

Book Review: William A. Edmundson: *John Rawls: Reluctant Socialist*. (Cambridge and New York: Cambridge University Press, 2017. Pp. 212)

Edmundson has written an admirably concise yet powerful book. It blends a critical account of Rawls' work with an original case for democratic socialism hewn from Rawlsian stone. In my opinion, this case has some flaws but it remains a timely contribution to the enduring quest for justice and social stability.

The initial chapters dispatch the common misconception of Rawls as a supporter of welfare-state capitalism, unpack the Rawlsian case against private property in the means of production being a basic liberty, and examine what Rawls means by liberal socialism and property-owning democracy. Edmundson emphasizes James Meade and Joseph Schumpeter as inspirations for Rawls' understanding of these regimes, as well as the British Labour Party's policy of nationalizing major industries. Liberal socialism aims to achieve social equality through nationalization while property-owning democracy pursues the same end through the systematic distribution of the means of production among private individuals.

These two regimes vie for the crown of justice. Edmundson marches us through the controversies emerging from Rawls' work before settling the argument decisively in favor of liberal socialism. Political equality, built into Rawls' first principle of justice, is not only formal but includes the fair value of political liberties preventing any particular class from dominating political outcomes. Inequalities in economic position inevitably lead to inequalities in political power. Fair value is a constitutional essential. So the issue of property must be settled at the second stage of Rawls' schematic four-stage sequence, not left to the contingencies of legislative politics.

While the desire to dominate must be curbed, it is fear of domination that bites because this drives even reasonable persons to seek elevated status. This constitutes the assurance problem that generates Rawls' concern with stability. Citizens must be assured that the patterns of power permitted to emerge through institutions today will not eventually come to undermine those very institutions. At this point, Rawls' second principle of justice, governing legitimate departures from equality for some social goods, takes the foreground. Compared to alternative distributive principles, such as average utility, the difference principle is more stable because it assures people that no policy shift will benefit anyone without benefitting the least well-off. So a tightly defined reciprocity is always in force.

With that standard in mind, property-owning democracy's potential advantage, that of permitting more economic growth, loses standing. A liberal socialism constitutionally guarantees all citizens fair access to the means of production while property-owning democracy can merely aim at that outcome. Socialism publicly affirms society as a cooperative venture based on reciprocity. It reduces the scope of legislative and judicial fine-tuning of property arrangements to keep fair value secured because any potentially powerful economic position will be publicly governed. By contrast, a property-owning democracy's regular redistribution of capital assets is exposed to many sources of instability. For example, recipients of compensating capital grants will be tempted to hide their natural endowments so as to receive larger benefits. Citizens may lobby to privatize public assets for private gain. Taking private ownership of any significant means of production off the table at the constitutional stage averts these sources of conflict.

Alongside this compelling argument, Edmundson makes vivid the urgency of Rawls' life and work. The final chapter explains that Rawls' reticence from commenting on real-world politics was not due to lack of interest. Avoiding everyday political commitments has allowed Rawls' work to stay fresh for every new generation of scholars, unencumbered by the contingencies of particular political moments. Nevertheless, Rawls was politically engaged. He quietly supported the New Party, formed to contest the entrenched two-party system in the United States. Although party duopoly persists with constitutional backing to this day, Rawls' orientation reflects his focus on the fundamental reform of social institutions.

Where is the weakness? The argument that liberal socialism suffers fewer instabilities than property-owning democracy seems to hinge on a rather startling claim: 'Bureaucrats and managers cannot extract rents – their role is never that of pure owners' (157). This claim is definitional rather than practical. In reasonably competitive markets, entrepreneurs, analysts and professional investors act as independent, though fallible, checks on corporate managers, thus protecting capital owners. By contrast, taking firms outside of competitive markets gives managers and officials many ways to extract rents (in the sense of uncompensated benefits), whether the owners are public or private. Managers can raise their own income rather than profits. They can run corporate deficits for investments in projects that never bear fruit. They can run down assets by cutting back on supplies and maintenance until their value is depleted. Telling examples range from the infamous state-backed automobile manufacturer British Leyland to the Venezuelan oil industry.

These practices may include corruption, but that is not their essential feature. All rent extraction requires is mismanagement where the costs of failure are externalized. Indeed, without market

signals, managers can undermine firm productivity, and still personally benefit, without even being (fully) aware that they are doing so. Meanwhile, rights and offices within complex organizations can end up looking like uncodified individual property rights. Academics can discern local examples by observing the activities and strategies of senior administrators in some Universities. People can dominate within enterprises without any private ownership in sight. Under Edmundson's proposals, business owners are compensated when their firms are large enough to be nationalized. So citizen-owners will bear the cost of these destabilizing rivalries.

Private ownership ameliorates these widespread problems. People responsible for how the means of production are used absorb most of the costs of their mistakes. This solution often fails and establishing effective corporate governance is a work-in-progress but the problem is at least acknowledged. A symmetrical comparison of rent-seeking under both public and private ownership would put property-owning democracy back in contention as a feasible realization of justice as fairness. Under realistic conditions, the more familiar welfare-state capitalism may be the best among imperfect alternatives.

It is not all bad news for public ownership. Actually existing democratic capitalisms, ranging from relatively small-state regimes like Australia to social democratic systems like Sweden, are all mixed economies with substantial public sectors. Successful state-owned firms tend to be carefully regulated public utilities or enterprises subject to vigorous, often international, competition – thus aligning the incentives of management with the wider public interest. This prosaic reality of public ownership resonates somewhat with Meade, who was committed to free trade between nations, but not so much with Rawls who was remarkably skeptical of globalization. Critically, widespread

public ownership has not been shown to be less prone to permitting domination of the political process. In Singapore, for example, they exist side-by-side.

This challenge to Edmundson's case does not reveal a flaw in the book itself. Rawls was similarly disinclined from peering into the black box of public administration. Abstracting away the problem of rent-seeking within state institutions is part of a faithful telling of Rawls' account of justice. The clarity and transparency of Edmundson's argument makes this gap clearer than in the original rendition. It makes the Rawlsian case for socialism more explicit to the benefit of both socialist proponents and skeptics. *John Rawls: Reticent Socialist* is a valuable contribution to the debate about which social institutions best allow us to treat each other as moral equals.

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