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The Requirements of Justice and Liberal Socialism

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Abstract: Recent scholarship has considered the requirements of justice and economic regimes in the work of John Rawls. This work has not delved into the requirements of justice and liberal socialism as deeply as the work that has been done on property-owning democracy. A thorough treatment of liberal socialism and the requirements of justice is needed. This paper seeks to begin to fill this gap. In particular, it needs to be shown if liberal socialism fully answers the requirements of justice better than property-owning democracy. It will be argued that liberal socialism does significantly better in realizing the two principles. This paper has the following structure, first, an overview of Rawls' position on economic regimes, capitalism, and the requirements of justice will be presented. In particular, how the two principles work in tandem to meet the demands of distributive justice will be considered. Second, a review of property-owning democracy will be conducted. Finally, liberal socialism will be examined and discussed as an economic regime that answers the requirements of justice more fully.

1. Introduction

In *A Theory of Justice* and in *Justice as Fairness*, Rawls argued that only two economic regimes appear to meet the requirements of justice, property-owning democracy and liberal socialism (Rawls 1999a, 242; Rawls 2001, 138). Rawls argued in *A Theory of Justice* that there is no determinate difference in respect to meeting the requirements of justice between these two regimes (Rawls 1999a, 242). Most surprising to many commentators was Rawls' explicit rejection of welfare state capitalism in the revised edition of *A Theory of Justice* and in *Justice as Fairness* (Rawls 1999a, xv; Rawls 2001, 137-138). Rawls even went as far to say that the regime of property-owning democracy could be thought of
as "an alternative to capitalism" (Rawls 2001, 135-136). David Schweickart provided an earlier criticism of Rawls' supposed embrace of capitalism (Schweickart 1978). When Schweickart reappraised and reaffirmed his criticism of Rawls' agnosticism in the distinction between property-owning democracy and liberal socialism, he noted that in the days before the publication of the revised edition of *A Theory of Justice* and *Justice as Fairness* it was commonplace for people to assume that Rawls was defending a version of welfare state capitalism in his theory of justice as fairness (Schweickart 2012, 201).

As of late, there has been a renewed interest in Rawls' comments regarding the kinds of economic regimes that meet the requirements of justice. In particular, there has been a good deal of work recently on what constitutes a property-owning democracy, and how it is different from welfare state capitalism. An edited work by O'Neil and Williamson (2012) and a special issue of *Analyse & Kritik* (2013) have both been devoted to the topic. Nonetheless, there has been less work on what constitutes liberal socialism. Since *A Theory of Justice* has been published there have been a few articles that consider if only socialism, liberal of otherwise, can meet the requirements of justice (Schweickart 1978 and 2013; Clark and Gintis 1978; Holt 2011). These attempts have not delved into the requirements of justice as deeply as the work that has been done on property-owning democracy (Freeman 2013). A thorough treatment of liberal socialism and the requirements of justice is needed. This paper seeks to start filling this gap. In particular, it needs to be shown if liberal socialism most fully answers the requirements of justice better than property-owning democracy.

It will be argued in this paper that liberal socialism most fully answers the requirements of justice. First, an overview of Rawls, position on economic regimes, capitalism, and the requirements of justice will be presented. In particular, how the two principles work in tandem to meet the demands of distributive justice will be considered (Rawls 2001, 46 note 10). Second, a review of property-owning democracy will be conducted. Finally, liberal socialism will be examined and discussed as a economic
regime that answers the requirements of justice more fully.

2. Rawls' Comments on Economic Regimes

Near the end of Rawls' comments on property-owning democracy in *Justice as Fairness*, he states:

"Of course, Marx would say that, even accepting the ideal of property-owning democracy, such a regime generates political and economic forces that make it depart all too widely from its ideal institutional description. He would say that no regime with private property in the means of production can satisfy the two principles of justice, or even do much to realize the ideals of citizen and society expressed by justice as fairness. This is a major difficulty and must be faced. But even if it is in good part true, the questions is not yet settled. We must ask whether a liberal socialist regime does significantly better in realizing the two principles. Should it do so, then the case for liberal socialism is made from the standpoint of justice as fairness." (Rawls 2001, 178)

This comment is somewhat at odds with the neutrality he argues for regarding the selection of economic regimes in *A Theory of Justice* (to be listed as *Theory* from now on). In *Theory*, he finds that one cannot determine in advance which economic regime "most fully answers to the requirements of justice" (Rawls 1999a, 242). His comments in *Justice as Fairness* (to be listed *Fairness* from now on) opens up the question of property-owning democracy as not answering the requirements of justice as fully as liberal socialism. This paper will attempt to answer this question as well as possible, given the constraints of political philosophy.

The two principles of justice and many of Rawls' comments on economic regimes demonstrate that Rawls thought that egalitarian distributive justice is central to any fair and just political conception.
It is important to note that Rawls was skeptical of capitalism being able to meet the requirements of justice (Rawls 2001, 135-137). Rawls was an advocate of the use of competitive markets as a mechanism to determine prices. Thus, any economic regime that Rawls thinks is desirable would utilize markets, such as the liberal socialist regime he considers (Rawls 1999a, 239). Rawls' consideration of what constitutes capitalism, as opposed to an alternative to capitalism, is not the use of markets nor the private ownership of the means of production (Rawls 1999a, 239). Rather, given the absence of a definition of capitalism by Rawls, it seems that inequalities that are not fair, a corruption of the basic liberties and fair equality of opportunity, and private ownership of the means of production defines capitalism for Rawls. What mattered for Rawls is that economic regimes meet the requirements of justice. This led Rawls to also condemn a socialism that does not protect basic liberties (Rawls 2001, 138). All in all, Rawls rejects economic regimes, whether called capitalist or socialism, that are not just.

In introducing Rawls' consideration of just economic systems, a review of how Rawls interprets the two principles of justice and their structuring of distributive justice is necessary (Rawls 2001, 42-43). The principles are organized where the first principle is prior to the second (Rawls 1999a, 132; Rawls 1999a, 474-480; Rawls 2001, 43 and 47). Even though, basic liberties are not to be traded for economic gains, Rawls stresses that the two principles work as a unit. Economic matters are not relegated to the second principle alone:

"It is sometimes objected to the difference principle as a principle of distributive justice that it contains no restrictions on the overall nature of permissible distributions. It is concerned, the objection runs, solely with the least advantaged. But this objection is incorrect: it overlooks that fact that the parts of the two principles of justice are designed to work in tandem and apply as a unit. The requirements of the prior principles have important distributive effects. Consider the effects of fair equality of opportunity as
applied to education, say, or the distributive effects of the fair value of the political liberties. We cannot possibly take the difference principle seriously so long as we think of it by itself, apart from its setting within prior principles." (Rawls 2001, 46)

Basic liberties are not self-contained and unaffected by economic matters such as inequality and ownership. Before a discussion of the second principle, a consideration of how Rawls finds that economic matters can affect the enjoyment of the basic liberties is needed. Rawls provides a list of basic liberties in *Theory* and *Fairness* (Rawls 1999a, 53; Rawls 2001, 44). The basic liberties can be undermined by the concentration of wealth by a small group of people (Rawls 2001, 53). Inequalities in the ownership and control of wealth, income, and property can reduce the fair value of basic liberties (Rawls 2001, 149; Rawls 1996, 327). The worth of liberty can be eroded by the capacity for money or governmental power to prevent the equal exercise of individuals' basic liberties (Rawls 1996, 328). Rawls' explicit recommendations for overcoming these problems are the public financing of elections, the restriction of campaign contributions, and regulations of speech and the press (Rawls 2001, 149; Rawls 1996, 357).

The first part of the second principle of justice, as listed by Rawls in *Fairness*, is fair equality of opportunity. Fair equality of opportunity structures distributive justice in a more overt fashion than the first principle on its own. In tandem with the first principle, fair equality of opportunity would assist in maintaining the fair value of basic liberties. It assists in allowing people access to positions and offices. Fair equality of opportunity is a means to guarantee that wealth and class do not determine one's place in the social order, as Rawls explicitly states:

"The liberal interpretation of the two principles seeks, then to mitigate the influence of social contingencies and natural fortune on distributive shares. To accomplish this end it
is necessary to impose further basic structural conditions on the social system. Free
market arrangements must be set within a framework of political and legal institutions
which regulates the overall trends of economic events and preserves the social conditions
necessary for fair equality of opportunity. The elements of this framework are familiar
enough, though it may be worthwhile to recall the importance of preventing excessive
accumulations of property and wealth and of maintaining equal opportunities of
education for all. Chances to acquire cultural knowledge and skills should not depend
upon one's class position, and so the school system, whether public or private, should be
designed to even out class barriers." (Rawls 1999a, 63)

It is good to stress that fair equality of opportunity is not simply a means to guarantee social
equality. The redistribution of property and wealth are a means to fulfill other purposes through equal
chances at attaining positions and offices. It also helps people experience "the realization of self which
comes from a skillful and devoted exercise of social duties" (Rawls 1999a, 73). The equalization of
social and economic conditions that fair equality of opportunity provides is not for the guaranteeing of
efficiency (Rawls 1999a, 73). Rather, fair equality of opportunity assists in the satisfaction of self-
respect, which can only be achieved when one can realistically consider oneself a political and social
equal to one's fellow citizens.

Fair equality of opportunity commits a society to the regulation of opportunity via the
institutions that are created to provide people with the means to strive for their conception of the good
and fulfill the demands of justice. Rawls mentioned schools as the institution that would provide such
means. Other institutions, such as museums, cultural performances, and the mass dissemination of
history, art, science, and the humanities, can easily be included. Rawls mentions this in the financing of
cultural productions and scientific research as a requirement of justice (Rawls 1999a, 291-292; Rawls
2001, 152). Even if these institutions are private, a possibility listed by Rawls above, guaranteeing that fair equality of opportunity is provided is a political action that would need to be carried out by the state. The organizational mechanism of guaranteeing one's right or opportunity to these institutions appears to require not only the hand of the state but the redistributive capacity of the state, with powers to tax and provide transfers. Fair equality of opportunity is, by its nature, economic, because it is concerned with the provision of buildings, the storing of information and objects, and the transmission of information. These institutions all require people, places, and machines, which are all maintained by wealth.

Identifying the economic nature of the institutions that provide the means for people to live their lives, can be somewhat unclear. The direct redistribution that Rawls mentions in maintaining fair equality of opportunity by eliminating the effects of class is explicit. Tendencies toward the equalization of wealth and property, if not their exact equalization, is as much a provision of opportunities for the less advantaged as it is a limitation of privileges for the more advantaged. Rawls' intention is that people's life prospects should be similar and not affected by social contingencies (Rawls 1999a, 63).

Fair equality of opportunity does a lot to justify the economic redistribution and equalization of wealth. This is interesting, because most of the attention regarding economic outcomes has been placed on the difference principle. The majority of egalitarian economic outcomes has already been achieved by fair equality of opportunity. The difference principle provides, particularly in Fairness, an argument for what people's motivation should be in economic matters. The difference principle is concerned with the distribution of social primary goods (Rawls 1999a, 54). These social primary goods are basic rights, liberties, freedom of movement, choice or occupation, powers of offices and positions, opportunities, income, wealth, and the social basis of self-respect (Rawls 1999a, 54; Rawls 2001, 58-59). All primary goods are assumed to be equally distributed as the difference principle is introduced (Rawls 1999a, 55).
Divergence from equality is allowed if the inequalities "are to be to the greatest benefit of the least-advantaged members of society" (Rawls 2001, 42-43). Rawls discusses those who are the least-advantaged as those who enjoy basic rights, liberties, and fair opportunities but are "those belonging to the income class with the lowest expectations" (Rawls 2001, 59). People have no reason to accept inequalities that are not a benefit to themselves, as there is no threat advantage possible under the veil of ignorance (Rawls 1999a, 131). The difference principle is an attempt to define what the inequalities are that would be accepted by people who are unbiased. In *Fairness*, Rawls goes to great lengths to argue that the difference principle is a principle of reciprocity. In "The Idea of Public Reason Revisited," Rawls defines reciprocity as:

"The criterion of reciprocity requires that when those terms are proposed as the most reasonable terms of fair cooperation. Those proposing them must also think it at least reasonable for others to accept them, as free and equal citizens, and not as dominated or manipulated, or under the pressure of an inferior political or social position." (Rawls 1997, 578)

Reasonable terms of fair cooperation can only be determined, it appears to the author, according to the standards of the original position under the veil of ignorance. The decision-making situation of the original position under the veil is how we should define fair because of the absence of threat advantage or any coercion to accept irrational disadvantages (Rawls 2001, 191).

In *Fairness*, Rawls provides descriptions of how the difference principle should be understood as a principle or criterion of reciprocity:

"Here it is crucial that the difference principle includes an idea of reciprocity: the better
endowed (who have a more fortunate place in the distribution of native endowments they
do not morally deserve) are encouraged to acquire still further benefits - they are already
benefited by their fortunate place in that distribution - on condition that they train their
native endowments and use them in ways that contribute to the good of the less endowed
(whose less fortunate place in the distribution they also do not morally deserve)." (Rawls
2001, 76-77; see also Rawls 2001, 64)

Reciprocity is a more stringent reading of the difference principle than the one provided in *Theory*. In
particular, it stresses that those who gain more can do so if and only if they think it would be reasonable
for others to accept these gains also. The difference principle, as a principle of reciprocity, is not a pass
to take advantage of others. Rather, it is a rule of action that is a reminder of the unbiased and, thus, fair
reasoning of the original position.

How does the reciprocity reading of the difference principle shape distributive justice? In
particular, Rawls' description of the difference principle becomes more explicitly equality preserving. If
people accept equality as the only reasonable starting point then reciprocity is supposed to act as a rule
to maintain those reasonable considerations when strict equality is left behind. We are only to allow
inequalities if they benefit others as well as ourselves *according to the terms of fair cooperation*. For
example, large inequalities are allowable under a non-reciprocity reading of the difference principle as
long as the least advantaged benefit, even if their gain is infinitesimal. A reciprocity reading of the
difference principle would ask the most advantaged to subject their assessment of the gains they enjoy
to the reasoning of the original position.

The two principles structure distributive justice with the intention of egalitarian outcomes. The
regulations of the uses of wealth and income to preserve the worth of the basic liberties demonstrates
that egalitarian economic outcomes are intrinsic to justice as fairness. The second principle is quite
explicit on the equal distribution of wealth and income with the main caveat that inequalities are to be acceptable to the terms of fair cooperation. Rawls did not wish his egalitarian position to be inflexible or contrary to the development of people's moral powers. The general redistributive direction that would facilitate this result was egalitarian in Rawls' approximation. The next section's presentation of property-owning democracy will further demonstrate this egalitarian intention of Rawls' position on economic distribution.

3. Property-Owning Democracy

This section will look beyond the two principles in examining the distributive consequences of Rawls' system. The focus in this section will be the economic regime called property-owning democracy. As was discussed at the beginning of the previous section, Rawls is interested in an economic regime that is an alternative to capitalism. In this section, a review of Rawls' comments on property-owning democracy, taxation, redistribution, allocation, a social minimum, and worker-managed cooperative firms will be reviewed. The next section will consider liberal socialism.

Rawls derived the term property-owning democracy from J.E. Meade (Rawls 1999, 242, note 13). The largest influences of Meade's proposal on Rawls is the egalitarian distribution of property. Rawls argues for inheritance and gift taxes and notes that the beneficiary can be taxed as opposed to the giver, citing Meade. Inheritance and gift taxes would not be for revenue purposes "but gradually and continually to correct the distribution of wealth and to prevent concentration of power detrimental to the fair value of political liberty and fair equality of opportunity" (Rawls 1999a, 245). Rawls added that an inheritance is permissible if it conforms to the difference principle (Rawls 1999a, 245). Such a caveat may allow for the retention of inherited businesses. Of course, such inheritances must be just according to the two principles and, if Rawls' considerations from *Fairness* are included, reciprocity must be satisfied.
In the preface for the revised edition of *Theory*, Rawls stressed the difference between a welfare state and a property-owning democracy, reflecting similar notions presented by Meade (1964, 38-39). In particular, a welfare state "may allow large and inheritable inequalities of wealth incompatible with the fair value of the political liberties ..., as well as large disparities of income that violate the difference principle" (Rawls, 1999a, xv). Rawls highlighted the distinction:

"By contrast, in a property-owning democracy the aim is to carry out the idea of society as a fair system of cooperation over time among citizens as free and equal persons. Thus, basic institutions must from the outset put in the hands of citizens generally, and not only of a few, the productive means to be fully cooperating members of a society. The emphasis falls on the steady dispersal over time of the ownership of capital and resources by the laws of inheritance and bequest, on fair equality of opportunity secured by provisions for education and training, and the like, as well as on institutions that support the fair value of the political liberties. To see the full forces of the difference principle it should be taken in the context of property-owning democracy (or of a liberal socialist regime) and not a welfare state: it is a principle of reciprocity, or mutuality, for society seen as a fair system of cooperation among free and equal citizens from one generation to the next." (Rawls 1999a, xv)

Similar comments are made in *Fairness* and Rawls adds that he worries that a welfare state may develop an underclass (Rawls 2001, 140). He thought this can be avoided in a property-owning democracy by putting "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. Among these means is human as well as real capital, that is, knowledge and an understanding of institutions,
educated abilities, and trained skills" (Rawls 2001, 140).

These comments are not surprising given Rawls' repeated argument that class distinctions are not coextensive with fair equality of opportunity. Rawls thought that it was fair to provide everyone with the means to be full cooperating members of society and rules are established to maintain this process. In *Fairness*, he thinks that this reproduction of a fair and well-ordered society is a kind of allocative justice provided by "pure background procedural justice" (Rawls 2001, 50). Part of this procedural system are the redistributive mechanisms outlined above. Rawls envisions the economic parts of a fair society as providing the means for people to enter into social life as equal citizens. There is not supposed to be any social mechanism, such as class structures, that sort people into life courses that would not be acceptable according to fair cooperation.

Rawls adapted the egalitarian economic framework outlined by Meade in his comments about how the principles of justice can be maintained. Other measures are not directly discussed by Meade, but of importance to Rawls, is the determination of a social minimum. Rawls has many comments on the social minimum, ranging from simple lists of goods and services to theoretical relationships between the minimum and the principles of justice. There is a degree of ambiguity between his comments in *Theory* and *Fairness*. Here is one of the lists he provides from *Theory*: "Finally, the government guarantees a social minimum either by family allowances and special payments for sickness and employment, or more systematically by such devices as a graded income supplement (a so-called negative income tax)" (Rawls 1999a, 243).

Rawls' comments from *Fairness* become clearer in specifying what a social minimum set by the difference principle requires. This occurs because Rawls stresses the reciprocity reading of the difference principle in *Fairness*, which, as argued above, minimizes the scope of self-interested behavior that can be justly engaged in. Rawls states:
"... together with the other social policies it regulates, the difference principle specifies a social minimum derived from an idea of reciprocity. This covers at least the basic needs essential to a decent life, and presumably more. We suppose citizens to view themselves as free and equal, and to regard society as a fair system of social cooperation over time."

"... if those who view themselves and their society in that way are not to withdraw from their public world but rather to consider themselves full members of it, the social minimum, whatever it may provided beyond essential human needs, must derive from an idea of reciprocity appropriate to political society so conceived. While a social minimum covering only those essential needs may suit the requirements of a capitalist welfare state, it is not sufficient for ... a property-owning democracy in which the principles of justice as fairness are realized." (Rawls, 2001, 130)

Reciprocity requires that people act according to the standards of fair cooperation. This means that a social minimum is not merely a mechanism to maintain people's biological needs. This would be agreed to only under less-than-fair conditions, such as the result of a political compromise, or as a means of preventing greater redistribution (which were the historical conditions that produced actual welfare states). Rather, a social minimum, according to reciprocity, is to facilitate people's inclusion and full participation in society as social equals. It is not a mechanism to regulate and placate the poor.

Rawls, in general, has an interventionist outlook on the economy by the state. He notes that markets under perfect competition will produce outcomes that cannot be improved from an efficiency standpoint. This consideration is qualified by the acknowledgment that "the requisite conditions [of perfect competition] are highly special ones and they are seldom if ever fully satisfied in the real world" (Rawls 1999a, 240, bracketed comments by the author). This requires that market failures are
corrected. Rawls thinks that such corrections can be achieved by what he calls the allocation branch of the state, where there is an attempt to maintain markets as efficient and competitive (Rawls, 1999a, 244). Rawls considers other functions by the state in economic matters to be necessary, such as the maintaining full employment (Rawls 1999a, 244). These state functions are in addition to providing a social minimum, and maintaining a distribution of wealth and property to facilitate fair equality of opportunity.

One final point to discuss is Rawls' comments on worker-managed firms. Worker-managed firms are discussed twice by Rawls in *Fairness*. In the first instance, he states: "Note also that Mill's idea of worker-managed cooperative firms is fully compatible with property-owning democracy, since such firms are not owned or controlled by the state" (Rawls 2001, 176). Next, Rawls discusses worker-managed firms as a response to a possible objection by Marx that "property-owning democracy has not considered the importance of democracy in the workplace and in shaping the general course of the economy" (Rawls 2001, 178).

There are two considerations to take into account with Rawls' comments. First, and explicitly, Rawls wanted to stress that property-owning democracy was compatible with workplace democracy. Rawls' intention, to stress this notion, is seemingly to rebut the Marxian objection, and to reiterate that property-owning democracy is unlike capitalism, which is characterized by Rawls as allowing large inequalities and insufficiently guaranteeing basic liberties. It is interesting to note that Rawls was aware of inequalities that existed within actual capitalist regimes beyond wealth, property, and income inequality. For example, Rawls found the institutions of a property-owning democracy would remove "the worst aspect of so-called wage slavery" (Rawls 1999a, 248). In addition, a property-owning democracy would not have the "worst aspects" of the division of labor: "no one need be servilely dependent on others and made to choose between monotonous and routine occupations which are deadening to human thought and sensibility" (Rawls 1999a, 464). Rawls' emphasis on self-esteem
being fulfilled when someone can be assured that his conception of the good is "worth carrying out" should highlight the importance of eliminating other inequalities other than those of wealth, property, and income (Rawls 1999a, 386).

Second, worker-managed firms are not mandatory in Rawls' account. Given the quoted comments above on the division of labor, one can conceptualize a society where one could leave a firm that is not a worker-managed firm and join one that is. The only problem with this is that people have the liberty of choosing the work location, but they do not have the choice of participation in the management of any work location. This could adversely affect people's self-respect. They may have to leave jobs where they derive self-respect in order to be able to practice workplace democracy.

These two past sections sought to show the great lengths Rawls went to demonstrate that a fair political system requires egalitarian economic and social structures. A justice as fairness society would greatly minimize if not eliminate, economic class as a determination of one's life prospects, the enjoyment of self-respect, and the development and practice of an individual's two moral powers. Economic egalitarianism is required by each of the two principles of justice. This is explicit in the second principle, particularly the fair equality of opportunity clause. The difference principle, if one accepts Rawls' reciprocity reading of it from *Fairness*, requires inequalities to be equality preserving if they are to conform to standards of fair cooperation. Rawls stresses that, in order for basic liberties to be enjoyed, the effects of economic inequality needs to be prevented from affecting the worth of these liberties. In addition, if the two principles are working in tandem, fair equality of opportunity should make it possible for people to become fully-cooperating citizens and, thus, be able to participate in the exercising of their liberties. Equality is a prerequisite, for Rawls, of the exercising and enjoying one's liberties.

Rawls explicitly states that capitalism, in its laissez-faire or welfare varieties, (as well as one-

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1 Freeman comes close to arguing that workplace democracy would be required in property-owning democracy. He provides many examples that show some amount of worker control would be present (2013, 15)
party socialism) are incompatible with the requirements of justice. Property-owning democracy implements many redistributive mechanisms to maintain fair equality of opportunity and reciprocity, while attempting to promote efficient economic action. There appears to be the possibility of accruing some wealth over the course of one's life within a property-owning democracy. The possibility of passing this wealth on to others seems to be almost nil, given the structuring of bequest and gift taxes discussed by Meade and Rawls.

In the next section of the paper, liberal socialism will be discussed in light of Rawls' endorsement of property-owning democracy. The question Rawls' considers in *Fairness* will be explored: will a liberal socialist regime do significantly better in realizing the two principles?

4. Liberal Socialism

As noted above, there are two possible economic regimes that could, in Rawls' approximation, answer the requirements of justice. The regime that Rawls devoted considerable attention to, property-owning democracy, has been examined above. The remaining candidate, liberal socialism, will be considered now. First, Rawls' limited comments about liberal socialism are examined. Next, this section will consider whether or not liberal socialism more fully answers the requirements of justice than property-owning democracy.

Rawls provides some outlines of a liberal socialist regime in *Theory*. The main designation between socialism and capitalism is public ownership of the means of production:

"The classical distinction is that the size of the public sector under socialism (as measured by the fraction of total output produced by state-owned firms and managed either by state officials or by workers' councils) is much larger. In a private-property economy the number of publicly owned firms is presumably small and in any event limited to special
cases such as public utilities and transportation." (Rawls 1999a, 235)

Rawls notes that the provision of true public goods does not determine if a nation is socialist or not. True or pure public goods are non-rival and non-exclusive, such as national defense, street lighting, open-use roadways, and sanitation. Specifically, a capitalist nation could provide more public goods than an socialist nation (Rawls 1999a, 239).

In *Fairness*, Rawls provides the following description of liberal socialism:

"Both a property-owning democracy and a liberal socialist regime set up a constitutional framework for democratic politics, guarantee the basic liberties with a the fair value of the political liberties and fair equality of opportunity, and regulate economic and social inequalities by a principle of mutuality, if not by the difference principle. While under socialism the means of production are owned by society, we suppose that, in the same way that political power is shared among a number of democratic parties, economic power is dispersed among firms, as when for example, a firm's direction and management is elected by, if not directly in the hands of, its own workforce. In contrast with a state socialist command economy, firms under liberal socialism carry on their activities within a system of free and workably competitive markets. Free choice of occupation is also assured." (Rawls 2001, 138)

Rawls reminded readers that the ownership of personal property is a basic right (Rawls 2001, 138). The reason why personal property is a basic right is that it provides a "material basis for personal independence and a sense of self-respect both of which are essential for the adequate development and exercise of the moral powers" (Rawls 2001, p. 114). Private-property ownership or public ownership of
natural resources and the means of production is not a basic right, because the ownership of such items is not necessary for the development and exercise of the moral powers (Rawls 2001, p. 114). The distinction between what can be considered personal property versus the means of production (and natural resources) according to Rawls' definition is slightly unclear. He does state that personal property would include "certain forms of real property, such as dwellings and private grounds" (Rawls 2001, 114 note 36). His clarification that personal property is necessary for the development and exercise of the moral powers, independence, and self-respect clearly designates that personal affects, personal papers and information, personal transport, sufficient shelter, and personal space would be included.

Even if such a line may be difficult to draw, one can more clearly designate the distinction between personal property defined above and the means of production. The means of production is used to produce goods and services for sale or direct distribution. These goods and services are not consumed directly by oneself and one's companions of personal friendship. Rather, they are produced to be provisioned outside of one's circle of personal friends.

The two definitive features of a liberal socialist regime are, first, that a larger portion of the means of production (including natural resources) is publicly owned, compared to a private-property economy, and, second, the presence of workplace democracy. Other features are common to all reasonable economic regimes such as the enjoyment of the two principles of justice, including basic liberties, fair equality of opportunity, reciprocity, and the use of free and competitive (as possible) markets. How much of the economy must be publicly owned is unclear in Rawls' discussion, how much makes a country socialist is indefinite. Meade also considered that public ownership of the means of production does not have to be total to make a nation socialist (Meade 1964, 67-71). In addition, what exactly constitutes public ownership is unclear. Do the means of production have to be owned by the nation as a whole with the state as the de facto caretaker? Can local and regional municipalities also
own property? And, is ownership of a firm by its workers public or private ownership (especially when equality preserving taxation is in place)? Does a firm only rent the means of production? And what of sole proprietorships, can an individual own the means of production if they work alone? These distinctions matter when determining the extent of public control over the means of production.

This brings us to the exclusivity of control of a firm by its workers, including its managers. Where does the general public's interest and right to control end and where do the worker's of a particular firm begin? What kinds of obligations do workers have to the rest of society? How are their actions structured by the principles of justice? Are all firms run like some contemporary public services, such as public schools, where the provision of a good or service is supposed to take precedence over personal profit? Finally, can there be multiple forms of workplace democracy, can a firm's workers be free join a firm where they cede their right to control the firm to the management and is the possibility of such an action as liberty enhancing as Taylor argues (2014)? Additionally, Rawls wonders "would worker-managed firms be more likely to encourage the democratic political virtues needed for a constitutional regime to endure?" (Rawls 2001, 178).

In order to fill in the blanks of what justice requires of liberal socialism, and to set the stage to show the shortcomings of property-owning democracy, public ownership and workplace democracy will be reconsidered in light of the two principles. Liberal socialism is, of course, defined as being in conformity with the two principles of justice, but how the principles structure public ownership and workplace democracy needs to be examined. Rawls does not examine in enough detail the democratic control of national decision making concerning economic development of kind and pace, regional development and the interconnection of regions, and considerations of work requirements and leisure (which Rawls touches on briefly in Fairness, 179).

How should public ownership of the means of production be structured by the two principles? The first principle on its own has two relevant aspects in answering this question. First, ownership of
the means of production by the public (as well as by private citizens in any regime) is within the
domain of the political, since use of the means of production is a concern of the basic structure (Rawls
2001, 12 and 182). This means decisions regarding the use of property are a right of citizens and is part
of their political liberty. Second, public ownership would require that decisions regarding the use of
public property be structured to preserve the equal worth of liberty.\footnote{A similar point is made in Holt (2011, 403).} The means of production would
include the means of communication, and its use must be regulated in order to ensure equal worth of
liberty.

How does the second principle structure public ownership of the means of production? The
general redistributive and social minimum mechanisms would be the same in a liberal socialist regime
as in a property-owning democracy. Equality of opportunity would also require that people have access
to the means of production for active use. This might generally be achieved by providing access to
loans to start new enterprises, for individuals or people in cooperation. Additional considerations, such
as fair equality of opportunity requires economic oversight over the national economy, regional
economies, and work and leisure decisions. This may be better served within liberal socialism than
within a property-owning democracy. This will also be discussed below.

Public ownership and the reciprocity reading of the difference principle requires the use of the
means of production to be in accordance with fair cooperation. One's actions should be identical in a
property owning democracy or in a liberal socialist regime with respect to reciprocity. Wages and
compensation would be paid according to the need for equality-preserving incentives and compensation
for education and training. Any wages above these amounts would be a premium and contrary to fair
cooperation. Workers could strike in a liberal socialist regime for more of the total product, for reasons
that are in agreement with reciprocity or not, just as in any society that allows for political liberty.

In respect to the public ownership of the means of production, there are several distinctions in
how the two principles that structure a liberal socialist regime are different from a property-owning democracy. How the two principles structure workplace democracy is somewhat different and more far reaching in its effects than public ownership. Such as, according to the first principle, workplace democracy would require that workers should share decision making with the general populace in order to preserve equal worth of liberty. In addition, it would be contrary to the equal worth of liberty to have the means of production not subject to democratic control.

Fair equality of opportunity would require that workplace democracy be not a selective right that only certain members of a firm are allowed to practice. This requires that all members of a firm have voting rights, voting rights are not determined by ownership share (if a firm is owned by its workers), and that people cannot vote to give up their right to workplace democracy. This final point, the impossibility of alienating one's workplace democratic rights, means that members of a firm cannot be held hostage by the demands of any particular firm member. For example, a worker of a firm may be a brilliant inventor who wishes to control all aspects of the firm's actions. The other workers may feel that they must acquiesce to the inventor's desires to reap the benefits of her inventions. Such an alienation of one's right to democratic control is contrary to fair equality of opportunity, the priority of liberty, and reciprocity. This triple violation of justice is not surprising, since what the inventor is doing is exactly what the original position is set up to prevent: the use of threat advantage.

The reciprocity reading of the difference principle requires that workers of firms structure their actions in accordance with fair cooperation. That means they are to receive gains only if these gains are a benefit of others and would be agreed to under the veil of ignorance. This implementation of reciprocity would go both ways, structuring the actions of workers, and the oversight of industry by citizens. Citizens should not treat workers as a means and workers should not treat citizens as a means. Workplace democracy and the oversight of firms by the citizenry requires that decisions about the running of a firm and compensation be according to fair cooperation. Thus, the gifted inventor should
receive compensation that is commensurate with equality-preserving reciprocity. Higher wages are to attract talent to a position, it is not a premium wage. Once again, the inventor should not use a threat advantages to obtain compensation that is unfair.

With that in mind, what about profits in a liberal socialist regime? Rawls states in *Theory* that

"Except in the case of work of all kinds, prices under socialism do not correspond to income paid over to private individuals. Instead, the income imputed to natural and collective assets accrues to the state, and therefore their prices have no distributive function." (Rawls 1999a, 241)

The wage levels are the devil in the details. Wages for particular positions could be quite high, as they would hard to staff in a full-employment egalitarian regime. This would probably include the work of garbage collectors, sandhogs, and sailors. It might also include positions such as researchers and inventors. This might seems strange to some readers, but such positions are preferable now given their potential for high capital returns, engaging work, and privileged social status. At the same time, within liberal socialism, or property-owning democracy, the work of researchers and inventors may be less desirable because of more egalitarian wage structures, the elimination of effects of the inheritance of wealth, and the overcoming of certain aspects of the division of labor (Rawls 1999a, 464). What jobs people would seek under such circumstances is difficult to anticipate. Nonetheless, unmet needs could be rectified by higher wages for these tasks. Thus, it seems that the profits of state-owned firms will either accrue to the state or will be distributed to those workers in hard-to-staff positions.³

³ Not all commentators think that within a liberal socialism profits would accrue to the state, see Schweickart (1978 and 2012).
of firms that have rented or even bought their capital equipment. Rawls leaves open such possibilities because a socialist regime is one where more of the means of production is owned publicly then in a private property economy. This leaves open the possibility that some firms will be owned as private property. If this is the case, and profits accrue to a such firms, then the requirements of justice are still brought to bear. This means the use of equality-preserving taxation of bequests and gifts would prevent the accumulation of inherited wealth to maintain fair equality of opportunity and to preserve equal worth of liberty.

5. Liberal Socialism and the Requirements of Justice

Now that the structuring of liberal socialism has been reviewed, an attempt can be made to answer Rawls' questions of which economic regime best answers the requirements of justice. It will be argued that liberal socialism is superior to property-owning democracy in realizing the two principles of justice. In brief, political liberty requires that that the economic development of the nation be subject to democratic control. The economy is part of the basic structure and is within the domain of the political, meaning economic matters are matters of political justice. In order to exercise political liberty over the economy, the means of production must be subject to a degree of public ownership. The absence of such ownership, as within a property-owning democracy, demonstrates that liberal socialism provides a better realization of the requirements of justice. Workplace democracy is essential for democratic control of the economy and cannot be optional within firms. The absence of workplace democracy would lessen the realization of the requirements of justice. First, a consideration of the economy as part of the basic structure of society will be reviewed. Then, workplace democracy and democratic control of the economy will be discussed. Finally, the degree of public ownership required by justice will be examined.

The basic structure of society is "the primary subject of political justice" (Rawls 2001, 10). The
economy is included as belonging to the basic structure (Rawls 2001, 10). Rawls contrasts the political with some nonpolitical areas: the associational, the familial, and the personal (Rawls 2001, 182). Firms and ownership of the means of production are part of the economy and are, thus, part of the political. A firm, or a sole proprietorship, is not an associational, familial, or personal organization. If one makes goods and services for sale or direct distribution, these are economic organizations. The standards of political justice apply to economic organizations.

Workplace democracy, and general democratic economic control of a nation, are necessary to meet the requirements of justice. First, workplace democracy is a requirement of the priority of liberty. Rawls holds that representative agents in the original position would establish priority of basic liberties because these liberties "protect fundamental interests that have a special significance" (Rawls 2001, 105). Additionally, Rawls notes the basic liberties' relationship to economic outcomes: "The priority of liberty means that whenever the basic liberties can be effectively established, a lesser or an unequal liberty cannot be exchanged for an improvement in economic well-being" (Rawls 1999a, 132). The right to democratic control over one's workplace, and the economy, in general takes precedence over economic gains.

Fair equality of opportunity would be better served by workplace democracy, as the opportunity to participate in economic decisions is greater than within property-owning democracy. If property-owning democracy does not require workplace democracy, then this economic regime has an obvious shortcoming compared to liberal socialism. Fair equality of opportunity not only requires that wealth and income inequalities do not deter opportunity. It is also the case that people have an opportunity to participate in offices to enjoy their "external rewards" and "the realization of self" that is part of engaging in "social duties" (Rawls 1999a, 73). Workplace democracy provides the opportunity to participate in social duties to a degree that would not be provided in its absence.

Rawls' concern about the necessity of workplace democracy to meet the requirements of justice
appears well founded, as it allows for the realization of fair equality of opportunity to a higher degree. Additionally, Rawls' concerns about the presence of excusable envy within a well-ordered society is an important issue here:

"A person's lesser position as measured by an index of objective primary goods may be so great as to wound his self-respect; and given his situation, we may sympathized with his sense of loss."

"When envy is a reaction to the loss of self-respect in circumstances where it would be unreasonable to expect someone to feel differently, I shall say that it is excusable. Since self-respect is the main primary good, the parties would not agree, I shall assume, to count this sort of subjective loss as irrelevant." (Rawls 1999a, 468)

These comments appear to show that there is an interrelationship between the primary goods, at least between self-respect and the rest. In Theory Rawls includes "opportunities" among the list of social primary goods (Rawls 1999a, 54). Whereas, in Fairness, Rawls includes in his list: "Powers and prerogatives of offices and positions of authority and responsibility" (Rawls 2001, 58). The loss of opportunities, powers, and prerogatives can adversely affect one's self-respect, and, consequently, result in feelings of envy. Rawls argued that, in a well-ordered society, it would be possible to minimize feelings of envy by reducing the viability of our differences through a plurality of associations and common equal justice that everyone enjoys when people do meet in public (Rawls 1999a, 470). This appears to be insufficient and impractical, as people can easily gain knowledge of other ways of living in a society where there is a free press and the freedom of travel. It is even more impractical within a workplace where the distinction in work tasks is readily apparent. Workplace democracy cannot change the division of labor, but it can make people's interactions within the workplace more equal regarding
management of the firm. If people of different backgrounds, skills, and abilities can equally share in the
election and the running of the state, there seems little reason why, given Rawls' egalitarian arguments,
for democracy not to be extended to the workplace (also given Rawls arguments regarding the nature of
property ownership). In addition, if participation in the affairs of the state minimizes envy, it may do
more of the same if instituted within a workplace.

Workplace democracy's shared responsibility of economic governance is a form of reciprocity
(fair cooperation), people of different positions being able to share the burdens of decision making.
Reciprocity is a sharing of duties, responsibilities, gains, and benefits. It is a way to mediate the limited
horizon of rationality for the reasonable well-being that a fair perspective brings. Workplace democracy
cannot eliminate the division of labor entirely, not everyone can be an expert in all areas at once, and
tacit knowledge limits one's information further. Nonetheless, workplace democracy allows for people's
ideas to be heard and, hopefully, for reasonable conclusions to be reached. Workplace democracy
provides a means for reciprocity to be practiced that is not possible when workplace democracy is
absent. Fair cooperation is not only a guide for individual action; it can also be a structure for social
interactions. Workplace democracy provides an opportunity for reciprocity to be a motivation and a
goal for social organization.

Workplace democracy could be a means to institute the difference principle. Discussion over the
direction of the firm and compensation could allow for institutionalization of the difference principle.
This would be manifested as questions over who should be paid more and how their additional pay
would benefit the remainder of the firm's workforce. Questions of rewarding some people now in order
for everyone to also gain can take different forms. Which form does the reward take? When will
everyone else gain? Further, questions and decisions over who's ideas should guide a firm should be
settled according to the difference principle. Allowing for agreed-upon inequalities in management,
product development, and market placement is premised upon those who have agreed not to participate
in these decisions to gain from other people's decisions. Such a granting of inequalities are because they conform to the difference principle. If such inequalities do not achieve the promised results or no longer do so, workplace democracy allows for changes to be made. Workplace democracy can operate as a way to maintain the difference principle within the firm.

One final comment on workplace democracy as a means to achieve the difference principle, the difference principle is supposed to benefit everyone, but its greatest benefit should accrue to the least-advantaged members of society. Those who have the most to gain in the democratization of management would be the worst-off workers within a firm, as they have the least direct effect on its direction given their ordinary work tasks. Managers and some professionals in their activities can be directly engaged in the day-to-day running of a firm. What they should aim for is subject to democracy within the firm, but they get to enjoy, to a great degree, the powers and prerogatives of their positions. Other workers in the firm perform essential tasks that can be divorced from the direction of a firm within the market. This may, especially, be the case for those in the firm that have no contact with the public - line workers and custodial staff in particular. As a result of such discrepancies, it seems that those who are low-skilled and non-management would have the most to gain by being able to participate in the election of management and/or determining how the firm will be managed.

Workplace democracy seems to be essential to the realization of the requirements of justice. Public ownership of the means of production is also necessary to meet the requirements of justice. If this is the case, then liberal socialism will meet the requirements of justice to a better degree than property-owning democracy. This section will proceed as the previous one, considering how public ownership realizes the two principles of justice.

Democratic control of the economy requires that the means of production is subject to a degree of public ownership. It is at least the case that all of the means of production are partially owned by the public. Partial public ownership of the means of production does not mean that the authority of
ownership is always voiced. Rather, the public should act as guarantors that the means of production is not being used in violation of the principles of justice. Rawls would have found that such oversight should take the form of pure procedural justice (Rawls 2001, 50-52). This means that the rules and expectations of firms should be defined ahead of time according to the parameters of when public control should be exercised. Firms and individuals should not be subject to capricious or changing rules and expectations. This means that the exercise of individual goals, preferences, and initiatives can take place within the procedural rules.

The members of a firm and the rest of society should work together according to the two principles. The use of the means of production is a matter of concern for people as members of firms and as citizens. This means that the exercising of political liberty requires that people are able to participate in the debate of how the means of production is currently used and will be used in the future. Questions such as quantity, price, and the pace of output are political concerns that require democratic oversight. Such oversight can be considered to be absent within a property-owning democracy, where democratic control over the means of production is limited. The absence of public ownership prevents people from exercising the control over a part of the basic structure. In order to meet the requirements of basic liberties, workplace democracy, national economic democracy, and public ownership of the means of production must hold.

Fair equality of opportunity can require decisions about planning the regional and national development of industry. The location of economic development must take the dispersal of population into account. In addition, the long-term equality of opportunity requires that sufficient educational, training, work, leisure, and cultural amenities be provided. This shows that Rawls' consideration of the fair equality of opportunity requires that there is public control over the development of the means of production in respect to the kind of output. For example, the current output of the means of production may be insufficient to maintain fair equality of opportunity, such as not enough schools are being built
or insufficient training is being provided to deal with unemployment because of automation. Fair equality of opportunity extends beyond the the equality of ownership and the production of educational opportunities. It also requires that the use of the means of production helps facilitate fair equality of opportunity currently and in the future.

Interestingly, fair equality of opportunity may be better served by public ownership of the means of production in order to ensure that the kind and pace of economic development ensures. Also liberal socialism may provide more opportunities for exercising the fair equality of opportunity due to oversight over the national economy, regional economy, and work and leisure decisions. Such decisions are not part of the institutional structure of a property-owning democracy. Such a regime disperses ownership widely, this helps in achieving a degree of fair equality of opportunity. Nonetheless, the lack of national oversight on how to accommodate economic changes demonstrates an institutional inability of a regime that does not exercise public ownership. If a property-owning democracy does exercise such control, this would appear to be public ownership. If a firm can ignore democratic decisions regarding the development of means of production or work and leisure decisions, it seems that the firm is not subject to public ownership. Such actions appear inconsistent with Rawls' arguments for the fair equality of opportunity. Public ownership of the means of production seems intrinsic to a Rawls system, in order for the fair opportunity clause to be enjoyed. The absence of such public ownership would prevent an economic regime from meeting the requirements of justice.

Reciprocity, as fair cooperation, requires that public ownership of the means of production treats the members of firms and citizens as ends and not means. Firms are not only to meet the requirements of justice, they are also a way for their members to exercise their conception of the good. Public control of firms cannot be merely an ordering of its members to produce particular goods and services. Rather, public ownership of firms should allow the members of their firms to freely express their interests. Public ownership should seek to not only ensure that citizens are not being unjustly affected by the
output and actions of a firm, public ownership should also seek to make sure that the members of firms are being able to express their interests and express their conception of the good. Public ownership more fully expresses the requirements of reciprocity than property-owning democracy, by allowing people to participate in fair cooperation at a national level.

On a related note, Rawls' discussion of reasonableness in contrast to rationality can be understood as best reflected in liberal socialism:

"In general, reasonable persons are ready to propose certain principles (as specifying fair terms of cooperation), as well as to comply with those principles even at the expense of their own interests as circumstances require, when other are move to do likewise. Further, where the claims of those cooperating are similarly based in relevant respects, as when all have the status of free and equal citizens, there is no reason for any of them to accept principles that assign them lesser basic rights than the rest. Those who insist on imposing such principles on others, moved say by their greater power or stronger bargaining position, are being unreasonable, yet given their interests, they may be perfectly rational." (Rawls 2001, 191)

Reciprocity, as an expression of reasonableness, is a mediation between an individual's rational interests and the demands of justice, which can require one to curtail these interests. Public ownership of the means of production is an institutionalization of the requirements of reasonableness. People's interactions are less reasonable under property-owning democracy due to the lack of the institution of public ownership to act as a mechanism to express the reasonable structuring of people's interests.

The requirements of justice are best served by the a liberal socialist regime where workplace democracy and, at least partial, public ownership of the means of production obtains. How much of the
means of production should be publicly owned? Public ownership should extend to an amount of the means of production that ensures the requirements of justice. It is assumed that all firms are required to practice workplace democracy, at least the election of management. All of the means of production within a nation are publicly owned, in a sense, in order to ensure that its use and development meet the requirements of justice. On the one hand, as was discussed above, public ownership does not always have to be voiced, but in order to ensure that justice obtains uses of the means of production cannot be contrary to justice. Pure procedural justice should provide the parameters for the use of the means of production. With this in mind, liberal socialism can exist with control over the means of production that is nominally private ownership. The day to day operation of a firm must operate within the boundaries of justice. This includes requirements for the direction of the development of the means of production that have been decided through democratic procedures. Individual firms can discuss with the state what is the best why to fulfill development goals without the direct control by the state. On the other hand, public ownership of the means of production can be more directly controlled by the state. Certain industries may be best operated as sections of the state. Perhaps national transportation, power generation, and communication networks (but not necessarily individual press and media outlets) would qualify for direct state ownership and control. In general, the final determination is that the exact level of public control allows for the requirements of justice to be met.

6. Conclusion

It has been shown that liberal socialism does significantly better in realizing the two principles than property-owning democracy. On the one hand, this is not very surprising because of the importance of equal citizenship in Rawls' system. The tandem operation of the two principles, the demands of equal liberty, the extension of fair equality of opportunity beyond wealth and into the powers and prerogatives of offices, and the reciprocity reading of the difference principle all reinforce Rawls'
realization that the equal distribution of control over the means of production is an essential feature of a fair and well-ordered society. Rawls' comments on the apparent necessity of workplace democracy in *Fairness* may show he realized that property-owning democracy was on a slope into liberal socialism given the requirements of justice.

On the other hand, this may be surprising to some readers since, as equality of citizenship and inequality of economic position are considered intrinsic features of liberalism. First, this is to mistake liberalism with libertarianism, which is understandable because the distinction has become more apparent during the last century within the philosophic literature. Second, there is a problem within classical liberalism, most apparently in Locke, where democratic prerogative cannot sustain the claims of labor established in the state of nature. Simply, liberalism cannot maintain the formal equality of citizenship with the actual inequality of actual citizens, at least theoretically. This is where Marx's challenge to property-owning democracy starts to emerge.
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