducive to transitioning to a POD (that would permit private asset ownership and embrace free market structures), than to the development of a socialist system (characterised by public or common ownership arrangements). On this point, and for other reasons why it is appropriate to prioritise focusing on POD rather than liberal socialism, see O'Neill (2012, p.76).

marketplace. When people are endowed with resources more equally, they enjoy similar opportunities to employ those resources in ways that lead to greater prosperity.

It is worth clarifying that *ex post* and *ex ante* policy approaches are not mutually exclusive. It is not the case that subscribing to *ex post* aims makes pursuing *ex ante* aims impossible or redundant (and vice versa). Policy-makers do not face a dilemma in choosing between either increasing the size of income transfers to the most disadvantaged, and enforcing a more even ownership of productive capital, for example. It is perfectly plausible for a government to simultaneously pursue *ex post* and *ex ante* aims in attempt to create greater economic equality. Nevertheless, according to Rawls's account of the two regime-types, WSC is presented as exclusively concerned with *ex post* redistribution, whilst POD epitomises *ex ante* distribution.

The following passage indicates how Rawls conceives of the distributive aims of WSC:

“In welfare-state capitalism the aim is that none should fall below a decent minimum standard of life, one in which their basic needs are met, and all should receive certain protections against accident and misfortune, for example, unemployment compensation and medical care. *The redistribution of income serves this purpose when, at the end of each period, those who need assistance can be identified*” (Rawls, 2001, pp.139-140, emphasis added).

This demonstrates that Rawls interprets WSC as aiming to obtain a state of affairs in which nobody falls below a minimum level of welfare. This minimum threshold is defined in terms of people's ability to satisfy their basic needs, and their capacity to overcome adversity. WSC seeks to secure this social minimum through the 'redistribution of income', carried out through a system of income transfers to the least advantaged in the form of benefit payments, financed by taxation of those with higher incomes. The fact that Rawls's WSC adopts this corrective approach, intervening 'at the end of each period' to compensate those who suffer from the unequal outcomes generated by the market, determines that it merely subscribes to *ex post* objectives.

POD, on the other hand, pursues alternative distributive aspirations. Rawls states that:

“In property-owning democracy ... the aim is to realize in the basic institutions the idea of society as a fair system of cooperation between citizens regarded as free and equal. To do this, those institutions must, from the outset, put in the hands of citizens generally, and not only of a few, sufficient productive means for them to be fully cooperating members of society on a footing of equality”.

It is apparent that this represents a more ambitious approach to distribution. Under POD, individuals are deemed to be entitled, not to a social minimum income, but a set of economic resources that enables them to operate as free and equal citizens. POD takes seriously the idea that effectively engaging in the market economy is an essential aspect of being an integrated and fully functioning member of society. Accordingly, POD is committed to the *ex ante* aim of providing each citizen with a share of resources that allows them to enter into the marketplace from a position of equal economic standing. This, in turn, reduces the scale of inequality in property ownership, and thereby creates fairer background conditions within which the economy operates. As Krouse and McPherson write, POD adopts “the alternative strategy of creating institutions that will ensure a more equal underlying distribution of physical and human capital, or property and skill endowments, so that the market will generate less unequal results to begin with” (1988, p.90). The difference between the regime-types can be summarised by stating that Rawls’s POD is designed to promote equality in *ex ante* endowments, whilst WSC is presented as being narrowly concerned with *ex post* compensation.

2.3 The Ownership of the Means of Production

There is a second key dimension to Rawls’s comparison between WSC and POD. As indicated above, POD requires the even distribution of a range of economic resources beyond income, including human capital and, most importantly, physical capital. The approach of POD to the ownership of physical capital, or the means of production, is perhaps POD’s most distinctive feature, and is responsible for Rawls referring to it as an “alternative to capitalism” (2001, pp.135-136). Given that capitalism tends to be associated with the institutions of the free market

and private ownership of the means of production, and since Rawls acknowledges that both POD and WSC embrace market structures and “allow private property in productive assets” (2001, p.139), his depiction of POD as an ‘alternative to capitalism’ requires some qualification.

Taking a traditional Marxist conception of the structure of capitalism,⁷ it might be argued that any regime in which private ownership of productive resources is permitted is necessarily capitalist. The reason being that such private ownership is the source of a class division between capital and labour. Those in the position of privately owning productive property are members of a capitalist class that accrues economic rewards by virtue of their ownership. However, the labour that must be combined with these productive resources to generate output is provided by the working class. Members of the working class are those who are excluded from the ownership of productive property, and are thus forced to sell their labour power to capitalists as a commodity in exchange for a wage. This class division is an essential feature of capitalism. If it is the case that the exclusive ownership of productive property is responsible for the formation of the capitalist class structure, then it seems a genuine ‘alternative to capitalism’ must abolish private property in the means of production. As Cohen states, “the division between capital and labour is generated by private ownership of [the] means of production. And the only alternative to *private* ownership of the means of production is *common* ownership of the means of production” (1995, pp.1-2). Since POD does not reject the private ownership of productive assets in favour of common ownership, it appears that POD will inevitably be capitalist.

However, to conclude that the private ownership of productive property leads directly to capitalism is something of a non-sequitur. This is because it is not private ownership *per se*, but the concentration of ownership of productive property amongst a small section of population, that produces the aforementioned class division between capitalists and workers. Of course, eradicating the private ownership of productive resources, and opting to organise the economy around a principle of common ownership, represents one way to avoid the class relations of capitalism. This is not, however, the only approach available. An alternative strategy to overcoming the class asymmetry involves allowing productive assets to be privately owned,

⁷ For a summary of Marx’s account of the fundamental class structure of capitalism based on private ownership of the means of production, and the commodification of labour power, see Fine and Saad-Filho (2016, pp.20-23), or Rawls (2007, pp.323-328).

but, crucially, ensuring that this private ownership is common to people across all sections of society, and not exclusive to a minority.

This is precisely the approach of POD. For Meade, the institutions of POD are designed to foster “a world in which no citizen owns an excessively large or an unduly small proportion of the total of private property” (1964, p.40). Rawls shares this vision, emphasising the commitment of POD to “ensuring the widespread ownership of productive assets” (2001, p.139). A fundamental aspect of POD, then, is a substantially more even dispersal of productive property ownership. Implementing and sustaining such a widespread distribution of property counteracts the concentration of productive resources amongst a small section of the population. This, in turn, prevents the formation of a capitalist class that derives its economic power and privilege from the exclusive ownership and control of physical capital.

Moreover, provided that the distribution is sufficiently inclusive, there will be no propertyless working class, whose members are coerced into the sale of their labour power. POD cultivates a socioeconomic arrangement in which citizens derive income partially from their labour contribution, and partially from their property ownership.⁸ Although it seems paradoxical, we might say that POD constitutes an ‘alternative to capitalism’ because it proposes to transform each member of society into a capitalist (when the term ‘capitalist’ denotes an owner of productive property). As Krouse and McPherson write, “if one follows Smith, Marx, and Weber in identifying capitalism as a social formation that divides society into propertied and propertyless classes (rather than defining all private property systems as capitalist), then Rawls’s ideal regime should not be called capitalism at all” (1988, p.80). The fact that POD strives to eliminate class divisions based on property ownership validates Rawls’s claim that POD should not be categorised as capitalist. Accordingly, it is a mistake to view POD and WSC simply as two forms of capitalism that merely differ in terms of their distributive aspirations.

For clarification, it is worth noting that WSC, as its name indicates, is capitalist. But this is not due to the presence of the institutions of the free market and private property. WSC is capitalist

⁸ Meade goes as far as suggesting that “the essential feature of this society [POD] would be that work had become rather more a matter of personal choice”, implying that each person should be able to sustain themselves indefinitely on the income extracted from their productive assets (1964, p.40). Whilst Rawls does not reiterate this, it is undoubtedly a key feature of POD that it reduces the dependence of citizens on work to obtain a subsistence income.

precisely because it does not regulate the ownership of productive property to prevent a privileged capitalist class from emerging. As Rawls puts it, WSC “permits a small class to have a near monopoly on the means of production” (2001, p.139). It is this monopolisation of the ownership of productive resources, which persists under WSC and is eliminated under POD, that generates the class relations characteristic of capitalism.

In summary, Rawls’s conceptions of WSC and POD differ fundamentally in terms of their approaches to the ownership of productive resources as well as their distributive aspirations. WSC is a regime that is characterised by *ex post* income redistribution with the intention of guaranteeing a social minimum to its citizens. Its relative indifference to unequal ownership of the means of production throughout society risks the emergence of capitalist class relations. POD, on the other hand, distributes resources to citizens as *ex ante* endowments to reduce background economic inequalities. By requiring a much broader distribution of physical capital ownership amongst the population, POD dissolves the social division between a property-owning capitalist class and a propertyless working class.

3 Predistribution & The Institutional Features of a Predistributionist Welfare State

In the previous section, I suggested that, according to Rawls, the regimes WSC and POD are separable in terms of both their regulation of the ownership of productive resources, and their overall distributive aspirations. However, in this section, my aim is to demonstrate there is conceptual space between WSC and POD for an additional institutional arrangement, that can be referred to as a predistributionist welfare state (henceforth, PWS). A PWS should be understood as a regime which (like Rawls’s WSC) does not directly impose restrictions on the ownership of physical capital assets, but does (like Rawls’s POD), subscribe to a more ambitious set of distributive objectives. Through elaborating this idea of a PWS, I am essentially challenging Rawls’s general depiction of welfare state regimes. By presenting welfare state regimes as only being committed to implementing a system of income redistribution to ensure that citizens can access a social minimum standard of living, Rawls makes something of a ‘straw man’ out of the welfare state. I contend that once the possibility of PWS is acknowledged, this raises doubts about the supposed superiority of POD over welfare state regimes.

To make a case in favour of PWS, it is necessary to devote some space to examining and refining our understanding of predistribution, and what it means for a regime to be predistributionist. In line with O'Neill's analysis (2020), I will now identify the sense in which predistribution can be meaningfully distinguished from redistribution, and use this conceptualisation to inform my theoretical construction of a 'predistributionist' welfare state.

3.1 Refining the Concept of Predistribution

We might initially be tempted to think that redistribution and predistribution are both economic processes that seek to mitigate inequality, but entail distinct types of policies. It may appear that particular policies are either redistributive or predistributive, depending on the kinds of mechanisms involved. In what follows, however, my aim is to demonstrate that such a conceptualisation of the distinction between redistribution and predistribution is misleading.

Hacker, a leading contemporary exponent of predistribution, offers the following characterisation:

“When we think of government's effects on inequality, we think of redistribution – *government taxes and transfers* that take from some and give to others. Yet many of the most important changes have been in what might be called “pre-distribution” – the way in which the market distributes its rewards in the first place ... progressive reformers need to focus on *market reforms* that encourage a more equal distribution of economic power and rewards even before government collects taxes or pays out benefits” (2011, p.35, emphasis added).

Despite the temporal language here ('in the first place' and 'before government collects taxes'), Hacker's conception of the difference between predistribution and redistribution is based on the *types* of policies involved, rather than their *timing*.⁹ Hacker simply asserts that the economic

⁹ According to a temporal conception of 'predistribution', predistributive policies are those implemented at the outset of a specified period of economic activity, prior to tax-and-transfer processes taking place. However, as O'Neill points out (2020, pp.70-71), such an interpretation is based on the false assumptions

inequalities that emerge in a market society can be reduced through 'predistributive' reforms as well as tax and transfer mechanisms, which are explicitly identified as 'redistributive'. Predistributive policies are reforms designed to modify the institutions and practices of the market system itself. This interpretation of the distinction between redistribution and predistribution has been labelled by O'Neill as the "Tax-and-spend vs Market-Shaping" account (2020, pp.72-74). Understood this way, predistribution is concerned with altering the background economic structures within which transactions are made, arrangements are negotiated and relations are formed in a market society. Provided that they function as market reforms, such policies can be classified as predistributive regardless of whether they are implemented before, after, in conjunction with, or instead of, redistributive policies.

Although this 'Tax-and-Spend vs Market-Shaping' account appears plausible, upon further analysis, it is revealed to be problematic. The reason being that tax and transfer policies, associated with redistribution, have the same market-shaping character that is attributed to predistributive policies. Since this is the case, the distinction between redistribution and predistribution, construed in these terms, becomes arbitrary.

This point becomes clearer if we consider the implications of quintessential tax and transfer policies. Firstly, imagine a scheme in which the government commits to regularly transferring an income to each member of society, funded by tax revenue. In other words, consider the introduction of a Universal Basic Income (UBI), which has been advocated, most notably, by Van Parijs (1995, pp.30-57). A UBI scheme would be universal and unconditional, in the sense that all working-age members of society would be entitled to receive the basic income regardless of their labour contribution, or their ability to meet any other criteria. Since such a scheme relies exclusively on the mechanisms of tax and transfer, it ought to be considered an archetype example of a 'redistributive' policy.

The implementation of a UBI would lead to a reduction in the levels of (post-tax-and-transfer) income inequality and provide the most vulnerable with crucial financial support. In addition to producing these foreseeable outcomes, a UBI, as E.O. Wright remarks, also has the capacity to "generate greater egalitarianism within labour markets" (2010, p.154). Provided that it is

that economic activity is divisible into distinct time periods, and that economic activity is independent from the taxation institutions and practices adopted within society.

generous enough, the security provided by having a UBI as a reliable source of income would mean that individuals would become less dependent on the income they earn from wage labour. It would become less common for people to be coerced by their deprived circumstances into accepting unfavourable employment contracts. The guarantee of a basic income essentially allows individuals to refuse undesirable forms of work, without subsequently having to suffer the hardship of living without an income. The UBI grants employees greater bargaining power in economic relationships with employers and enables them to negotiate higher wages and better working conditions. Although Van Parijs's justification of UBI is largely grounded in the idea of 'real freedom', he also recognises that UBI has this potential when he states that "part of the impact [of a UBI] also consists in giving the least well endowed greater power to turn down jobs that they do not find sufficiently fulfilling, and thereby creating incentives to design and offer less alienated employment" (2001, p.21). Since the introduction of a UBI would trigger a shift in bargaining power within the labour market and across the economy, it must be recognised as a 'market-shaping' policy. Furthermore, we can see that the 'more equal distribution of power and rewards' that Hacker envisages as the outcome of predistributive reforms, can stem from a quintessential redistributive policy.

To reinforce this point, let us consider another 'tax-and-spend' policy that might appear to be solely 'redistributive'. In addition to income transfers, government investment in public goods, funded by tax revenue, can also be interpreted as a means of transferring goods to the disadvantaged, and thus a redistributive mechanism. Consider, for example, the establishment of a comprehensive public health service for all citizens. As well as reducing the disparity in living standards experienced by rich and poor, the introduction of a public health system, like the implementation of a UBI, would also function as a predistributive policy.

Suppose that prior to the creation of a public health system, individuals can only access adequate healthcare if they have either purchased a private health insurance scheme, or if a health insurance plan is attached to the terms of their employment. Given the value of healthcare to individuals, and the fact that private schemes tend to be unaffordable for the majority, attaining and maintaining employment that provides healthcare benefits becomes a priority. The greater the general dependence upon employment for access to healthcare, the greater the general power that employers hold over employees in negotiating the terms and conditions of work. With the knowledge that employees will be unwilling to risk losing favour in the workplace and having their contracts terminated (and subsequently being deprived of health

insurance), employers hold undue power in workplace relationships and can potentially impose excessive demands on employees.

However, the transition from a deficient private healthcare system to a comprehensive government-funded health service would also contribute to a rebalancing of power within the labour market (O'Neill, 2020, pp.76-77).¹⁰ As healthcare becomes available to all citizens, employers lose the leverage attached to their capacity to offer health insurance. Employees become capable of refusing certain positions and demands that they would have previously accepted to avoid their access to healthcare being threatened. Without having to depend on their employment to ensure health cover, employees are more likely to voice their discontent, or engage in collective bargaining, in an attempt to improve working conditions and secure additional benefits. Moreover, employers who had perhaps relied upon the promise of a health package to attract workers, would have to explore new methods of making their workplace more appealing. This demonstrates that even a seemingly typical redistributive 'tax-and-spend' policy, which uses tax revenue to provide an essential public good, cannot be differentiated from a predistributive policy, understood as a reform that shapes market conditions. Like the introduction of UBI, the formation of a public health system would indirectly alter the background distribution of bargaining power in an economy, and lead to a restructuring of labour market relations.

The purpose of highlighting how the introduction of a UBI scheme and an effective public health system would alter the conditions of the labour market, is to show that a policy can, at the same time, be both a 'tax-and-spend' policy, and a 'market-shaping' reform. As a result, the distinction between redistribution and predistribution, elicited from Hacker's account, is revealed to be a distinction without a difference. As O'Neill states, "there is simply no such thing as two distinct categories of policy, one marked redistribution and one marked predistribution" (2020, p.85). Given that the distinction between redistribution and predistribution collapses when they are interpreted as different policy-types, is there still a meaningful distinction to be drawn?

¹⁰ To illustrate this, O'Neill imagines the labour market impact of a society ('Usania') undergoing a transition from providing limited public healthcare to establishing a quality universal public healthcare service, inspired by the prospect of Medicare being implemented in the USA.

The preceding paragraphs have illustrated that labelling different mechanisms as either redistributive or predistributive is troublesome because 'redistributive' taxes and transfers have the same kind of impact as 'predistributive' reforms. More specifically, we have seen that regular income transfers and the provision of public goods both affect the security that people enjoy as citizens, and the leverage they have as employees. It is precisely when policies have this kind of influence on people's socioeconomic circumstances, however, that we can say those policies fulfil predistributive aims, or produce predistributive effects. Predistribution, then, is concerned with the enhancement of people's socioeconomic independence, and the balancing of bargaining power in economic relationships, which can be achieved by a wide variety of different policy-types. As O'Neill puts it, the "twin aims" of predistribution are "reducing objectionable inequalities of power *within* market relationships, and giving individuals a secure standing *outside* of the market transactions in which they may otherwise be potentially vulnerable to a troubling degree" (2020, p.85). The policies that generate predistributive effects are those which elevate the least advantaged towards a position in which they do not rely on the perpetuation of specific economic relationships, or good fortune in the market, to be able to maintain a reasonable standard of living. And where they are engaged in market relations, policies that improve the bargaining power they hold can also be characterised as having a predistributive impact.

Another way of framing this account of predistribution is terms of the affinity between predistributive aims and the rectification of certain less tangible, but no less pervasive, forms of inequality. The predistributive effects of policies modify economic conditions in a way that enables individuals to interact on fairer and more equal terms, free from relations of dependency and subordination. Predistribution, therefore, tackles more structural inequalities, namely inequalities of power, social standing and opportunity. In contrast, redistributive effects are typically more quantifiable. The redistributive effects of policies are essentially the actual reallocations and provisions of material goods that result from those policies, which could theoretically be measured by observing the changes in the quantities of the relevant goods that people own and access.

Some of these predistributive effects are closely tied to redistributive effects. For example, a basic income transfer scheme would obviously cause quantifiable changes to the income levels of different individuals, which would, in turn, directly provide the least advantaged with the necessary economic security to avoid and refuse entry into unfavourable employment

contracts. Other predistributive effects are entirely independent of redistributive effects. A policy that prevents firms from denying employees the opportunity to participate in collective bargaining, for example, has the predistributive effect of empowering workers in economic relationships, without involving the 'redistributive' provision of any material resources. That is not to say the predistributive effects produced by policies, cannot have an instrumental impact on overall distributions of resources. In fact, the relative bargaining power of labour in an economy plays a crucial role in restraining the aggregate levels of wealth and income inequality. Reducing structural inequalities of power within the relations of production allows labour to secure its fair share of national income, and thus prevent the disproportionate growth of capital's share of national income. Despite this interconnectivity, redistribution and predistribution nonetheless refer to two distinct kinds of effects generated by economic policies.

Given this more robust account of predistribution, we can characterise institutional arrangements as being predistributionist when they actively pursue predistributive aims and seek to generate predistributive outcomes. In other words, a regime is predistributionist when constructs and implements policies set on ensuring a more even distribution of power within market relations, whilst simultaneously diminishing the general dependency of citizens on those market relations.

3.2 Is Predistribution Exclusive to Property-Owning Democracy?

At this point, there is a noticeable resemblance between my account of what it means for a regime to be predistributionist, and the distributive aspirations that I attributed to POD in Section 2.2. Accordingly, it would be accurate to interpret POD as a predistributionist regime. This is due to the relationship that holds between property ownership and the acquisition of power and independence, which lies at the core of predistribution.

As we have seen, the distinctive distributive objective of POD is to reduce the background inequality in *ex ante* endowments, particularly the unequal levels of private ownership in the means of production. The characteristic policies of POD, therefore, are those designed to make productive property widely available for private ownership by the vast majority, if not all, of the population. The way in which this would have a predistributive impact is captured in the following passage from Meade.

“A man with much property has great bargaining strength and a great sense of security, independence, and freedom ... he can snap his fingers at those on whom he must rely for an income; for he can always live for a time on his capital. The propertyless man must continuously and without interruption acquire his income by working for an employer or by qualifying to receive it from a public authority” (1964, p.39).

The possession of physical capital of adequate value provides people with a reliable and consistent source of income that diminishes their dependence on government assistance and relations with employers. Having a self-sufficient economic foundation alleviates vulnerability and allows people to exercise greater power in economic arrangements. The broad aim of POD is to distribute productive property widely, which will, in turn, enhance the socioeconomic independence of individuals and lead to a more even dispersal of bargaining power throughout the economy. It appears that Rawls endorses the predistributive aim of promoting the economic independence of citizens when he insists that the purpose of equalising economic endowments in a POD is “to put all citizens in a position to *manage their own affairs* on a footing of a suitable degree of social and economic equality” (2001, p.139, emphasis added). In Rawls’s POD, citizens should be able to shape their own economic circumstances with a considerable degree of autonomy, rather than be subject to the will of other economic actors, or the power of market forces more generally.

We can also consider whether or not WSC, according to Rawls’s depiction, should be interpreted as a redistributionist regime. Redistribution is not entirely absent under a WSC regime. Recall that the key policies of WSC involve the *ex post* transferral of income and the provision of public services and protections such as “unemployment compensation and medical care” (Rawls, 2001, pp.139-140). Establishing a functioning ‘social safety net’ that consists of income transfers and essential public goods does detract some leverage from employers in market relations, because it prevents employment from becoming the only means people have of meeting their basic needs. However, as long as the emphasis remains on enabling basic needs to be met, the predistributive effects of WSC policies will remain relatively limited. Whilst labour would not be completely powerless, the distribution of bargaining power under Rawls’s WSC would be far from even. The power in the economic structures of WSC resides with those who own disproportionately large shares of wealth and property, to the extent that “control of the economy ... rests in few hands” (Rawls, 2001, p138). Moreover, since WSC is unprepared

to tackle background inequality in economic endowments, this leaves many with little to no capacity to own or invest in physical and human capital and acquire the levels of income and wealth sufficient to reduce their dependence on low wage labour and government assistance. As opposed to enhancing independence, WSC merely sustains socioeconomic relations of dependency. Rawls gives a particularly devastating assessment of this aspect of WSC, suggesting that “there may develop a discouraged and depressed underclass many of whose members are *chronically dependent* on welfare” (2001, p.140, emphasis added). As a result, unlike Rawls’s outline of POD, WSC cannot accurately be deemed a predistributionist regime.

Now, the question I wish to raise is whether this is necessarily the case. WSC, according to Rawls’s conception, is clearly inferior to POD when the standard of comparison is their tendency to produce redistributive effects. Nonetheless, is it possible to conceive of a more ‘predistributionist’ welfare state?

My contention is that there is no inherent reason why a welfare state regime cannot adopt more ambitious egalitarian commitments and pursue a more redistributive agenda. It is reductive to conceive of the state interventionism associated with welfare state regimes as basically limited to the providing essential services and securing a social minimum for its citizens. In fact, if we consider a number of modern nation states that we would categorise as having welfare state regimes, it can be observed that their institutions are already more advanced than those of Rawls’s WSC. As Schemmel points out, whilst Rawls’s WSC may reflect the institutional arrangements of the USA or the UK when he was writing, a modern Swedish-style welfare state, where citizens are universally and unconditionally entitled to a wide range of high-quality benefits to elevate the living standards of the whole population, constitutes a far more progressive version (2015, pp.397-401). This suggests that the welfare state cannot justifiably be condemned as an inadequate regime-type, without examining how it might feasibly be improved.

It is entirely plausible that welfare state regimes could undertake a shift in focus and implement reforms and policies designed to increase the socioeconomic independence of its citizens and rebalance the distribution of bargaining power in economic structures and relationships. This model of the welfare state can be referred to as a predistributionist welfare state (PWS). The effective construction of PWS will determine that Rawls offers a ‘straw man’ depiction of the welfare state, comparing an overly narrow and dysfunctional form of the welfare state with a

more idealised form of POD.¹¹ In other words, Rawls is guilty of evaluating the welfare state ‘as it is’ (or as it was observed at the time he was writing) and POD ‘as it might be’, which subsequently casts doubt over his insistence on POD as the superior regime-type. A fairer comparison, from which valid conclusions can be drawn, requires that POD is pitted against a more imaginative and ambitious account of the welfare state.

3.3 An Overview of a Predistributionist Welfare State

What would a ‘predistributionist’ welfare state look like? In the remainder of this section, I will outline a model of PWS that focuses on three institutional features that would transform a traditional welfare state into a PWS. I will explain how each of these features would produce the redistributive effects of enhancing the independence of citizens outside of the market, and increasing the bargaining power they possess within market relations. It is not my intention to suggest that PWS would *replace* any core institutions and practices of the traditional welfare state. For instance, the constitutional, legal, and political institutions required to uphold the rule of law and preserve democratic politics would remain, and there would be a continuation of economic processes such as income taxation and transfers. PWS would, however, seek to expand certain aspects of existing welfare states, and introduce novel institutional features. Once the PWS model has been established, I will reflect on what distinguishes a ‘predistributionist’ welfare state from a ‘predistributionist’ POD. Section 4 will then be devoted to demonstrating that PWS is as capable as POD at producing just outcomes, measured in terms of the realisation of the values of justice fairness.

Firstly, there would be a large-scale expansion in the provision of public goods. Of course, the provision of public services is present in Rawls’s account of WSC. However, under PWS, there is a significant shift in intent, from providing only those essential services that allow citizens to meet their basic needs, to enabling citizens to enjoy high living standards regardless of their fortune in the market sphere. This entails making health and social care services universally accessible, and committing to extensive investment in areas such as the public provision of

¹¹ The suggestion that Rawls is guilty of making a ‘straw man’ of the welfare state is posited by O’Neill (2012, p.83). My intention here, however, is to confirm this is the case by outlining a more robust version of the welfare state.

housing and childcare.¹² Moreover, PWS acknowledges the importance of education and makes the provision of a quality public education for all citizens a priority. Additional policies are implemented to make training programmes widely available, and higher education accessible to all through public funding or the provision of substantial subsidies. A PWS would seek to provide citizens with equal opportunities to acquire valuable skills and knowledge, or to develop their human capital, so that they can compete fairly in the labour market irrespective of their socioeconomic background. The overarching aim for PWS should be to invest in public goods that collectively enable individuals to access the opportunities and levels of well-being constitutive of a high standard of living. This would serve to fulfil the predistributive objective of diminishing the reliance of citizens on participating in, and prospering from, market processes over the course of their lives.

Secondly, PWS would undertake reforms to strengthen the bargaining power of labour in market structures. It is worth noting that the expansion of public service provision, described above, would positively influence the bargaining power of workers. Greater access to goods such as healthcare and affordable housing means that citizens come to rely less on income from wage labour in order to access such goods, and greater access to training and education means that citizens are more capable of developing skills that are of value to employers, giving them greater leverage in employment relations.

However, PWS also concerns itself with the more direct determinants of labour's bargaining power, namely the presence of organised labour structures throughout the economy.¹³ Organised labour refers to the association of workers through trade unions, who have the capacity to engage in industrial action and amplify the power of workers in market relationships. Whilst it may be their "basic *raison d'être*" to put upward pressure on the wage rate of workers,¹⁴

¹² Schemmel writes that in a Swedish-style welfare state "a large share of the population, consisting of both lower and middle classes, continuously receive a wide range of tax-financed benefits, such as child care, health care, and education, which are largely granted without means-tests" (2015, p.397) Likewise, a PWS would make beneficial services widely available on an unconditional basis, aspiring beyond the satisfaction of citizens' most basic needs, and avoiding processes that involve the identification of the most disadvantaged.

¹³ See O'Neill (2020, pp.72-74) on how the absence union structures weakens the bargaining power of labour.

¹⁴ See Meade (1964, p.36).

unions also facilitate negotiations to protect employees who may be exposed to adverse working conditions, and to attempt to secure additional benefits. They function as an outlet for workers to express their views about the workplace, and a means of holding those in positions of authority within firms to account. The overall strength of labour's bargaining power in an economy is largely determined by the prevalence of organised labour, or more specifically, the proportion of the labour force that are members of a trade union (union density), and the degree to which the terms and conditions of work are the result of collective bargaining processes (collective bargaining coverage). A welfare state committed to pursuing predistributive aims should take measures to increase union density and collective bargaining coverage throughout the economy.

There are a number of policies and reforms available for PWS to pursue these goals. In public sector organisations, the government can take on an active role in establishing unions and initiating collective bargaining procedures between employers and union representatives. Increasing unionisation in the private sector is less straightforward but can nonetheless be accomplished. The government should, firstly, ensure that regulations are in place to strictly forbid private enterprises from blocking the association of workers, the materialisation of unions, and potential industrial action. Furthermore, the government can allocate funding to support worker associations in the construction of recognised union structures, or create incentives for companies and directors to establish these structures themselves. This would likely require offering subsidies to companies that cover the initial costs associated with the establishment of unions. Even if firms resist the public funding of unions and insist that they are to be funded privately through individual subscriptions, the government can still subsidise the subscription fees of the least advantaged to ensure that union membership remains affordable for all. By taking measures to stimulate a rise in union density and foster an economic environment conducive to collective bargaining in the public and private sector, the government of a PWS facilitates the accumulation and exercise of greater bargaining power by labour in market relationships.

The third feature of PWS is a financial capital endowment scheme, designed to reduce background wealth inequality over time. PWS recognises the relationship between an individual's wealth, the level of financial security they enjoy, and, consequently, their socioeconomic independence outside of the market. In a society where wealth is unevenly distributed, there is a disparity between those dependent on government assistance and

employment relations to access a decent standard of living, and those with financial stability who access higher living standards and engage in economic activity with a greater degree of autonomy.

At this point, it is worth emphasising the way in which a person's level of wealth is distinct from their ownership of productive assets. The value of a person's privately owned physical capital assets is incorporated into the calculation of their total wealth. But a person's total wealth is also determined by other factors including their quantity of cash savings and their financial assets, such as stocks, bonds and pension funds. This means that POD's implementation of a widespread distribution of productive assets does simultaneously contribute to bringing about a more even distribution of wealth. However, it is also possible to pursue a more egalitarian distribution of wealth without necessarily demanding a more even distribution of productive assets. This can be achieved, for instance, by altering the levels of personal savings or distributing financial assets. It is this second approach that is undertaken by PWS.

Efforts made by welfare states to redress background wealth inequalities rarely extend beyond the imposition of inheritance taxes. By claiming a proportion of the value of a person's estate when it is transferred to others via bequests, inheritance taxation limits the extent to which wealth inequalities are sustained over generations. And although there have been calls for an annual wealth tax to be levied on the wealthiest members of society,¹⁵ policy frameworks to implement this have not yet materialised. To seriously tackle underlying wealth inequalities, and fulfil the redistributive aim of enhancing the general economic security of citizens, it is necessary to look beyond policies that merely curb wealth inequality and make a substantive commitment to increasing the shares of wealth belonging to the economically disadvantaged.

To give a sense of the scale of existing wealth inequality in modern capitalist nation-states, in the UK, the wealthiest 10% of households have an average wealth of £1.32 million, and own 45% of the nation's total wealth. In contrast, the bottom 50% of households have an average

¹⁵ Piketty (2014) makes the case for a progressive annual wealth tax, where the rate of taxation is determined by the total value of an individual's assets, see Ch.15 "A Global Tax on Capital", especially pp.515-517.

wealth of just £3,200, and own only 9% of total wealth (Roberts and Lawrence, 2017, pp.6-7).¹⁶ This means that the average wealth of citizens in the top decile is over 400 times higher than the average wealth of citizens in the bottom half of the distribution.

In attempt to rectify wealth inequality of this magnitude, PWS would introduce a scheme where the government commits to providing substantial wealth grants to each individual in the form of cash savings. This amounts to supplying each citizen with an ex ante endowment of financial capital. Whilst the expansion of public services and unionisation may reasonably be regarded as relatively moderate proposals, this feature of PWS differentiates it from even the most progressive existing welfare state regimes. Furthermore, the fact that PWS reduces wealth inequality without advocating the widespread ownership of productive resources, determines that PWS offers a strategy separate to that of POD.

This scheme would take a form similar to the ‘stakeholder grant’ proposal advocated by Ackerman and Alstott (1999). Their suggestion (to be applied in the USA) is that once each citizen reaches adult age, they should each receive a sum of \$80,000 in four annual instalments.¹⁷ This proposal is grounded in the belief that genuine equality of opportunity requires that each person benefit from an equal economic starting point. This, they argue, can be obtained through a societal system of wealth allocation that enables citizens to privately own and autonomously manage their share of national wealth. Consequently, each citizen is entitled to receive the same amount, irrespective of their varied socioeconomic circumstances of recipients (2006, p.45). Whether it is being administered to citizens who experience relative deprivation, or citizens who enjoy positions of relative wealth, the size of the grant is not adjusted.

Although providing wealth grants will undoubtedly contribute to obtaining greater equality of opportunity,¹⁸ the basic rationale for the financial capital endowment in a PWS is the provision of financial security for each member of society. In possession of substantial cash savings, individuals have a greater capacity to finance the costs of services that are key factors in

¹⁶ These figures are taken from a report published by IPPR in 2017. In this report, wealth is defined as a “stock of assets” and measured in terms of the sum of “private pension wealth, property wealth (net), financial wealth (net) and physical wealth” (Roberts and Lawrence, 2017, p.6).

¹⁷ This is roughly equivalent to \$125,000 (or £90,000) in today’s currency.

¹⁸ This will be explored below in Section 4.2.

determining their quality of life. When adults face costs associated with healthcare, education and childcare (which should already be largely covered by the government in a PWS), their access to savings ensures that they can afford such services without accumulating debt. Additionally, the ability to access an initial stock of financial capital facilitates the entry of all young adults into the housing market, and presents them with the opportunity to invest in productive capital, if it is their preference to do so. In the absence of such a wealth endowment scheme, these options are only available to the most economically privileged young adults, whilst the rest must work for a considerable period of time to accumulate the necessary savings to acquire residential property or other capital assets. The wealth grant scheme in a PWS, then, bestows upon each person a level of economic self-sufficiency that enables them to access a high standard of living, without having to rely purely on prosperity achieved through market processes. As indicated above, with this reduced dependency on market relations comes greater bargaining power. If workers enter the labour market with the knowledge that they can always rely (at least temporarily) on their savings, they can avoid being driven into precarious employment arrangements by the absence of reasonable alternatives.

Given that its justification revolves around the notion of individuals being able to sustain themselves outside of market relations, I suggest it would be appropriate for the size of the grant to be approximately equivalent to the average annual salary for full-time employment. For example, the current median annual earnings for full-time employment in the UK is £31,461 (ONS, 2020). So, considering the application of a wealth grant scheme in a UK context, and rounding this figure upwards, each individual should be entitled to a lump-sum grant of £35,000. This may appear relatively modest in comparison to size of the 'stakeholder grant'. However, the impact such a scheme would have on the underlying distribution of wealth should not be underestimated. The figures above state that the least wealthy 50% of households in the UK have an average total wealth of only £3,200. This means that, on receipt of the £35,000 grant, each adult would instantly be made over *ten times* wealthier than the average UK household in the bottom half of the distribution.¹⁹ A PWS can afford to be flexible about the age at which adults receive the endowment, and whether it ought to be issued in a lump-sum or instalments. What is important, however, for the grant to have the desired predistributive effect, is that it is

¹⁹ If we make the simple additional assumption that a household comprises two adult recipients of the grant, this means that the scheme would increase their household wealth by £70,000, making them at least over *twenty times* wealthier than the current average UK household in the bottom half of the wealth distribution.

made available to each young adult prior to their entry into the labour market for full-time employment.

One potential objection to the distribution of such substantial grants is it may create disincentives for recipients to seek work, which would have significant macroeconomic ramifications. The worry is that on receiving the grant, people's motivation to gain employment disappears. If people cease to seek to employment to acquire an income, then this threatens to lead to economic instability. Whilst it is true that the possession of the grant would discourage people from partaking in undesirable forms of low-paid wage labour, it is not the case that recipients are permanently liberated from the need to secure a means of earning an income. This grant does not provide each person with personal financial reserves so large that they will be financially supported indefinitely. Being able to access to cash savings whilst searching for work simply enables individuals to enter into employment relations voluntarily, on terms that they deem to be fair and acceptable. As a result, the most likely shift in the labour market brought about by the grant scheme would be that be employers would be motivated to make working conditions more appealing to potential employees.²⁰ With the knowledge that their cash savings will be depleted if they fail to secure favourable employment, the incentive to work as a means of earning a stable income remains present in a PWS.

It is worth pointing out that POD must overcome the same disincentive problem. If the shares of physical capital assets allocated to individuals are particularly generous, in terms of either their size or value, members of a POD will be capable of accruing a substantial capital income. This has the potential to discourage a considerable proportion of the population from seeking employment, perhaps even to the extent that Meade envisaged, where "work [would] become rather more a matter of personal choice" (1964, p.40).

An additional concern is that, even if the incentive to work remains intact in a PWS, the success of the wealth endowment scheme is overly reliant on young adults making effective use of their increase in personal wealth. Criticism of the scheme may stem from scepticism about whether young adults will be sufficiently prudent once they receive the grant. If they are likely to spend

²⁰ This is the same labour market impact mentioned in relation to the introduction of a UBI above on pp.15-16.

a large proportion of the grant, rather than preserve their savings or invest in their future, this would mean that efforts to provide continued financial stability through the grant scheme would ultimately be fruitless. Wasting their funds on consumption would lead to a situation in which adults become overly dependent on government assistance and lose their bargaining strength.

The simplest way to overcome this objection would be to impose restrictions on how a considerable proportion of the grant can be used.²¹ For example, individuals may only be permitted to access the grant for consumption purposes when they are faced with unemployment, and even in this case, there can be limits placed on how much individuals are able to withdraw on a monthly basis. Otherwise, whilst in employment, people may keep the grant intact as personal financial reserves, or make use of a number of legitimate outlets, which would include investing in education and training programmes (which would lead to an expansion in their human capital), or investing in other forms of financial capital such as stocks and bonds to accrue more wealth. The institutions of a PWS cannot eliminate the preferences people may have for present consumption over savings and investment, but they can prevent these preferences from compromising the long-term benefits that the grant offers. By limiting the amount individuals are permitted to spend, and restricting the ways in which they can invest, PWS ensures that the financial security associated with the endowment is, to a large extent, ineliminable.

3.4 The Overlap and the Practical Difference between a Predistributionist Welfare State and a Property-Owning Democracy

Now that I have outlined the main institutional features that would transform a typical welfare state into a PWS, it is necessary to address one major limitation regarding the conceptual construction of a PWS. This issue is brought into focus when we consider how PWS is to be differentiated from POD. Since one of the characteristic features of PWS is a financial capital endowment scheme that reduces the background levels of wealth inequality, it might be argued

²¹ See Williamson (2009, p.443) on placing restrictions on the use of cash asset endowments. Williamson envisages the regulated distribution of cash assets (amongst other policies) as a means of realising POD in practice. There is, however, no reason why such a policy program should only be available to a POD and considered 'off-limits' for a more ambitious welfare state regime.

that PWS and POD are virtually equivalent, at least in the sense that they appear to subscribe to similar *ex ante* distributive aims, and seem inclined to produce similar predistributive effects. The crucial difference, however, is that PWS does not intervene in the market for productive resources, or regulate the allocation of the means of production throughout society. If it were an institutional feature of PWS to guarantee citizens the ownership of physical capital, in addition to a financial endowment, then the conceptual distinction between POD and PWS would begin to disintegrate.

By reducing the character of the three regime-types to two institutional dimensions, Table 1 illustrates how WSC, PWS and POD are distinguishable from one another. The approach of PWS to the ownership of productive resources is essentially consistent with Rawls's WSC, whereas its focus on predistribution means that its distributive aspirations extend beyond those of WSC, and overlap with those of POD. PWS shares POD's commitment "to [putting] all citizens in a position to manage their own affairs on a footing of a suitable degree of social and economic equality" (2001, p.139). However, PWS differs in the sense that it denies that regulation of the ownership of productive capital is required to fulfil this aim. Therefore, this demonstrates that PWS is an economic regime with a distinct institutional identity that occupies a conceptual space between both WSC and POD

Table 1

	<u>Ownership of Productive Resources</u>	<u>Distributive Aims</u>
<u>Welfare State Capitalism</u> <u>(WSC)</u>	<ul style="list-style-type: none">• Private ownership• No restrictions	<ul style="list-style-type: none">• Provide <i>ex post</i> income transfers to cover citizens' basic needs
<u>Predistributionist Welfare State</u> <u>(PWS)</u>	<ul style="list-style-type: none">• Private ownership• No restrictions	<ul style="list-style-type: none">• Provide <i>ex ante</i> endowments of financial capital to reduce background wealth inequality, promote independence and empower labour
<u>Property-Owning Democracy</u> <u>(POD)</u>	<ul style="list-style-type: none">• Private ownership• Regulation to ensure the 'widespread' ownership of productive resources	<ul style="list-style-type: none">• Provide <i>ex ante</i> endowments of physical capital to reduce background inequality in the ownership of property and wealth

Before carrying out a normative comparison of PWS and POD, I will briefly consider two reasons why this key difference appears to make PWS a more plausible institutional aspiration than POD. Firstly, contemporary Western societies are largely characterised by dominant free market institutions, an uneven distribution of productive assets, and a culture of private property. The fact that POD regulates the ownership of productive assets to ensure that each person is allocated a sufficient share, and PWS does not, appears to make PWS a more politically feasible than POD. As Chambers writes, “however one looks at it, property-owning democracy, with its insistence that property, understood both as human and real capital, be “put in the hands of citizens generally” ... is a radical departure from property arrangements in ... contemporary liberal democratic societies” (2012, p.22). Realising POD in practice would unquestionably entail an overhaul of the systems of productive property ownership that form the economic foundations of these societies. It would also presumably require establishing a branch of the state devoted to allocating and transferring productive property to maintain an egalitarian distribution. The governmental institutions of POD would possess the authority to seize assets from some members of society and reassign them to others, which is likely to

garner considerable political resistance from citizens. The development of a PWS would also entail a departure from contemporary economic arrangements, primarily due to its commitment to financial capital endowments, but the lack of interference in property relations means that it involves a less contentious transition.

Secondly, POD's role in allocating productive resources raises certain practical economic questions (which have been largely overlooked).²² In a PWS, productive resources are allocated by market forces. The benefit of this system is that prices, and changes in price levels, of physical capital goods convey information about the supply of, and demand for, those goods. Additionally, the process of capital accumulation functions as a profit signal, indicating opportunities for the profitable investment of capital goods. Individuals and firms in a PWS can respond to these price and profit signals when deciding how to productively employ their capital resources. The government of POD, conversely, allocates a sufficient share of productive resources to each citizen, and intervenes to maintain an even distribution. As a result, "PODs [must] block capital exchanges through regulations and monitor profit levels to stop excessive capital accumulation, preventing profit signals from reallocating capital as the economy develops" (Vallier, 2015, p.293). This means that market actors cannot rely on capital accumulation as a means of signifying increases in profits and business opportunities. The fact that POD blocks capital exchanges also means that individuals and firms may not be able to respond effectively to price changes. Ultimately, POD threatens to undermine the informational benefits of the price mechanism in the market for productive resources, which prevents them from flowing to where they can be put to their most productive use. This implies that PWS would attain a more efficient and productive economic system.

In response to these considerations, advocates of POD may (rightly) insist that these practical political and economic concerns I have briefly raised do not constitute objections to POD as the most just regime-type. The seemingly controversial nature of POD's key policies (in the context of contemporary Western societies) does not negate the claim that the institutions of POD are required to meet the demands of justice. And with regard to the potential economic inefficiencies of POD, proponents of POD may hold that it is preferable to have a just society and an inefficient economy than an unjust society and an efficient economy. In other words,

²² See Vallier (2015, pp.288-296) for discussion of a range of potential economic difficulties for POD.

whatever the political and economic costs associated with regulating the ownership of the means of production, they are necessary costs to incur in order to progress towards a just society.

My contention, however, is that PWS offers an alternative route to a more just society, despite not intervening in the market for productive assets. In order to defend this claim, it is necessary to demonstrate that PWS performs at least as well as POD in terms of the realisation of justice and other associated values. Accordingly, in Section 4, I restrict my focus to Rawls's normative framework to ascertain whether – practical considerations aside – it is in fact the case that POD constitutes a more just regime than PWS.

4 The Values of Justice as Fairness: A Property-Owning Democracy vs a Predistributionist Welfare State

In this section, my intention is to make the case that, when the possibility of a 'predistributionist' welfare state is fully acknowledged, Rawls's normative framework does not provide a compelling set of reasons to opt for POD. Rawls's rationale for endorsing POD over the welfare state is that it amounts to an economic system that succeeds, where the welfare state supposedly fails, at realising the 'main political values' of justice as fairness - political liberty, equality of opportunity, reciprocity and social equality (2001, p.91, p.135). The task of challenging this justification has been undertaken to some extent by O'Neill (2012). O'Neill argues that Rawls's condemnation of WSC relies on an overly narrow conception of the welfare state, and that the welfare state with plausible modifications, has the capacity to perform at least as well as POD with respect to the values of political liberty and equality of opportunity. O'Neill does conclude, however, that Rawls is ultimately entitled to favour POD over WSC on the basis that only the former, and not the latter, can satisfy the demands of the difference principle.

In light of my development of PWS, I propose this line of argument pursued further and that Rawls's claims regarding the superiority of POD can be placed under additional pressure. In

what follows, I will explicate O'Neill's arguments regarding the ability of the welfare state to secure political liberty and fair equality of opportunity in the context of a PWS. I will then expose some gaps in the justification of POD relating to the values of reciprocity and social equality. I will suggest that it is not obvious how POD purportedly realises reciprocity and social equality (even if Rawls's position is charitably reconstructed), and subsequently that the institutional arrangement of PWS would be at least as effective when it comes to promoting these values. This will lead me to conclude that appealing to values of reciprocity and social equality do not provide legitimate grounds to advocate POD over a welfare state with a redistributive agenda.

4.1 Political Liberty: Overcoming the Resource Constraint Problem

Achieving equal political liberty in a just society depends predominantly on institutions fulfilling the requirements of the first principle of justice, which requires that each person is granted the same set of 'equal basic liberties'. For Rawls, the 'equal basic liberties' are the freedoms which enable people to use their rational faculties to pursue their own conception of the good, and which are essential for people to be recognised as free and equal citizens (2001, p.45). They include the freedoms of conscience and association, as well as political liberties such as the right to vote and participate in political life. The establishment of a democratic political constitution, enforced by the rule of law, is a common method for a society to guarantee these basic liberties to each citizen. But given that such a liberal democratic constitution is an institutional component of both POD and PWS, does this simply mean that the two regimes are equally capable of securing political liberty?

In anticipation of the critique that his liberal egalitarian framework merely secures formal, rather than substantive, political liberty, Rawls draws a distinction between the political liberties themselves, and the worth, or 'fair value', of the political liberties (2001, p.149). Whereas the former is granted by a constitution, the latter refers to citizens having the same opportunities to actually exercise their political rights, which is contingent on a range of background factors, including their economic position. Rawls insists that what matters is effective political liberty, "that citizens similarly gifted and motivated have roughly an equal chance of influencing the government's policy and of attaining positions of authority irrespective of their economic and social class" (2001, p.46). Only in this instance is the value of political liberty adequately

realised. Regimes can therefore be judged on their capacity to promote the fair value of political liberty by examining the extent to which their institutions prevent differences in people's social and economic circumstances, such as their race, class, or level of wealth, from determining their level of political influence in society.

One of the main threats to the fair value of political liberty (henceforth FVPL) is the ability of people to convert their economic capital into political capital. As Joshua Cohen argues, "because economic resources provide the material basis for organized political action, groups that are materially disadvantaged face important organizational and political disabilities" (1989, p.29). Those with greater economic resources at their disposal can absorb the costs associated with financing political campaigns, or engaging in lobbying for example, to ensure that their interests are represented in the political domain. This "resource constraint", for Cohen, is a major source of tension between capitalism and democracy, because it allows those with large shares of economic resources to have disproportionate influence on the political process and government policy.

POD, however, is not particularly susceptible to this resource constraint problem. Recall that POD can be characterised as an alternative to capitalism because it denies that society's economic resources can be exclusively owned and controlled by a small section of the population. The widespread distribution of these economic resources prevents the emergence of a privileged economic class capable of monopolising the political agenda. Rawls is explicit that the "institutions of property-owning democracy work to disperse the ownership of wealth and capital, and thus to prevent a small part of society from controlling the economy, *and indirectly, political life as well*" (2001, p.139, emphasis added). In a POD where citizens have relatively equal capital assets, they have roughly equal opportunities to use their capital to exert influence on the political process. POD, then, preserves the FVPL, at least in the sense that citizens can access the economic resources they require to effectively participate in political life.

Rawls is much less optimistic about the prospects of WSC which, he claims, "rejects the fair value of the political liberties" (2001, pp.137-138). The reasoning behind this claim is that WSC, by not intervening to rectify background inequalities, permits property and wealth to become concentrated amongst a powerful minority. These citizens have the capital to advance their private interests, whilst the economically disadvantaged are denied a fair chance to influence

political outcomes. This has led some to the conclusion that “the Rawlsian commitment to the priority of liberty, including the fair value of political liberty, lends decisive support to the former system [POD] over the latter [WSC] as the ideal version of a private property market economy” (Krouse and McPherson, 1988, p.87).

Whilst POD’s expansion of capital ownership appears likely to enhance the FVPL, the claim that welfare state regimes are incapable of preserving the FVPL is unconvincing. Firstly, PWS represents a version of the welfare state that seeks to redress background wealth inequality through the provision of financial capital endowments. As mentioned above, it may be necessary to impose restrictions on how adults use their endowments. A considerable proportion must either be saved as personal reserves, or invested in one of a number of legitimate outlets. The remaining unrestricted proportion, however, could be utilised for the purpose of funding political organisation and participation. PWS, therefore, provides citizens with a quantity of economic resources which may be used to finance the pursuit of personal political ends.

It may be contested that PWS would nonetheless fail to bring about a distribution of economic resources sufficiently egalitarian to sustain the FVPL. The problem with this claim is that, as O’Neill argues, “it is not sufficient simply to assume that economic power and political power must always go together, with inequalities in the latter being inevitable whenever inequalities in the former have not been eradicated” (2012, pp.83-84). The reason for this is that regimes can (and do) adopt ‘insulation’ strategies, whereby the democratic political arena is shielded from the corrupting influence of economic inequality (O’Neill, 2012, p.82).²³ Instead of aiming to eliminate disparities in the distribution of wealth, a regulatory approach can be taken to overcome the ‘resource constraint’, which aims to prevent excess wealth from translating into an unfair advantage in the political sphere. This would entail the creation of a legal infrastructure designed to block the processes by which economic capital can be employed for contentious political gain. This would involve, for example, setting strict limits on the size of individual donations to political campaigns and candidates, and restricting the lobbying activities of corporate organisations. Provided that the regulatory systems are sufficiently comprehensive,

²³ See O’Neill (2012, p.82), and also Schemmel (2015, p.403) who points out that insulating political affairs from the influence of wealth inequality “is not only entirely compatible with WSC as a regime type; many existing liberal democracies already implement such measures”.

it is conceivable that welfare state regimes, including a PWS, could protect the FVPL from being distorted by underlying economic inequalities.

One potential objection to this insulation strategy is that it constitutes an infeasible method of preserving the FVPL, in the sense that it requires determining the legitimacy of every transaction that ostensibly encroaches on the political sphere. A PWS would indeed have to decide where to draw the line between admissible economic activity that constitutes the expression of a citizen's political views, and the impermissible expenditure of capital that skews political outcomes in favour of the wealthy. Whilst this is admittedly a challenging issue, it is one that a POD must also confront. In a POD, those who come to accumulate greater shares of resources may attempt to capitalise on their relative wealth and advance their own interests in a way that puts the FVPL at risk. Rawls even states that the "public funding of elections and restrictions on campaign contributions" would be amongst the measures required to "enable legislators and political parties to be independent of large concentrations of private economic and social power in a private-property democracy" (2001, pp.149-150). This indicates that POD would also rely on a regulatory system monitoring economic activity in order to suppress corruption and safeguard political democracy.

Whilst a fully functioning POD with even capital ownership across society may be theoretically conducive to maintaining the FVPL, the 'insulation' measures it would undertake to preserve the fairness of the democratic process are also available to a PWS. Consequently, it does not make sense to suggest that POD offers a more effective method of securing the FVPL. Concern for upholding the value of political liberty, then, does not provide a compelling reason to favour POD over PWS.

4.2 Equality of Opportunity: Equalising Access to Capital

Within Rawls's second principle of justice is the requirement that "social and economic inequalities ... are to be attached to offices and positions open to all under conditions of fair equality of opportunity" (2001, p.42). As with political liberty, Rawls insists that the objective for a just society must not merely be formal, but 'fair' equality of opportunity (henceforth FEO) (2001, pp.43-44). This extends beyond citizens being granted equal rights, and the absence of

discriminatory treatment. FEO demands that members of society who are equally willing and able, enjoy a fair chance of actually obtaining the various social positions within the system of social cooperation that is society.

Rawls claims that “while [WSC] has some concern for equality of opportunity, the policies necessary to achieve that are not followed” (2001, p.138). Due to its narrow focus on compensatory income redistribution and its unwillingness to rectify the unequal access to *ex ante* endowments, WSC is portrayed as realising an insubstantial ‘formal’ equality of opportunity. The approach of POD, in contrast, appears to embody a commitment to upholding FEO by tackling those background property, wealth and class inequalities that perpetuate unequal opportunities. By ensuring the “widespread ownership of productive assets and human capital ... at the beginning of each period” (2001, p.139), POD aims to ensure that each individual’s overall life prospects are neither contingent on, nor impeded by, their initial socioeconomic circumstances. This leads Rawls and others to conclude that “fair equality of opportunity, like fair value of liberty, decisively supports property-owning democracy over welfare-state capitalism as the ideal private property market economy” (Krouse and McPherson, 1988, p.89).

The approach of POD to realising FEO, then, supposedly focuses on equalising access to physical and human capital. As mentioned in Section 3, the attainment of a widespread distribution of productive property would presumably require a branch of government devoted to allocating productive assets to citizens. Advocates of POD might insist that endowing citizens with even physical capital assets ensures that they access a relatively equal economic starting point, from which they can advance towards their desired social positions. To fulfil its promise of broader distribution of human capital, Rawls indicates that POD includes, “so far as [is] practicable, provisions for realizing fair equality of opportunity in education and training of various kinds” (2001, p.176), but scarcely elaborates on what this entails. POD would presumably devote public funds to making education and training programmes widely available, so that all citizens can develop valuable skills that make them suitable for well-paid employment and influential social positions.

Rawls is explicit, however, with regard to the implementation of strict progressive inheritance tax to preserve the FEO in a POD. This is a measure designed to reduce inequalities in access to financial capital. The practice of bequeathing wealth allows the private transfer of financial

capital endowments, granting recipients greater economic opportunities due to their fortunate social and family connections. Taking inspiration from Meade (1964, pp.54-57), Rawls states that “the principle of progressive taxation is applied at the receiver's end. Those inheriting and receiving gifts and endowments pay a tax according to the value received and the nature of the receiver” (2001, p.161). By placing restrictions on inheritance, particularly on those recipients who inherit large sums or those who are set to inherit from multiple benefactors, POD limits the tendency of citizens to gain an unfair advantage by virtue of their more privileged socioeconomic circumstances.

The problem for proponents of POD is that this multidimensional approach does not make POD superior to PWS in terms of meeting the requirements of FEO. Firstly, the ownership of physical capital resources, in itself, is not necessary to achieve FEO on Rawls's terms. The central requirement of the FEO is that people's prospects of obtaining social positions are based on their effort and ability, and not differences in their social backgrounds. Whilst those who perform successfully in society may accumulate economic resources, or enter into positions of relative authority in which they influence how society's economic resources are used, the FEO does not require each person to exclusively own productive assets during their lives. As O'Neill argues, “under Rawls's FEO, there can exist highly concentrated control over the means of production, as long as all citizens have an equal lifetime opportunity to come to adopt a position of power and control over productive resources” (2012, p.86). Therefore, the most significant policies, with respect to realising the FEO, are not those enabling the ownership of productive capital, but those which make sure that positions of power and influence are genuinely accessible to all and not only the most affluent. As long as measures are taken to break down disparities of wealth over generations, and adequate opportunities for education and training are provided for all members of society, this is sufficient to realise the FEO in Rawls's terms. The claim that the uneven ownership of productive resources is, in itself, a barrier to FEO, is misleading.

Secondly, the social and economic infrastructure implemented by POD to equalise access to human and financial capital, is also available to welfare state regimes, particularly a PWS. Since PWS aims to enable citizens to enjoy a high standard of living independent of their market fortune, it prioritises the provision of high quality public education and training to citizens irrespective of their social background. Members of a functioning PWS would be capable of acquiring the human capital to facilitate their elevation towards social positions of influence.

Furthermore, it is within the scope of PWS to seek to preserve the fairness of the recruitment process, by encouraging employers to judge candidates based on their ability and not their socioeconomic circumstances. As Schemmel suggests, an advanced welfare state can “emphasise meritocratic selection procedures, and reduce the instrumental importance of possession of capital for attaining desirable jobs and positions” (2015, p.402).

Likewise, when it comes to financial capital, a policy of inheritance taxation is by no means exclusive to POD. In fact, existing welfare state regimes typically tax bequests, and it is plausible to imagine a more ambitious welfare state lowering the exemption threshold and increasing the rate of these taxes in order to seriously limit the transfer of private wealth through inheritance. As O’Neill argues, it is possible to “block the intergenerational transmission of advantage” without resorting to “a full-blown property-owning democracy” (2012, p.85). Although an inheritance tax scheme plays a crucial role in limiting inequalities in financial capital and progressing towards conditions of FEO, this is not a reason to lead us to endorse POD over PWS.

Moreover, the financial capital endowment scheme, central to the policy structure of PWS, represents a further substantive commitment to the FEO. Not only would the scheme guarantee that society’s wealth is more widely dispersed, it would enhance the life prospects of each recipient. The wealth grant would give each young adult a number of options with regard to shaping their own future. Individuals can preserve the grant as savings and accumulate interest, which they can rely upon whilst they search for meaningful and beneficial employment. Alternatively, they can acquire further educational training and knowledge to make themselves more suitable to hold positions of authority in political and economic affairs. Or they may choose to invest in property, such as real estate or financial capital, in an attempt to expand their wealth. In the absence of the wealth grant, this range of options, which gives people a better chance of living a more prosperous life and accessing influential social positions, would exclusively be available to those already in possession of financial capital through inheritance. This demonstrates that unlike Rawls’s WSC, PWS would pursue policies to advance towards the ideal of FEO, perhaps even more effectively than POD.

Now, we should be careful not to give an overly narrow account of POD, as Rawls is guilty of doing with the welfare state. We must acknowledge that in addition to allocating physical capital, a cash endowment scheme could also feature as part of POD. Even though this would seem

to depart from Rawls's preference for expanding the ownership of productive assets, it is conceivable that cash assets may form part of a person's bundle of property in a POD.²⁴ However, this merely reinforces the point that there is significant overlap between the approaches of POD and PWS to achieving the FEO. Given that the ownership of physical capital is not intrinsic to citizens experiencing FEO, and since POD offers no policies to equalise access to human and financial capital that are unavailable to PWS, PWS is at least as capable as POD at securing equal opportunities. We can therefore conclude that when the realisation of the conditions of FEO is the benchmark, there is no decisive reason to favour POD over PWS.

4.3 Reciprocity: Meeting the Requirements of Reciprocity Through Sufficiency

The third value of justice as fairness supposedly realised by POD, but not a welfare state, is reciprocity. Rawls's conception of reciprocity revolves around the idea that "all who do their part as the recognized rules require are to benefit as specified by a public and agreed-upon standard" (2001, p.6). This notion of reciprocity can be broken down into two components: firstly, those who participate in social cooperation receive a share of the rewards of social cooperation and, secondly, the way in which the rewards are shared is publicly recognised as fair.²⁵ Notice that this implies reciprocity does not demand a strictly equal distribution of benefits. Reciprocity is attainable provided that the distributive standard adopted is justifiable, and is underpinned by a general consensus.

The structure of the difference principle (henceforth, DP), which occupies a central position in Rawls's philosophy, can effectively be derived from this notion of reciprocity. Let us assume that, in order for a distribution to be acceptable to an individual, it should improve their position, or if it makes them worse-off than others, it must be accompanied by a justifiable reason why this is the case. This means that the requirement of reciprocity rules out unequal distributions

²⁴ Williamson (2012, pp.232-234) incorporates the distribution of cash assets into his interpretation of POD.

²⁵ According to Freeman (2007, p.481) Rawls conceives of reciprocity as "a general requirement that each person engaged in cooperation should not simply benefit (mutual advantage), but should benefit on terms that are fair. Rawls construes it to require terms of cooperation where gains to those more advantaged must benefit those least advantaged more than any other alternatives do".

where some become better off at the expense of others and no valid reason is given. One way to attempt to justify a distribution that deviates from equality, is to commit to making those who benefit the least as well-off as possible. Here, we arrive at the DP which requires that “social and economic inequalities ... are to be to the greatest benefit of the least-advantaged members of society” (2001, pp.42-43). Accordingly, reciprocity is exemplified in a society where its basic institutions are organised according to the DP. The fact that the DP guarantees that gains from social cooperation are shared mutually, according to a distributive standard that maximises the position of the worst off, means that “the difference principle is essentially a principle of reciprocity” (Rawls, 2001, p.64).

Despite Rawls’s insistence that in a POD, “the least advantaged are ... those to whom reciprocity is owed as a matter of political justice” (2001, p.139), it is not at all clear how a POD supposedly meets the requirements of reciprocity. It is here that my argument departs somewhat from O’Neill’s. O’Neill ultimately concludes that Rawls is entitled to favour POD over WSC because only the former is capable of meeting the demands of the DP (2012, pp.87-89). Whilst I agree that WSC, as depicted by Rawls, is incompatible with the DP, my objective here is question whether POD does effectively institutionalise the DP, conceived (as Rawls intends) as a principle of reciprocity. Furthermore, I contend that even if we suppose that reciprocity is attainable under POD, it can also be fostered in a PWS.

With certain stipulations, the first component of reciprocity - that the benefits of social cooperation should be shared amongst participants - can be satisfied by POD. If we assume that each citizen is a participant in a cooperative system of social production, and additionally interpret society’s total productive property as a kind of proxy for the benefits of social production, then POD’s pledge to ensure that property is widely dispersed can be perceived as a commitment to sharing the total social product amongst citizens.

Although this appears to be a stretch, the claim that POD fulfils the second requirement of reciprocity - that the terms of the distribution are publicly justifiable - is even more dubious. Economic reciprocity requires that those with smaller shares of productive property than others are owed an acceptable reason for their relative disadvantage. A regime that distributes productive assets according to the DP can justify such inequalities by maximising the shares of the least advantaged. In this case, the citizens who are the worst-off in terms of their productive asset ownership can at least acknowledge that they are deriving the maximum possible benefit,

and are thus better off than they might have otherwise been under an alternative distributive arrangement. The prioritisation of the size of the shares belonging to the least advantaged would present them with a reason to endorse the principle governing the distribution of productive property.

Given the salience of the DP in his theory of justice, it is perhaps surprising that Rawls refrains from applying the DP directly to the distribution of property in his ideal POD regime. Instead of articulating a specific principle, Rawls simply insists that the distribution of productive assets should be “widespread” for the purpose of preserving the FVPL and the FEO (2001, p.139). However, this vague notion of ‘widespreadness’ alone does not amount to the kind of robust distributive standard that reciprocity demands. The problem for POD is that, unless it is entirely comprehensive, a distribution that is merely ‘widespread’ threatens to leave a minority relatively worse off than the rest of the population (in the sense that they receive little to no property) without a supplementary justification for doing so. The presence of unjustified inequalities in the allocation of productive assets gives the comparatively disadvantaged reason to reject the overall distribution, and denies them the reciprocity they are owed. Moreover, even if POD’s widespread distribution of productive assets incidentally turns out to be mutually advantageous for all, reciprocity necessitates that this distribution is guided by a recognised principle. Otherwise, in the absence of such a principle, there is no publicly agreed-upon distributive standard for citizens to collectively endorse, meaning the second component of reciprocity is not met.

To offer a more charitable account of the prospects of reciprocity in a POD, I suggest that POD can be interpreted as promoting a sufficientarian distributive standard. Sufficientarianism has been proposed as an alternative to egalitarianism, challenging the presumption that an equal distribution of economic resources should be held as a moral objective. Frankfurt expresses the sufficientarian position when he claims that “with respect to the distribution of economic assets, what is important from the point of view of morality is not that everyone should have *the same* but that each should have *enough*” (Frankfurt, 1987, p.21). This is motivated by the belief that the objectionable aspect of economic disparity is not the unequal distribution of resources

in itself, but the deprivation experienced by the disadvantaged.²⁶ For sufficientarians, the imperative of justice ought to be ensuring that as many people as possible have ‘enough’ resources, rather than attempting to equalise people’s shares.

Rawls states that in a POD, “institutions must, from the outset, put in the hands of citizens generally, and not only of a few, *sufficient productive means* for them to be fully cooperating members of society on a footing of equality” (2001, p.140, emphasis added). When it comes to distributing productive assets, then, rather than endorse the prioritarian DP, Rawls seems to appeal to a sufficientarian principle whereby citizens should each receive ‘enough’. For Rawls, it is not the case that peoples’ shares of productive resources must be equal, nor must the shares of the least advantaged be maximised. The suggestion is that each person should be entitled to an amount of productive property that is considered ‘enough’ for them to participate in social and economic processes on fair terms. From this perspective, POD goes beyond advocating a vague widespread dispersal of property, and endorses a more substantive sufficientarian distributive standard.

Now, integrating this sufficientarian principle into Rawls’s conception of POD improves its compatibility with reciprocity. The second component of reciprocity may be satisfied if citizens collectively agree that allocating a sufficient share of productive resources to each citizen constitutes a fair way of sharing the social product. Once a sufficiency threshold is established, this functions as a benchmark for distributing productive property throughout society. Under these conditions, any inequalities in property ownership that arise between persons above the sufficiency threshold can be publicly justified to the disadvantaged on the grounds that they have been provided with the same adequate share of property that every other citizen is equally entitled to. If the institutions of POD can successfully promote this sufficientarian distributive standard, then citizens will come to recognise that, as long as they receive enough, the fact that they find themselves worse off than others is not inherently problematic. Therefore, allocating productive assets according to a principle of sufficiency offers a possible way for

²⁶ The sufficientarian position is underpinned by the observation that, intuitively, we care much less about the economic gap between the extremely wealthy and the well-off than the gap between the well-off and the poor, even if these inequalities are of the same magnitude. The fact that reducing inequality between the poor and the well-off is viewed as a pressing concern, whereas we are relatively indifferent towards inequalities that pertain between the well-off and the extremely wealthy, implies that inequality in itself is not intrinsically problematic. See Frankfurt (1987, pp.32-34).

POD to share the benefits of social production fairly, and to ensure that the requirements of reciprocity are met.

However, this approach to reconciling POD with reciprocity, which I have charitably attributed to Rawls, raises a number of issues. Firstly, there is the question of what constitutes 'enough'.²⁷ Rawls's conception of 'enough' is grounded in the idea of people being 'fully cooperating members of society'. There is, however, no suggestion of the kinds of productive property that could feasibly be distributed evenly to individuals across society, nor is there any indication of the amount of property necessary for individuals to engage in social and economic affairs as equal citizens. Without a more concrete account of what a sufficient share of productive resources actually entails, a sufficientarian account of how the social product ought to be shared in a POD is, at best, incomplete.

Secondly, how likely is it that citizens will accept a sufficientarian distributive standard? This depends predominantly on how generous the sufficient shares of productive resources turn out to be, as well as citizens' general intuitions about distributive fairness. Even if we stipulate that a satisfactory sufficiency threshold can be established, the question of whether such a distribution would in fact be justifiable to citizens remains. It is plausible that there may be general consensus support for the view that each citizen receiving 'enough' is acceptable. Alternatively, it is also possible that citizens may perceive inequalities in the distribution of property above the sufficiency threshold to be ethically troublesome, causing them to reject the distributive standard. In the latter case, where a sufficientarian distributive principle is deemed to be unacceptable, reciprocity cannot be sustained.

Thirdly, and most relevant for my purposes, is the question of whether a welfare state is also capable of promoting a sufficientarian standard in a way that is compatible with reciprocity. Whilst POD may advocate a particular conception of what a sufficient share comprises, focused on productive assets, it is also open to a welfare state regime, particularly a PWS, to commit to sharing the benefits of social cooperation according to an alternative conception of what constitutes 'enough'.

²⁷ As Frankfurt notes when articulating the "doctrine of sufficiency", "the very concept of having an equal share is itself considerably more patent and accessible than the concept of having enough" (1987, p.24).

Rawls claims that under WSC “a principle of reciprocity to regulate economic and social inequalities is not recognized” (2001, p.138). Although income redistribution is a means of dispersing the social product, when its rationale is to provide people with a social minimum to cover their basic needs, it does not amount to the benefits of social production being shared amongst participants on fair and agreed-upon terms. Under WSC, the most advantaged can privately accumulate the benefits of social production without facing any obligation to justify their shares to the least advantaged. For this reason, Rawls dismisses WSC as incompatible with reciprocity. Whilst there is no denying that reciprocity is absent under Rawls’s WSC, this condemnation relies on a narrow and unambitious account of the welfare state. The possibility of a more advanced welfare state that takes measures to progress towards meeting the rigorous demands of reciprocity should not be overlooked. It is conceivable, for example, that a welfare state’s system of income redistribution could be overhauled and redesigned to take the requirement of reciprocity seriously.²⁸

However, here, I assess the prospects of achieving reciprocity in a PWS. I propose that if we view wealth, or financial capital in particular, as the embodiment of the rewards of social cooperation, then we can understand PWS as sharing these rewards directly through its financial capital endowments. This satisfies the first condition of reciprocity. A PWS, like a POD, would not distribute wealth strictly according to the DP, but would endorse a principle of sufficiency.²⁹ Instead of allocating ‘sufficient productive resources’ to citizens, each participant in the social production of a PWS is granted a sufficient share of financial capital. A PWS would promote a conception of sufficiency based on the notion of socioeconomic independence that is fundamental to predistribution. A sufficient share of wealth is one that reduces a person’s dependence on market relations to access high living standards, and enables them to enter into economic arrangements on fair terms. To fulfil this objective, I have proposed that each citizen should receive a one-time wealth grant equal to the value of the average annual salary

²⁸ See Schefczyk (2013, pp.194-195, pp.207-208) for a discussion of the possibility of an improved welfare state implementing a scheme of income redistribution designed explicitly for the purpose of upholding reciprocity.

²⁹ For an account of a regime and a formulation of the DP that explicitly endorses maximising the personal wealth of the least advantaged members of society, see Tomasi’s ‘market democracy’ (2012, pp.226-237).

(approximately £35,000 in a UK context). If the members of PWS generally come to accept that this scheme represents a reasonable and justifiable method of dividing and sharing the social product, then it follows that the second component of reciprocity can also be achieved.

A PWS is, of course, subject to the same doubts I raised in relation to POD - there is no guarantee that citizens would agree to the terms of the proposed distribution. They may reject the scheme on the grounds that it permits unfair levels of wealth inequality beyond the sufficiency level. This problem can be mitigated to a degree if a PWS is flexible with the size of the grants. If the economy of a PWS consistently experiences growth in aggregate wealth, then it would make sense to enlarge the grants and thus raise the sufficiency threshold. This would ensure that the surpluses from economic growth are shared relatively evenly amongst participants involved in production, and not retained exclusively by a fortunate minority. However, admittedly, this is only a mitigation, and not a solution to the problem. We cannot take for granted that a sufficientarian distribution of wealth would ultimately be publicly justifiable in a PWS.

My aim, here, has been to demonstrate that both POD and PWS have the *potential* to meet the requirements of reciprocity. A POD's success depends on citizens accepting that each receiving a sufficient allocation of productive assets amounts to a fair distributive standard; and PWS attains reciprocity when citizens recognise that each receiving a sufficient wealth grant qualifies as a fair method of sharing the rewards from social production. The route to reciprocity, for POD and PWS, is contingent on the perceptions of citizens, and their intuitions about distributive fairness, meaning that it is difficult to make a decisive judgement about which regime is more equipped to attain reciprocity. Nonetheless, the point I wish to emphasise is that the reconciliation of POD with reciprocity relies on a principle of sufficiency. But since a principle of sufficiency can also be endorsed by PWS, in an alternative form, the two regimes enjoy roughly equal prospects of achieving reciprocity. We can, therefore, reject the claim that concern for reciprocity provides a compelling reason to favour POD over the welfare state. A PWS is at least as effective as POD with regard to its capacity to realise the value of reciprocity.

4.4 Social Equality: Reducing the Harms of Social Hierarchies

The final value that can be examined to make a normative comparison between POD and PWS is social equality (SE). Unlike the other 'main political values', identifying Rawls's account of SE is not straightforward, and it does not directly correspond to any particular aspect of the two principles of justice.³⁰ Despite this, it is possible to derive a conception of SE from Rawls's "comments on equality" (2001, pp.130-132).

Rawls declares that "equality is present at the highest level in that citizens recognize and view one another as equals. Their being what they are - citizens - includes their being related as equals; and their being related as equals is part both of what they are and of what they are recognized as being by others" (2001, p.132). Here, Rawls seemingly posits an ideal of SE, as a state of affairs in which people are related to one another as equals, in the sense that they regard one another as citizens of equal status. However, Rawls does little to explain what people recognising each other as equal citizens actually entails. Nonetheless, there has been considerable development in the field of social (or relational) egalitarianism since Rawls's brief remarks on the topic.³¹ Various debates regarding what it means to 'relate as equals' and why this is an important ideal, have come to occupy a central position in contemporary political philosophy. Social egalitarians agree with Rawls that recognition of citizenship is essential to people being able to relate as equals, and therefore that SE demands that those political rights and liberties constitutive of citizenship are distributed equally to each member of society. Miller, for instance, states that "unless we enjoy an equal status as citizens, we cannot have equal status in social life more generally" (1997, p.234).

Where social egalitarians diverge from Rawls slightly, however, is in their insistence that SE depends on more than the mutual recognition of equal citizenship between persons. Miller claims that "if we want our society to be egalitarian, then we will try to shape our distributive practices so that the emergence of hierarchy is discouraged; in particular we will try to avoid the emergence of large-scale, cumulative inequalities of advantage which make it difficult for

³⁰ The first principle corresponds to the FVPL, and the first and second parts of the second principle correspond to the FEO and reciprocity respectively.

³¹ The main texts include Miller (1997), Anderson (1999) and Scheffler (2003). For a discussion of the nuanced interpretations of what it means to 'relate as equals', see Lipper-Rasmussen (2018, pp.61-93).

people to live together on terms of equality, *even if politically they are all defined as equals*" (1997, p.235, emphasis added). This indicates that even if people regard each other as citizens, or as equal members of the same political community, status divisions based on social hierarchies may still arise and undermine relations of SE. Here, Miller is primarily referring to class divisions, where classes are understood as different social groups within the same society, whose members take on different roles and enjoy different lifestyles, levels of well-being and opportunities. It is plausible to imagine a situation where all members of society are granted citizenship and an equal stake in political affairs, whilst occupying various positions in a hierarchical class system. This implies that people having an equal status as citizens may be necessary, but not sufficient, for the realisation of SE. SE also requires the elimination of hierarchical social divisions that cause people to view each other as having unequal social status in ways that are damaging.

Now, what exactly is wrong with social relationships formed against the backdrop of status inequality? In what ways can they be harmful? Miller, like other prominent social egalitarians, refrains from positing the view that social relations free from hierarchical distinctions are intrinsically valuable, and therefore that all status hierarchies ought to be condemned outright.³² Instead, it is the task of social egalitarians to identify which status inequalities are problematic and explain why.³³ Here, we can incorporate Rawls's views on the kinds of inequality that are objectionable, in order to create a broader and more complete account of SE. Rawls expresses an aversion to inequalities of power within political and economic structures that lead to "one part of society from dominating the rest" (2001, p.131). Power asymmetries within society can foster relations of domination and oppression on an individual level, but also between different social groups and classes. For Rawls, inequalities that generate such relationships are deeply problematic and ought to be rectified. Rawls also denounces status inequalities "that encourage those of lower status to be viewed both by themselves and by others as inferior" (2001, p.131).

³² Miller suggests that the pursuit of SE cannot be grounded in notions of "dignity" or "respect" which, he claims, only provide "contingent arguments for social equality, not rock-bottom ones, which I do not think can be found" (1997, p.234).

³³ Scheffler, for instance, states that instead of being generally averse to hierarchical relationships, social egalitarians must "characterize in greater detail the special value that egalitarian relationships are thought to have and ... consider which differences of authority or status have the capacity to compromise that value" (2005, p.18).

He indicates that inequalities conveying differences of status are troublesome due to the harmful effects they can have on a person's sense of self-worth. This is especially problematic for Rawls, since he cites the "social bases of self-respect" as a key element of the primary social goods that citizens are entitled to as a matter of justice (2001, pp.57-59).³⁴

These remarks provide the conceptual resources to condemn certain status inequalities. We can assert that status inequalities, caused by social hierarchies or class divisions, are harmful when they leave people vulnerable to the dynamics of domination, and foster attitudes of superiority and inferiority that undermine an individual's self-respect. Therefore, the ideal of SE that I am presently concerned with is expressed by a society in which people acknowledge one another as equal citizens, and form relationships unimpeded by hierarchical status distinctions that result in domination, or damage their sense of self-worth. We are now in a position to compare POD and PWS in terms of their capacity to realise SE. This task involves, firstly, judging whether members of a POD and a PWS would regard one another as equal citizens, and, secondly, assessing the capacity of the two regimes to eradicate harmful social status divisions.

To briefly address the first component of this task, I reiterate that a liberal democratic political constitution is common to the institutional arrangement of both POD and PWS. We can, subsequently, stipulate that both regimes distribute the political and civil liberties necessary for each person to be recognised as an equal citizen. Neither regime is superior in this regard. The second component of the task, however, raises more challenging questions. To what extent do POD and PWS permit, or strive to eliminate, problematic social hierarchies?

The pursuit of SE initially appears to provide the grounds to favour POD over PWS. As highlighted in Section 2, one of the most distinctive aspects of POD is that it dissolves the class division characteristic of capitalism. This implies that POD is capable of removing a significant barrier to SE. By extensively expanding the ownership of productive property, POD eliminates the prospect of a propertyless class, whose members may be viewed as having lower social status. Equally, there would be no elite class deemed to be of a higher social rank, on the basis

³⁴ Rawls defines the 'social bases of self-respect' as "those aspects of basic institutions normally essential if citizens are to have a lively sense of their worth as persons and to be able to advance their ends with self-confidence" (2001, p.59).

of their property-ownership. In both these ways, POD would diminish the threat of citizens regarding and treating one another as having differing social status. To the extent that it breaks down the capitalist structure that separates people into distinct socioeconomic classes, it appears that POD would facilitate relations of social equality.

Moreover, the absence of a division between property-owners and non-owners in a functioning POD means that it would perform relatively well in terms of securing the self-respect of citizens and shielding them from relations of domination. In a regime where 'property-ownership' is established as the norm, the fact that particular individuals own assets is less likely to function as a basis for judgements of social superiority. In other words, situations where people perceive themselves or others as worthy of more (or less) respect because they own (or do not own) considerable property, will be dramatically reduced. Instead, the institutions of POD promote the idea of a society of property-owners on an equal footing with one another, recognition of which will serve to reinforce the social bases of self-respect.³⁵ Additionally, as discussed in Section 3, citizens' endowments of productive resources act as a form of protection from economic relations of domination. The disadvantaged who would otherwise be compelled to sell their labour to capitalists on unfavourable terms to escape deprivation, can, in a POD, rely on their assets for an income, before entering into economic relations voluntarily and engaging in negotiations on fair terms. For Kymlicka, this aspect of Rawls's POD is fundamental to its overriding appeal. He states that "Rawls argues that a property-owning democracy would be superior to the welfare state, not only in reducing the need for *ex post* redistribution, but also in *preventing relations of domination and degradation within the division of labour*" (2002, p.89, emphasis added).

It therefore seems that POD lends itself to the realisation of SE in the form that I have presented. The enactment of a more even distribution of productive resources, would eradicate the class division between propertied capitalists and propertyless workers, which would encourage citizens to view one another, not as belonging to different hierarchically ranked social classes, but as having equal socioeconomic standing. Additionally, the general property-ownership of citizens throughout society would both contribute to securing the conditions of their self-respect,

³⁵ Rawls claims that the "institutional fact that citizens have equal basic rights" is an important aspect of the social bases of self-respect (2001, p.60). In the same way, I suggest that the institutional fact that all citizens own their share of property would form part of the social bases of self-respect in a POD.

and empower them to resist economic domination in labour market relations. At this point, it appears that appealing to the value of SE may provide a compelling reason to advocate POD.

Before reaching this conclusion, however, we must assess the capacity of PWS to pursue SE. The problem facing PWS is that, since it does not intervene in the market for physical capital, it permits citizens to privately own various quantities of productive resources. In a PWS, it is reasonable to assume there would be categories of people who own little to no productive property, and those who own considerably large amounts. The question is, then, does PWS risk the emergence of a class hierarchy based on levels of property ownership? And if so, does this compromise the pursuit of SE?

In response to these questions, the first point worth noting is that, although there may be a correlation, there is no direct relationship between the extent of a person's property ownership and their social status. Whether or not people generally perceive one another as having a higher or lower social status, purely on the basis of their ownership of capital assets, is a complex empirical question.³⁶ To arrive at an answer would require investigating how social norms surrounding property ownership influence people's social attitudes towards each other. Historically, it has been the case that the ownership of certain types of property has enabled individuals to occupy positions of a higher social standing. Consider, for instance, the status of 'land-owners' in a feudal society, and 'factory-owners' during industrial capitalism. In these cases, their property ownership meant that they enjoyed a more desirable lifestyle, detached from the struggles of the rest of society, which bestowed upon them a superior social status.

However, property ownership in a PWS would not carry such stark status implications. The institutions of PWS are designed to improve and equalise people's general background socioeconomic circumstances, in terms of the living standards and opportunities that they access. A functioning PWS would reduce the social disparities between all citizens, including those who possess large quantities of property and those who own little. If PWS can accomplish this, it remains an open question whether people would in fact be inclined to view themselves and others as belonging to distinct social classes, based on the extent of their property ownership.

³⁶ See Schemmel (2011, pp.380-385) on the relationship between distributions of resources and perceptions of social status.

The second point to raise is that, even if we assume for the sake of argument that owning a substantial quantity of property does generally translate into an elevated social status, would this status inequality be problematic in the relevant sense? As indicated above, the mere existence of status differences in society does not necessarily threaten SE. Invoking a Rawlsian criteria, we have stipulated that status inequalities are cause for concern when they foster domination, or are damaging to a person's self-respect. As a result, we must assess whether the status implications of property ownership would have these harmful consequences in a PWS.

Taking domination first, PWS puts measures in place to restrict domination at both a societal level and an individual level. On a large scale, the worry is that an elite class of capital owners will come to monopolise society's economic affairs. However, one of the central aims of predistribution is to boost the power of labour in market relations, and it seeks to do this by ensuring organised labour plays an active role in influencing the economic activity of firms. The purpose of expanding union density and collective bargaining coverage is to ensure that, whilst the capital ownership may be exclusive, capital owners do not develop unaccountable and dominant forms of power. Moreover, at an individual level, the PWS wealth grant acts as a direct form of protection from relations of domination in the labour market. Another core aspiration of predistribution is to enhance the independence of individuals outside of market relationships, and thus to diminish the leverage held by employers. A PWS supplies those with limited property with cash savings to reduce their dependence on a subsistence income, encouraging them to enter into economic relationships on agreeable terms, and avoid succumbing to domination.

Turning to the issue of self-respect, again I contend that PWS would be able to secure the social bases of self-respect in spite of differences in property ownership between persons. To illustrate this, it is helpful to contrast the prospects of PWS with those of Rawls's WSC. Rawls insists that a WSC system tends to generate a "depressed underclass many of whose members are chronically dependent on welfare" (2001, p.140). Their perpetual dependence on assistance programmes is likely to cause the worst-off members of a WSC society to be judged by others, and even themselves, to be of a subordinate social status. As Scanlon writes, "when the mode of life enjoyed by some people sets the norm for a society, those who are much worse off will feel inferiority and shame at the way they must live" (1996, p.3). It is clear that a

proportion of citizens under WSC, as envisaged by Rawls, would indeed become vulnerable to a loss of self-respect. Moreover, the *ex post* income redistribution characteristic of WSC may even exacerbate this problem. As O'Neill points out, transferring income to those who are considered eligible due to their disadvantaged position is "actively counterproductive" as they may come to "experience these transfers as the *source* of [their] diminished status, and thereby as the mechanism which undermines [their] self-respect" (2012, p.89).

PWS, on the other hand, would not meet the same fate as WSC. A PWS seeks to cultivate socioeconomic independence for each individual, rather than producing a dependent 'underclass'. That which reduces dependency and 'sets the norm' for living standards in PWS is the wealth endowment scheme, which reinforces the self-respect of citizens in two ways. Firstly, since each person is entitled to the wealth endowment, there is no reason to infer that anyone is more or less deprived than anyone else on the basis of their receiving the government grant. In contrast to WSC, qualifying for the grant should evoke no feelings of shame for the recipient, or attract any judgments of inferiority from others. Instead, citizens will acknowledge that they are being treated equally by the institutions of PWS, which is an important aspect of the social bases of self-respect being maintained. Secondly, the fact that each person's endowment is of equal size, regardless of their social background, conveys the principle that each person's life plan has equal worth and that they deserve an equal chance to pursue it. Recognition of this will also make a significant contribution to the preservation of each citizen's self-respect.³⁷

When SE is understood as an ideal in which people regard one another as equal citizens, and relate to one another free from social hierarchies that give rise to domination and are damaging to self-respect, both POD and PWS are capable of promoting SE. Whilst there is no denying that a relatively cogent argument can be made for POD on the grounds of SE, it would be a mistake to dismiss PWS falling short of realising this ideal. Firstly, we cannot decisively state whether an uneven distribution of productive resources in a PWS would generate perceived

³⁷ The suggestion that the provision of an equal wealth grant to each citizen has the potential to reinforce their self-respect, is closely related to Schemmel's comments on the provision of universal and unconditional benefits. Schemmel claims that "unconditional benefits ... may be regarded as an expression of a societal judgement that individuals are of equal value independently of their continuous participation in the market and their economic situation (including ownership of the means of production). They could, to this extent, even be particularly good for egalitarian self-respect" (2015, p.399).

status distinctions; and secondly, I have demonstrated that even if such a hierarchy were to emerge based on property ownership alone, the harmful impacts that Rawls associates with status inequality would be neutralised in a PWS. In fact, the way in which PWS reduces the scope for the domination in economic relationships, and implements policies that would enhance the self-respect of citizens, determine that it would effectively counteract the threats posed by status inequality. Accordingly, the socioeconomic conditions of PWS would be conducive to people treating one another as social equals, despite potentially uneven concentrations in the distribution of productive property. It therefore appears that a strong case for PWS can also be made by appealing to the ideal of SE.

To summarise, judging which regime-type is more capable of promoting the ideal of SE requires determining which would more effectively be able to combat relations of domination and preserve people's self-respect. I have argued that once we fully acknowledge the capacity of PWS's institutions and policies to avert the harms associated with status inequality, there is insufficient evidence to conclude that POD performs better with respect to realising SE. Consequently, the pursuit of SE, like each of the other values of justice as fairness, does not provide a convincing reason to endorse POD over PWS.

5 Conclusion

One of the central insights of Rawls's political philosophy is that it is a society's institutional structure that determines whether it can be considered just. For Rawls, the combination of institutions, or regime-type, that is required to realise his conception of justice is a property-owning democracy (POD). The intention of this essay has not been to offer a critique of POD as a regime *per se*, but to challenge the reasoning behind Rawls's endorsement of POD, and his rejection of welfare state regimes.

In Section 2, I proposed that WSC and POD, as portrayed by Rawls, can be distinguished in terms of two key dimensions - their distributive aims and their approach to the ownership of productive assets. In Section 3, I introduced and refined the concept of predistribution, and argued that a regime can be categorised as predistributionist when its policy agenda is

designed to enhance the security and independence citizens possess outside of market relationships, and increase the power that labour holds within market relationships. I then proceeded to give an overview of the institutional features required for a welfare state to fulfil these redistributive aims. I suggested that a PWS would be characterised by an expansion in the provision of essential public services, the increased presence of organised labour throughout the economy, and, most importantly, the provision of financial capital endowments. In a PWS, each young adult, prior to entering the labour market, is entitled to a one-time wealth grant equivalent to the value of the average annual full-time salary that pertains in the society in which they participate. I demonstrated that its commitment to redistributive objectives, and its approach to the ownership of productive resources, places PWS in a conceptual space between WSC and POD.

In Section 4, I evaluated the prospects of POD and PWS with respect to realising political liberty, equality of opportunity, reciprocity, and social equality - the values which Rawls claims are expressed when society's basic structure adheres the principles of justice. In each case, however, no compelling reason to favour POD over PWS could be identified. Regulatory systems designed to block the conversion of economic capital into political capital and secure the FVPL are available to PWS. Additionally, the policies required to ensure the FEO (which are endorsed by POD), involving making quality education and training services widely accessible, and reducing the transfer of private wealth through inheritance, can also be implemented by PWS. I then argued that it is not clear how POD realises reciprocity since Rawls refrains from stating that property should be distributed according to the DP, maximising the shares of least advantage. Nonetheless, I suggested that POD is theoretically reconcilable with reciprocity, provided that productive resources are shared according to a publicly justifiable sufficientarian standard. However, PWS is also compatible with reciprocity in the same way, since it shares the benefits of social production according to a principle of sufficiency through the wealth grant scheme. The similarity of the approaches of POD and PWS in this case suggests that neither has an advantage over the other regarding the attainment of reciprocity. Finally, I derived a conception of social equality focusing on the absence of status hierarchies that foster relations of domination and are detrimental to people's self-respect. Whilst POD is predicated on the elimination of a socioeconomic class distinction that threatens to divide citizens into hierarchical social categories, the policies of PWS serve to protect citizens from domination and reinforce their sense of self-worth, and sustain the conditions for them to be regarded and treated as social equals.

This set of arguments carries two significant implications - one philosophical, and the other a more pragmatic consideration. Firstly, once the potential of a welfare state adopting a redistributive agenda is properly acknowledged, a Rawlsian framework no longer justifies favouring POD over welfare state regimes. Rawls is entitled to condemn WSC, in the form that he presents it, as incompatible with meeting the requirements of justice. However, to reject welfare state regimes outright overlooks the possibility of a PWS which is capable of realising the values of justice as fairness, at least to the same extent as POD. I do not intend to exclude the possibility of an alternative normative defence of POD, but it is indeed necessary to appeal to justificatory grounds independent of those invoked by Rawls. That is to say, proponents of POD must look beyond the values of political liberty, equality of opportunity, reciprocity and social equality to justify advocating POD over a welfare state with a firmly established redistributive agenda.

The second fundamental conclusion to draw from this essay is simply that redistribution matters from the perspective of justice. The pursuit of redistributive aims plays a crucial role in cultivating the socioeconomic conditions of a just society. As a result, this essay should not be interpreted as a defence of the status quo. The model of a PWS, specifically designed to reduce the dependence of citizens on market processes and enhance the power of labour in market relationships, provides a blueprint for how existing welfare states can be modified and upgraded to compete with more 'ideal' regime-types, such as POD. Contemporary welfare state regimes could undertake the political and economic challenge of enacting a substantial reallocation of productive assets, such that they would begin to resemble PODs. This is not, however, the only means of fulfilling redistributive aims and producing just institutional outcomes. The governments of existing welfare states should prioritise the provision of public goods that enable citizens to access high living standards, irrespective of how they fare in the market, whilst also taking an active role in establishing union structures in firms to facilitate the practice of collective bargaining throughout the economy. In addition to these relatively moderate recommendations, the key policy prescribed by my account of PWS is the introduction of a financial capital endowment scheme. As well as rectifying the levels of background wealth inequality over time, the wealth grant scheme represents a substantive commitment to providing individuals with equal opportunities to shape their economic futures, and the financial security they require to engage in market processes on fair terms. The

construction of a model of a PWS, then, brings into focus an accessible route for contemporary welfare state regimes to advance towards a more socially and economically just society.

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