

Three Rawlsian Routes towards Economic Democracy

THREE RAWLSIAN ROUTES TOWARDS ECONOMIC DEMOCRACY*

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Résumé

Cet article traite des arguments qui pourraient être utilisées pour défendre une certaine forme de démocratie économique dans un large cadre rawlsien. L'article identifie trois de ces arguments. Premièrement, on peut faire valoir le droit de participer à la prise de décision économique devrait être ajouté à la liste rawlsienne des libertés fondamentales, protégées par le premier principe de justice. Deuxièmement, on peut mettre en avant que la démocratie d'entreprise peut contribuer à la démocratisation de la société en général en favorisant l'engagement dans la vie civile en général. Troisièmement, je soutiens qu'une bonne compréhension des exigences du principe de différence montre que la justice demande plus qu'une redistribution *ex post*, mais nécessite également une redistribution *ex ante* du pouvoir et de l'autorité dans la vie économique. Cela se rapproche de la discussion de Rawls sur les mauvais aspects de l'inégalité et de son approbation d'une démocratie de propriétaires, comme système économique le mieux adapté à la mise en place d'une structure de base juste. Ma conclusion est que, même si nous doutons du premier, les deuxième et troisième arguments sont convaincants. Ils établissent la

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force de la défense rawlsienne de la démocratisation économique comme exigence fondée sur la justice.

Mots clés : Rawls, démocratie d'entreprise, liberté, égalité, caractère, stabilité, participation, Mill.

Abstract

This paper addresses ways of arguing for some form of economic democracy from within a broadly Rawlsian framework. Firstly, one can argue that a right to participate in economic decision-making should be added to the Rawlsian list of basic liberties, protected by the first principle of justice. Secondly, I argue that a society which institutes forms of economic democracy will be more likely to preserve a stable and just basic structure over time, by virtue of the effects of economic democratization on the development of an active, democratic character among citizens. Thirdly, I argue that a proper understanding of the demands of the difference principle shows that justice demands more than *ex post* redistribution, but also requires the *ex ante* redistribution of power and authority in economic life. This connects to Rawls's discussion of the badness of inequality, and to his endorsement of a "property-owning democracy". My conclusion is that, even if we may doubt the success of this first Rawlsian argument, the second and third arguments are both successful, and together establish a strong Rawlsian case for seeing economic democratization as a requirement of justice.

Key words: Rawls, economic democracy, workplace democracy, liberty, equality, stability, character, participation, property-owning democracy, Mill

I. Introduction

Recent liberal egalitarian theories of justice have said a great deal about the ways in which the fruits of economic production should be distributed within a just society. However, the same level of attention has rarely been given to equally important questions regarding the form that economic production should take within a just society, and how that economic activity should be organized and controlled.¹ This article seeks to address some of these relatively neglected issues, specifically by addressing the question of how a move towards the radical democratization of

1. For an extremely useful survey of other treatments of issues regarding justice in economic production, see Hsieh (2008).

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economic enterprises might be motivated from within a broadly Rawlsian framework. I suggest that there are at least three promising routes towards justifying some degree of workplace democracy from within Rawls's theory of justice. The arguments for each of these different ways of justifying workplace democracy are separable from one another. The three lines of argument are, in turn, what I shall call (i) the Fundamental Liberties argument, (ii) the Democratic Character argument and (iii) the Democratic Equality argument. The strength and nature of the entitlement to (some form of) economic democracy will depend on which (if any) of these arguments are found to be compelling.

It will be useful to begin by sketching these three lines of argument, in order to give a sense of the approach that this article takes to these issues of economic control and democratization. Firstly, there is a case to be made for the addition to the Rawlsian list of basic liberties of a right to participate in the democratic determination of decision-making within the social and economic institutions to which citizens belong. This is the Fundamental Liberties argument for Economic Democracy. According to this argument, an entitlement to participate in economic decision-making is a basic right subject to constitutional guarantee. Secondly, even if we reject this Fundamental Liberties argument, there is an alternative defence of economic democracy that appeals to the role of democratic participation in the workplace in supporting and inculcating the psychological capacities that citizens must display if a just constitutional regime is to be stable over time. This is the Democratic Character argument. Lastly, one may argue for economic democracy on broadly Rawlsian grounds by appeal to the claim that only an economic system that allocated decision-making powers in a broadly dispersed way would be able to satisfy the demands of the Difference Principle, especially when that principle is seen as ranging across the full range of social primary goods. This line of argument is connected with Rawls's account of the value of equality, and his defence of a socioeconomic regime that goes beyond the constraints of welfare state capitalism towards a form of "property-owning democracy" or "liberal socialism".² This is the Democratic Equality argument for economic democracy. Under both the Democratic Character and Democratic Equality arguments, an entitlement to participate in workplace decision making would be entailed by a full com-

2. See Rawls (2001) (Henceforth: *JF*), §§41-2, pp. 135-40.

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mitment to principles of justice, but would be a matter to be decided in detail at the legislative stage, rather than being a basic right subject to constitutional guarantee.³

2. Rawls on Workplace Democracy

The closest that Rawls comes to addressing the issue of workplace democracy explicitly is in his discussion, in *Justice as Fairness*, of Marx's critique of liberalism.⁴ Rawls's openness to radically anti-capitalist ideas here may surprise many of his readers, especially the large proportion of his readers who have typically taken Rawls to be engaged in the business of justifying the traditional capitalist welfare state (albeit, perhaps, a capitalist welfare state of a more generous kind than has previously been instantiated). Nevertheless it is striking to see how high Rawls takes the stakes to be in discussing the attractions and prospects of worker-controlled enterprises, and the possibility that the principles of "justice as fairness" might be satisfiable only under some form of socialism, with collective ownership of the means of production. Rawls holds that the very possibility of creating a just society may well be dependent on first addressing issues of control over economic production. He notes that:

Marx would raise another objection, namely, that our account of the institutions of property-owning democracy has not considered the importance of democracy in the workplace and in shaping the general course of the economy. This is a major difficulty. I shall not try to meet it except to recall that Mill's idea of worker-managed firms is fully compatible with property-owning democracy. (See Mill, *Principles of Political Economy*, Bk. IV, chap. 7) Mill believed that people would much prefer to work in such firms; this would enable the firms to pay lower wages while being highly efficient. In due course these firms would increasingly win out over capitalist firms. A capitalist economy would gradually disappear and be peacefully repla-

3. On Rawls's "four stage sequence" for application of his principles of justice, see Rawls (1999), §31, pp. 171-6; and also *JF*, §13, esp. pp. 48-9.

4. Rawls discusses Marx's critique of liberalism and capitalism in two places. The first is at *JF*, §52, 176-9, and the second, with more elaboration on Marx's views, in the Lectures on Marx in his *Lectures on the History of Political Philosophy*. See Rawls (2007), pp. 319-72. The discussion of workplace democracy occurs only in *Justice as Fairness*; see esp. *JF*, pp. 178-9.

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ced by worker-managed firms within a competitive economy.⁵ Since this has not happened, nor does it show any signs of doing so, the question arises whether Mill was wrong about what people prefer, or whether worker-managed firms have not had a fair chance to establish themselves. If the latter is the case, should such firms be granted subsidies, at least for a time, so that they can get going? Would there be advantages from doing this that could be justified in terms of the political values expressed by justice as fairness, or by some other political conception of justice for a democratic regime? For example, would worker-managed firms be more likely to encourage the democratic virtues needed for a constitutional regime to endure? If so, could greater democracy within capitalist firms achieve much the same result? I shall not pursue these questions. *I have no idea of the answers, but certainly these questions call for careful examination. The long-run prospects of a just constitutional regime may depend on them.* [My italics] (JF, 178-9)

As we see here, Rawls holds that the prospects of a just constitutional regime may depend on answering a number of empirical and normative questions about alternative forms of organization within and across economic enterprises. Depending on the answers that should be given to these questions, the political commitments of Rawlsian liberal egalitarians could vary significantly. In what follows, my hope is to give plausible answers to at least some of these questions, and thereby to show why Rawlsian liberal egalitarians should also be “economic democrats”.

3. The Fundamental Liberties Argument for Economic Democracy

In deciding the extent of the basic liberties that are to be protected under the first of his principles of justice, Rawls makes use of a test of significance in terms of his account of the moral psychology of democratic citizens. On Rawls's view, the point and purpose of the constitutional protection of the equal basic liberties is to preserve the conditions under which citizens can exercise their “two moral powers”. He defines these

5. For Rawls's view of J. S. Mill, see also the Lectures on Mill in Rawls (2007), pp. 249-316. See especially Rawls's brief remarks on Mill on worker self-management, in the “Remarks on Mill's Social Theory,” pp. 314-6, esp. at p. 316.

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two moral powers, enjoyed by citizens viewed as being free and equal, in this passage from §7 (on “The Idea of Free and Equal Persons”) of *Justice as Fairness*:

Justice as fairness regards citizens as engaged in social cooperation, and hence as fully capable of doing so, and this over a complete life. Persons so regarded have what we may call “the two moral powers,” explained as follows:

(i) One such power is the capacity for a sense of justice: it is the capacity to understand, to apply, and to act from (and not merely in accordance with) the principles of political justice that specify the fair terms of social cooperation.

(ii) The other moral power is a capacity for a conception of the good: it is the capacity to have, to revise, and rationally to pursue a conception of the good. Such a conception is an ordered family of final ends and aims which specifies a person’s conception of what is of value in human life or, alternatively, of what is regarded as a fully worthwhile life. The elements of such a conception are normally set within, and interpreted by, certain comprehensive religious, philosophical, or moral doctrines in the light of which the various ends and aims are ordered and understood. (*JF*, 18-19)

Related to the “two moral powers”, Rawls also makes reference, in §32 (“Equal Basic Liberties Revisited”) of *Justice as Fairness*, to the “Two Fundamental Cases” in which these powers of a sense of justice and capacity for a conception of the good are exercised.⁶ These two “fundamental cases” each relate specifically to one of the two moral powers. Firstly, with regard to the sense of justice, the first fundamental case “concerns the application of the principles of justice to the basic structure and its social policies.” In this case, the equal political liberties, along with freedom of thought, are required for “the free use of public reason.” (*JF*, 112-3) Secondly, with regard to our capacity for a conception of the good, the second case “concerns the exercise of citizens’ powers of practical reason in forming, revising, and rationally pursuing such a conception over a complete life.” Here, we require liberty of conscience and freedom of association in order for citizens to exercise their practical reason and judgement. (*JF*, 113)

6. See also *JF*, §13 (on “The Two Principles of Justice”), pp. 42-50, esp. 45, as well as Rawls (1982), pp. 3-87, esp. §§II, III, IX; and Rawls (1993), Lecture VIII, §§2, 3, and 9.

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Additionally, Rawls holds that the liberty and integrity of the person and the rights and liberties covered by the rule of law are necessary as preconditions for the exercise of the basic liberties generated in each of these two cases.

Given the importance of the exercise of the “two moral powers” in these “two fundamental cases,” Rawls’s considered criterion for assessing the significance of basic liberties is given by this test:

... a liberty is more or less significant depending on whether it is more or less essentially involved in, or is a more or less necessary institutional means to protect, the full and informed exercise of the moral powers in one (or both) of the two fundamental cases. (*JF*, 113)

The central claim of the Fundamental Liberties argument for economic democracy is that the freedom to take part in decisions about economic production is itself a liberty that passes this test of significance. Now, on Rawls’s view, “[t]he first principle applies at the stage of the constitutional convention, and whether the constitutional essentials are assured is more or less visible on the face of the constitution and in its political arrangements and the way these work in practice.” (*JF*, 48) Thus, if the freedom to take part in economic decision-making does pass this test of significance, then a set of basic rights to economic democracy will be among the fundamental liberties that require constitutional protection (along with the rest of the scheme of equal basic liberties).

Arguments may be made that the freedoms of participation in economic decision-making pass this test of significance in both of Rawls’s “fundamental cases”. Firstly, with regard to the sense of justice, it is plausible to think that, unless individuals have some first-hand experience in the deliberative direction of some collective enterprise (such as a firm), then they will lack the skills that will be needed in order to participate fully in “the free use of public reason” in democratic politics. The idea here is that participation in more local and partial forms of democratic deliberation is a necessary precondition for full and effective participation in democratic deliberation at the national level. To be sure, this line of argument would be implausible if the claim were that, unless individuals had experience of some more local and partial form of collective management, they would be entirely unable to take part in the political life of the democratic state to which they belong. But recall that Rawls’s argument is that the basic liberties are not simply those that make the exercise of the two moral powers in the two fundamental cases minimally possible,

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but those that grant “the social conditions essential for the adequate development and the *full and informed exercise* of the two moral powers” [my italics] (*JF*, 112). It is not implausible to claim that citizens who are used to the regular exercise of their deliberative capacities with regard to the direction of economic enterprises will be best placed to exercise those capacities in a *full and informed* manner in the political sphere.

A similar line of argument can also be advanced with regard to Rawls’s second fundamental case, involving the role of workplace democracy in fostering the capacities needed fully to frame, revise and pursue a conception of the good. A just set of socioeconomic arrangements must provide the political and social conditions necessary for the adequate development and full exercise of this moral power. However, with regard to the development of this moral power there is a degree of “moral risk” associated with hierarchical and non-democratic workplaces. If individuals spend their working week in institutions that treat them as mere functionaries within a rigid hierarchy, then there is a risk of their capacities for autonomous self-direction atrophying, or becoming stunted. Therefore, if we are interested in the protection of these capacities, we should organize economic life so that it is not inimical to the moral power of autonomous self-direction.⁷ The suggestion is that work should be a forum for the full development of citizens’ life plans and conception of the good, not a mindless and deadening arena in which citizens’ capacities are continually assailed and worn down over the course of their working lives.

In this second fundamental case, there would appear to be two versions available of an argument in favour of viewing economic democracy as an essential precondition for “the adequate development and the *full and informed exercise* of the two moral powers”. That is, with regard to Rawls’s “second fundamental case”, one may pursue parallel lines of argument, each emphasizing a different half of the distinction between the *development* and *exercise* of the two moral powers. The argument regarding the *development* of the two moral powers in this case is the one which has already been discussed, and which fits in with the concern for the preconditions for the cultivation of an “active character” among a society’s citizens (to make use of a phrase used by J. S. Mill)⁸. The argu-

7. On the “deadening” effects of “meaningless jobs,” in which workers have no control or discretion over their roles, see for example Schwartz (1982).

8. See Mill (1994) [1848], Book IV, Chapter VIII, “On the Probable Futurity of the Labouring Classes”, esp. pp. 155-8. See also Book V, Chapter XI. One may make the rough approximation that an individual has an “active character” in Mill’s sense in exactly those cases where that individual enjoys the full use of the “two moral powers” in Rawls’s sense.

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ment regarding the *exercise* of the two moral powers concerns the way in which worker self-government of a firm may allow individual workers to see their working lives as *part of* their autonomous and freely chosen plan of life. In both the “fundamental cases,” therefore, the idea is to make use of the structure of working life as a way of creating essentially “active” citizens – active both in the sense of being involved in deliberation with regard to public affairs (as in the first fundamental case), and in the sense of being autonomous authors of their own lives, through the process of framing, revising and pursuing their own conception of the good (as in the second fundamental case).

4. Rawls’s Objections to the Fundamental Liberties Argument for Economic Democracy

If the Fundamental Liberties argument is successful, then a basic right to be involved in workplace decision-making should be added to the list of basic rights that are to be protected under a just constitutional regime. It is significant to note, though, that when Rawls considers a proposed amendment of his account of justice that includes an entitlement of this kind, he rejects the amendment as being inconsistent with the broader commitments of a liberal theory of justice.

This proposed amendment of Rawls’s theory of justice, so as to include an entitlement to participation in workplace decision-making, is to be found in Rodney Peffer’s *Marxism, Morality and Social Justice*. Peffer’s theory of social justice is based on Rawls’s two principles, with the addition of a lexically prior principle mandating basic security and rights of subsistence. Peffer also includes an entitlement to democratic participation in the workplace within the principle of fair equality of opportunity, with the following form:

- (3) There is to be (a) equal opportunity to attain social positions and offices, and (b) an equal right to participate in all social decision-making processes within the institutions of which one is a part. (Peffer (1990), p. 14)

Peffer places the right to participate in social decision making in his third principle, and thereby treats it as lexically prior to the difference principle, but as lexically subsequent to the principles of (1) basic security and subsistence and (2) equal basic liberties. Therefore, Peffer’s view is subtly different to a view which accepts the Fundamental Liberties

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argument for economic democracy, and which thereby places the right to participate in workplace decision-making *within* the principle of equal basic liberties, rather than making it lexically subsequent to it.⁹ Nevertheless, it is plausible to assume that Rawls's objections to Peffer's view would hold *a fortiori* for a view which fully endorsed the "Fundamental Liberties" argument, and which therefore included an entitlement to take part in workplace decision-making among the basic rights protected by the constitution.

Rawls's response to Peffer's proposed amendment is therefore particularly revealing. In *Political Liberalism*, Rawls says that:

I should agree with most of Peffer's statement, but not with his 3(b), which appears to require a socialist form of economic organization. The difficulty here is not with socialism as such; but I should not include its being required in the first principles of political justice. These principles I see (as I did in *Theory*) as setting our fundamental values in terms of which, depending on the tradition and circumstances of the society in question, one can consider whether socialism in some form is justified. (Rawls (1993), pp. 7-8, fn. 7)

Rawls's argument against Peffer's opportunity principle (and hence *a fortiori* against the Fundamental Liberties argument) would thus appear to rest on two premises. Firstly, if such a right to participation in workplace decision-making were to be accepted, social justice could only be achieved under a socialist mode of socioeconomic organization, with common ownership of the means of production. Secondly, a theory of justice should not mandate a particular model of ownership of the means of production, but should instead lay out certain fundamental values that might be achievable through different modes of socioeconomic organization, depending on the history and traditions of each particular society. Therefore, given both premises, we should reject any proposed right of participation in workplace decision-making.

We could reject Rawls's response against the Fundamental Liberties argument by rejecting either of his premises. Firstly, we might reject as illicit Rawls's appeal to the requirement that the demands of justice need

9. In Peffer's more recent work, he demotes the right to participation in socioeconomic decision-making to a less significant position within his lexically ordered principles of justice, moving it from being part of the principle of fair equality of opportunity to the position of a non-basic right that is lexically subsequent to the difference principle. See Peffer (1994).

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be realizable by different forms of socioeconomic organization, and that principles of justice are therefore to be rejected if they are realizable only under socialism. It seems plausible to take the view that this sort of agnosticism about socioeconomic systems cannot provide us with an independent criterion for judging principles of justice without inappropriately restricting the available options. Judgements about just patterns of ownership should be made in the light of our best account of justice, and should not enter in to normative arguments about justice as independent premises. As Liam Murphy and Thomas Nagel put it, in their discussion of just taxation, “one can neither criticize nor justify an economic regime by taking as an independent norm something that is, in fact, one of its consequences” (Murphy and Nagel (2002), p. 9). Similarly, whilst we might not know in advance what system of ownership of the means of production is required by the demands of justice, we should not reject an otherwise normatively attractive account of social justice simply because it can only be realized under some particular system of ownership. To do otherwise would be to appeal in a potentially circular manner to the consequences of an account of justice (i.e. a particular distribution of property rights) as providing a normative constraint on the elaboration of our best account of justice.

Setting aside these worries about what we might call Rawls’s “prescriptive agnosticism” between different kinds of socioeconomic systems, we might also want to reject the other premise of Rawls’s argument against the Fundamental Liberties argument. That is, we may deny the claim that it would be possible to satisfy the demands of a basic right of participation in decision making within the workplace only within a socialist form of socioeconomic organization, with common ownership of the means of production. This claim can be resisted if we emphasize that full *ownership* of the means of production need not be a necessary condition for the exercise of some *control* over how production is to take place. For example, one could allow that productive capital could be owned by particular private individuals, whilst nevertheless allowing that the *use* of that productive capital could legitimately be constrained by a requirement that the workers in any particular firm or industry were entitled to some degree of participation in decision-making about production. By “unbundling” the different rights normally associated with ownership, one could therefore allow that a right of participation in workplace decision-making could be enacted without the need to reject private ownership of the means of production altogether. In pursuing such an approach,

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one would be following an important suggestion made by Joshua Cohen, who pursues parallel ideas regarding the “unbundling” of property rights. As Cohen puts it:

Arguments in social philosophy should not premise a highly unified conception of property and confine our attention to different ways of shifting the bundle around. A more suitable procedure is to “unbundle” ownership, and then to consider the different ways of distributing the rights that comprise it.¹⁰

In his discussion of property rights and the equal basic liberties in §32 of *Justice as Fairness*, Rawls argues that “the right to property as including the equal right to participate in the control of the means of production and of natural resources, *both of which are to be socially, not privately, owned*” [my italics] is “not necessary for the adequate development and full exercise of the moral powers, and so are not an essential social basis of self-respect.”¹¹ The advocate of the Fundamental Liberties argument can accept this claim of Rawls’s, when taken as an argument about the “traditional bundle” of ownership rights, encompassing *both* formal ownership, as such, and the standards measures of control associated with such property rights under capitalism. However, if we follow the suggestions of the previous section, regarding how participation in workplace decision-making could be fundamentally significant for the full exercise and development of the two moral powers (in the two “fundamental cases”), then we should reject Rawls’s claim that some degree of *control* (even if not full ownership, as such) over productive resources is not among the essential “social bases of self-respect”. In other words, one can allow the truth of Rawls’s claims about the irrelevance of the ownership of the means of production, considered narrowly, for the exercise and development of the moral powers, whilst nevertheless rejecting the claim that (at least some level of) *control* over (at least some) productive resources is similarly irrelevant. Thus, if we “unbundle” the concept of ownership in this way, we can accept the Fundamental Liberties argument without violating Rawls’s “prescriptive agnosticism” with regard to the nature of the socioeconomic system, and his avoidance of a commitment to socialism, understood as involving collective social ownership of

10. See Cohen (1989), at p. 49. Cohen also talks in terms of “splitting the atom” of ownership: i.e. unbundling the set of legal powers usually associated with ownership. Cohen gives credit for the phrase “splitting the ownership atom” to Joel Rogers. On “unbundling” and “atom splitting” approaches to property rights, see also Grey (1980) and Honoré (1961).

11. For a highly instructive discussion of Rawls’s “Ownership Argument” regarding property and the basic liberties, see Hsieh (2005), esp. pp. 117-121.

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the means of production. It should be borne in mind that strategies that involving the “unbundling” of property rights are very much available for theorists, like Rawls, who hold a view of property-rights as being social institutions or conventions, subject to specification in the lights of the requirements of justice. After all, on Rawls’s view, the nature of property-rights is itself a matter for determination in the Original Position; it is certainly not the case that Rawls’s view is constrained by any prior commitment to finding a place for the “traditional bundle” of capitalist property-rights.¹²

My claim is therefore that Rawls does not do enough to undermine the plausibility of the Fundamental Liberties argument for a right of participation in workplace decision-making. Thus, it seems that those who would oppose the Fundamental Liberties argument need to do more to show why its *prima facie* plausibility can be defeated in the light of further considerations. Whether or not one subscribes to Rawls’s “prescriptive agnosticism” about relations of ownership over the means of production, the argument needs to be given for why some degree of *control* over production is not among the necessary conditions for the full exercise and development of the two moral powers, and is therefore not one of the fundamental “bases of self-respect” that are to be protected by constitutional guarantee.

Although there is a strong *prima facie* case for the Fundamental Liberties argument, though, it should be admitted that this case may well not be decisive. Perhaps the most significant line of objection to the Fundamental Liberties argument is that, given that there are many other venues (such as in civil society and in private associations) within which people can develop and exercise their two moral powers in the two “fundamental cases,” one may plausibly deny that the provision of democratic control within the workplace is a necessary mechanism for even the “full and informed exercise” of those two moral powers.¹³ What would be harder to deny, though, is that, even if the provision of mechanisms for economic democracy is not itself a necessary condition for this “full and informed exercise” of the two moral powers, it certainly would at least be one powerful way in which the exercise of those powers could be encoura-

12. I am grateful to Emmanuel Picavet for pushing me to say more on this point. For Rawls’s conventionalism about property-rights, and his rejection of the rival libertarian pre-institutional view of property-rights, see Rawls (1993), pp. 262-5 and Freeman (2007a), pp. 142-7. For a related conventionalist treatment of property-rights, see Murphy and Nagel (2002), esp. pp. 8-9, 74-5.

13. I am grateful to Jonathan Quong, Marc Fleurbaey, and an anonymous referee for *Revue de Philosophie Economique* for pushing me towards greater clarity on this point.

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ged and facilitated. I shall therefore now turn to the Democratic Character argument, which makes use only of this much weaker, and thereby more plausible, claim.

5. The Democratic Character Argument and the Question of Stability

As I have already suggested, the Democratic Character argument is interestingly related to, and yet nevertheless distinct from, the Fundamental Liberties argument. My contention is that, whether or not one accepts the Fundamental Liberties argument in its pure form, one might nevertheless find the development of some of its central ideas (in a weaker form) in the Democratic Character argument to be compelling. The Fundamental Liberties argument claimed that participation in workplace decision-making is an essential condition for the full development and/or exercise of the two moral powers. The Democratic Character argument makes the much weaker (and hence more plausible) claim that participation in workplace decision-making is highly conducive towards and/or supportive of the full development and/or exercise of those moral powers. This argument further claims that, given this, a just society that promotes and protects forms of workplace participation and economic democracy will be more stable over time, as the moral powers of its members will be more fully developed, in a way that is conducive towards their playing their full role as citizens. In other words, this argument claims that forms of workplace participation and economic democracy can help to fashion the kind of democratic character that fits best with the stable maintenance of a just society over time.¹⁴

The Democratic Character argument sits within a long developed tradition that has examined the relationship between participatory institutions and the development of the sort of character, commitments and habits of mind that are needed of democratic citizens. Perhaps the strongest support for this line of argument derives from J. S. Mill's ideas, in his *Principles of Political Economy*, about the relationship between self-management at work and the development of the sort of "active character" that is needed within a democratic society. As Rawls himself put it,

14. On the significance of stability for social justice, and the relationship between stability and the character of citizens, see Freeman (2003) and Freeman (2007a), Chap. 6, "The Stability of Justice as Fairness," pp. 243-83, esp. pp. 243-63.

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Mill favoured what today is often called worker self-management in industry on the grounds, congruent with most of his view, that it encouraged participation and so active and vigorous people. While rejecting state command socialism as bureaucratic, he thought self-management [among workers] in privately owned firms would win out if markets were competitive. (Rawls (2007), p. 316)

The operative idea here is that the habits of vigorous and active engagement in real-world affairs that can be nurtured in a democratic or participatory workplace environment are such as to be uniquely well-suited to a life of broader democratic participation. Whilst one might reject the Fundamental Liberties argument if one held that participation in workplace decision-making was not a *necessary* condition for the full exercise and development of this sort of “active character,” one could accept the Democratic Character argument as long as one held that such modes of participation, at the very least, generated highly conducive conditions for the encouragement and development of the sort of character that Mill rightly valued as being so important for the stability and flourishing of democracy.

It is not surprising that Rawls grants a special role to the *stability* of a just constitutional regime, given that our interest in justice is not an interest in creating a particular state of affairs at a particular moment in time, but instead is an interest in creating an on-going system of social cooperation. Given the importance of stability, Rawls holds that it is important to “encourage the cooperative virtues of political life: the virtues of reasonableness and a sense of fairness, and of a spirit of compromise and a readiness to meet others halfway.” (*JF*, 116) Mill’s highly plausible suggestion is that these sorts of democratic virtues are unlikely to develop if the only forums of political life are those that exist at the national level. As Mill puts it,

a democratic constitution, not supported by democratic institutions in detail, but confined to the central government, not only is not political freedom, but often creates a spirit precisely the reverse, carrying down to the lowest grade in society the desire and ambition of political domination.¹⁵

15. Mill (1994)[1848], Book V, Chapter XI, “On the Ground and Limits of the *Laissez-Fair* or Non-Interference Principle,” p. 334. See also the discussion of Mill’s views in Pateman (1970), Chap. II, pp. 22-44, esp. pp. 28-35.

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The Democratic Character argument thereby combines Rawls's interest in the development of "democratic virtues" that are conducive to the stability of a just society with Mill's highly plausible claims about the political psychology of democratic participation.

More recently, one sees Mill's sentiments echoed in the work of Joshua Cohen, who develops an argument for forms of workplace democracy, based on the claim that the democratization of the workplace helps to create a broader political climate that is amenable to the development of forms of deliberative democracy at the national level. Cohen calls this the "Psychological Support" argument, and presents it as an argument on democratic grounds for a form of liberal socialism. One need not take the argument as far as Cohen does in order to think that, like Mill, he has identified an important condition for the development and flourishing of the sorts of virtues needed of citizens of a democratic state. As Cohen puts it:

The psychological support argument holds that the extension of self-government into the traditionally undemocratic sphere of work contributes to both the formation of an active character and to the development of a sense of the common good, and thus contributes to a more fully democratic state. Since capitalist property relations vest final authority in the owners of capital, they limit the extent of intra-firm democracy, thereby fostering passivity and a narrower base of political judgment. For these reasons, they are not well suited to a democratic society. (Cohen (1989), p. 29)

The argument from psychological support strengthens the case for workplace democracy. The workplace provides a context in which deliberative capacities can be developed and exercised, thus facilitating their exercise in the political arena. Exercise of these capacities in an arena that bears directly on everyday life plausibly contributes to an active character. By regularly encouraging members to widen the range of interests they consider, this kind of exercise can be expected to aid the development of a sense of the common good. Since the conception of deliberative democracy depends on that sense, worker self-management contributes to deliberative democracy. (Cohen (1989), p. 46)

Mill and Cohen are but two points in a long tradition of theorists of participatory democracy. In her book *Participation and Democratic*

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Theory, Carole Pateman sketches the development of participatory accounts of democracy from Rousseau to Mill to G. D. H. Cole, as a prelude to developing her own account of the value of participatory democracy.¹⁶ In response to this tradition, Jon Elster has claimed that views of the value of democracy which rely on the “educative” role of democratic participation, or which focus on its role in developing particular virtues or psychological characteristics are “self-defeating,” insofar as they take as the *aim* of democratic participation something which can only emerge as a *by-product* of participation that is motivated by some other aim. Elster’s idea is that democratic participation would not have the psychological effects that it does if it were not an activity that people pursued for some reason *other* than its educative or psychological effects.¹⁷ It might be thought that Elster’s line of criticism could be deployed against the Democratic Character argument, suggesting that forms of workplace democracy could not themselves be justified with regards to particular kinds of side-effects or by-products which workplace democracy might be held to produce.

Nevertheless, Elster’s line of criticism does not hit home against the Democratic Character argument, for a number of reasons. Firstly, it is simply not the case that the participants in democratic decision-making need view their participatory activities as aimed at their own edification *when they are participating* in those activities, rather than aiming at the successful and equitable conduct of their particular economic enterprise. The analogy here is with the baseball player who need not take as his aim the entertainment of the crowd when he plays baseball (as opposed to the aim of “beating the other team”), even though, in a cool moment, he would readily agree that the point of baseball is as a form of entertainment.¹⁸ Secondly, the Democratic Character argument does not posit the development of the democratic virtues as *good in itself*, but as good by virtue of the relationship between the development of those virtues and the long-run stability of a just constitutional regime. Moreover, given the existence of these relationships in political psychology between participation and democratic character, and between democratic character and the stable realization of justice, participation in workplace decision-making becomes not some good at which we might aim (as Elster might

16. See Pateman (1970), Chap. II, pp. 22-44.

17. See Elster (1986), esp. pp. 19-25; and Elster (1983), esp. pp. 91-100.

18. This example is suggested by the similar use of an example from baseball in Rawls (1955).

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conceive it), but rather an entitlement that citizens are owed as a matter of right. In other words, participation in decision-making is not, on this view, the *aim* of the democratization of economic life, but rather is something that is owed to those who take part in economic production within a just democratic society.

Another line of objection to the Democratic Character argument might acknowledge the importance of cultivating the democratic virtues, but question whether the workplace is a uniquely suitable site for that cultivation. After all, it may be objected, there is no harm in workers spending their working days in hierarchical and undemocratic workplaces as long as there are other forums in which they can develop and exercise their two moral powers. To this argument there is no knockdown counter-objection, and, indeed there is nothing in my argument that precludes the possibility that a liberal state should undertake other means for developing active, democratic virtues of character in its citizens, perhaps through supporting the operation of other kinds of secondary and intermediate associations (such as political parties, clubs, trade unions, etc.).

Nevertheless, there are good reasons for thinking that there is something special about the workplace as a site for the development of the democratic virtues. First of all, we typically spend more time at work than we spend in any other form of secondary association other than our families. Secondly, we might think that there is something special about our *productive* economic activity, insofar as it is in our capacity as economic producers that many of us most fully exercise our powers as cooperating members of a system of social cooperation over time. In other words, our self-conception as citizens participating in a cooperative political enterprise with others can be intimately tied to the self-conception that we form through engaging in cooperative, productive economic activity. Lastly, and related to the foregoing considerations, we might hold that there is a special degree of risk associated with the capacity of our involvement in economic activity to undermine or blunt our sense of justice, and that therefore the workplace is one venue where we need to be especially keen to guard against the threats to our sense of justice. As Pateman puts it, quoting Mill,

The "private money-getting occupation" of most individuals uses few of their faculties and tends to "fasten his attention and interest exclusively upon himself, and upon his family as an appendage of himself; – making him indifferent to the public

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... and in his inordinate regard for his personal comforts, selfish and cowardly.” (1963, p. 60)¹⁹

For all these reasons, we may hold that the Democratic Character argument does, indeed, mandate some form of participation within (or democratization of) decision-making within the workplace.²⁰

Now, it may seem problematic that I have not, as yet, specified exactly what I have in mind when I speak of the kind of “workplace democracy,” “economic democracy,” or “participation in decision-making within the workplace” that would be mandated by the Democratic Character argument. This imprecision has been quite deliberate, as it seems to me that armchair speculation will not decide the question of what kind of workplace democratization will do most to promote and protect the two moral powers and the democratic virtues, and will do so at the least cost in terms of economic efficiency or in terms of other separate shared social goals. The only way of determining which sorts of policies or strategies for participation and democratization are most successful in terms of their effects on our political psychology is by embracing a degree of experimentation in public policy.²¹

Without in any way wanting to prejudge the results of an experimentalist approach to economic democratization, one may well suspect that straightforward one-member one-vote democratization of all economic enterprises is not likely to be the most promising strategy for advancing economic democracy, not least because it may have particular costs in terms of losses in economic efficiency. Some of the other public policy options that should be explored, given an acceptance of the Democratic Character argument, might include: measures to increase the discretion that individual workers have over their role in the workplace; policies for the protection and promotion of strong trade union rights; the enactment of forms of co-determination; and so on. There are likely to be a number of diverse measures that could reduce hierarchical and non-participatory forms of workplace relationships, in favour of the promotion of forms of workplace organization that harmonize with the expression and development of the two moral powers of democratic citizens. We can discover these measures through bold and imaginative programmes

19. Pateman (1970), p. 30. Here, Pateman is quoting Mill’s review of Tocqueville’s *Democracy in America*, to be found in Mill, (1963).

20. For a very thoughtful discussion of stability and democratic character, with an illuminating exploration of Tocqueville, see Hussain (forthcoming).

21. On democratic experimentalism, see Fung (2007) and Fung and Wright (2003).

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of experimentation in public policy. Political philosophy can give us the argument for enacting this programme of experimentation, but it cannot prejudge the results of that process.

6. The Democratic Equality Argument

The final argument that I want to explore is very different in kind to the Fundamental Liberties and Democratic Character arguments for economic democracy. Both of the previous arguments focussed on the most suitable conditions for the exercise of the two moral powers, seen as a condition for the enactment of social justice. The Democratic Equality argument, on the other hand, looks at the distributive effects of the *enactment* of principles of social justice, and focuses especially on what is entailed by satisfying the Difference Principle, which states that inequalities in the distribution of social primary goods are justifiable only when that distribution is maximally to the benefit of the least well-off group.

Now, it should be borne in mind that the Difference Principle ranges not only over income and wealth, but is also concerned with the distribution of “powers and prerogatives of offices and positions of authority and responsibility” (see *JF*, 58-9).²² Accordingly, and as Rawls emphasizes (*JF*, §39), we care about inequality not only in its purely economic manifestations, but also in part because of its effects with regard to status, power, domination and self-respect.²³ Inequalities of income and wealth can be rectified through a process of *ex post* redistribution (as in a capitalist welfare state), but a “redistributive” realization of Rawls’s second principle would fail to address some of the ways in which inequality is bad, not least because *ex post* transfer payments will tend to undermine social status and self-respect, and would do nothing to address inequalities of power as they play out in the structure of productive relations. Income and wealth can be redistributed, in an “ex post” fashion, after any particular process of economic production has taken place, whereas the redistribution of power, control and positions of responsibility can be achieved only through the reorientation of relations of authority

22. On the important point that the difference principle ranges over this full range of social primary goods, see also Freeman (2007a), Chap. 3, “The Difference Principle and Distributive Justice,” pp. 86-140, esp. pp. 112-5.

23. For an extended discussion of these kinds of “non-intrinsic egalitarian” reasons to care about distributive inequalities, including an examination of Rawls’s “Comments on Equality” (*JF*, §39, pp. 130-2), see O’Neill (2008a).

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and control as they exist *within* processes of economic production. For example, if the economy is organized as a number of extremely hierarchical firms, we cannot satisfy the difference principle merely by making sure that those who live their working lives in the lower reaches of the hierarchy are compensated by *ex post* transfer payments. But, if we care about inequalities in status, power and domination, then we need also to address the social structures in which economic production takes place.

In order to illustrate some of these claims, it would be instructive to take an example from Samuel Freeman. Here, Freeman shows how an interest in the distribution of social primary goods *other than* income and wealth should lead us to take an interest in the structure of authority and control within the processes of economic production:

Suppose a society democratically decides to afford all its members, including the least advantaged, a greater share of opportunities for powers and positions of office and bases of self-respect, by structuring its economy so as to give workers more control over their working conditions and the means of production [...]. In this economic system – one version of what Rawls calls a “property-owning democracy” [...] workers’ share of economic powers and the bases of self-respect are greater than they are in a capitalist welfare state, since they have partial control over their working conditions and the management of production. (Freeman (2007a), p. 113)

The aim of the kind of radical socioeconomic reorganization characteristic of what Rawls calls a “property-owning democracy” (see *JF*, 135-40), which is best viewed as involving some measure of workplace democracy,²⁴ would be to realize the value of equality through *ex ante* compression of objectionable economic inequalities, and through the organization of economic life in a way that reduced the likelihood of social domination or loss of status.²⁵ Satisfaction of the difference principle, therefore, when viewed as ranging over the social primary goods of (a) the powers and prerogatives of offices of positions of authority and responsibility, and (b) the social bases of self-respect (see, e.g., *JF*, §17), as well as income and wealth, mandates a move towards greater dispersal of control over productive resources, which could be achieved through

24. On this point, see Freeman (2007a), p. 226-7.

25. On the idea of a property-owning democracy, see also Freeman, (2007a), pp. 112-4, 133-6, 219-35, 446-7; and Freeman, (2007b), Chap. 3, on “Consequentialism, Publicity, Stability and Property-Owning Democracy,” pp. 75-109, esp. pp. 102-9.

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a move towards greater workplace democratization. Therefore, realization of the difference principle requires a move towards “a property-owning democracy”, thereby including some degree of economic democratization.²⁶

An individual who lives in a social and economic environment that she plays some part in fashioning, and who engages her capacities as an agent with a conception of the good and an ability to cooperate with others in productive social relations, will enjoy full possession of the “social bases of self-respect”. In other words, citizens situated in this way will “have a lively sense of their worth as persons and to be able to advance their ends with self-confidence.” (*JF*, 59) Only by making sure that the *ex ante* structure of the economy is such as to broadly disperse *control* over productive resources, therefore, can we ensure that all citizens are able to have this “lively sense” of their own agency, and in so doing to head-off the possibilities of harmful inequalities of power and status. In this way, the enactment of forms of economic democracy should be able to overcome problems of domination and social inequality in a way that a hierarchical capitalist welfare-state, no matter how redistributive it may be, is simply incapable of doing. Thus, Rawls holds that (as he puts it in his discussion of Marx’s critique of the division of labour under capitalism) “the narrowing and demeaning features of the division [of labour] should be largely overcome once the institutions of property-owning democracy are realized”,²⁷ where the establishment of those institutions should be seen as involving the achievement of a significant level of economic democratization.

This understanding of the demands of the difference principle as mandating an entitlement to participation in economic decision-making also fits well with Rawls’s remarks about the way in which the difference principle meets the “strains of commitment”. When Rawls argues against a “restricted utility principle”, which would furnish the sort of modest level of welfare provision that he views as characteristic of the capitalist welfare state, there is, Rawls thinks, a danger that the worst-off members of that society, although not absolutely very badly-off, will feel left out of the institutions of their society. The “strains of commitment” will not be met under such conditions, with the worst-off group falling into attitudes of political disconnection, characterized by a lack of a sense of recipro-

26. For further discussion of the relationship between the difference principle (as well as the other elements of Rawls’s principles of justice) and Rawls’s idea of a property-owning democracy, see also O’Neill (2008b).

27. Rawls (2007), Lecture I on “Marx – His View of Capitalism as a Social System”, p. 321.

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city. As Rawls has it, imagining the state of the worst-off group under such circumstances:

... we grow distant from political society and retreat into our social world. We feel left out; and, withdrawn and cynical, we cannot affirm the principles of justice in our thought and conduct over a complete life. Though we are not hostile or rebellious, those principles are not ours and fail to engage our moral sensibility. (*JF*, 128)

If the difference principle were seen as ranging *only* over income and wealth, and not (i) the powers and prerogatives of positions of authority and (ii) the social-bases of self-respect, then it is difficult to see how it could overcome these sorts of problems, regarding the “strains of commitment,” that Rawls sees as bedevilling the institution of “welfare floor” (even of a very generous kind). But, once one reads the difference principle in the way I have been advocating, and sees it as mandating entitlements to forms of active participation in economic decision-making, it is clear how these sorts of worries about the “strains of commitment” can be overcome. When a citizen receives his full entitlement under the difference principle, properly understood, she receives not just an entitlement to a certain level of material prosperity, but, more strongly, an entitlement to a certain level of active participation in the important decisions that shape the life of her society, in both its political and economic activity. Thus understood, the difference principle, insofar as it mandates an active “property-owning democracy” with strong forms of economic democratization, manages to overcome the dangers of the ‘social exclusion’ of the worst-off through enshrining a principle of justice derived “from an idea of reciprocity appropriate to political society” (*JF*, 130). This also demonstrates that, although the two lines of argument are conceptually distinct, there are, in fact, interesting lines of connection between the Democratic Equality and Democratic Character arguments for economic democracy. When the difference principle is satisfied, and economic democratization is seen as being entailed by a conception of democratic equality, we avoid the sorts of “strains of commitment” that would be involved in the political and economic exclusion of the worst-off; in so doing, the material bases for encouraging the development of democratic citizens with an “active character” (in Mill’s sense) are simultaneously realized.²⁸

28. I am grateful to an anonymous referee for *Revue de Philosophie Economique* for prompting me to consider Rawls’s remarks about the “strains of commitment” in this context.

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Nevertheless, despite its connections to the Democratic Character argument, it is clear that, taken on its own, the Democratic Equality argument for workplace democracy (or some variety of economic democratization) is more direct than the two foregoing lines of argument, and relies to a lesser degree on potentially controversial claims about political psychology. However, as in the case of the Democratic Character argument, it seems to me to be impossible to specify in advance what the *precise* implications of the Democratic Equality argument for economic democratization should be. It will also depend, as with the Democratic Character argument, upon empirical matters regarding the way in which particular strategies of public policy play out when they are implemented, and it will also depend on judging complex trade-offs between different elements of the bundle of primary goods (as, for example, when we trade-off our interest in income and wealth against our interest in self-respect, status, non-domination and productive economic power). This is all as it should be, given that both the Democratic Character argument and the Democratic Equality argument conceive of economic democracy as an element of social justice which, though significant, is not an element of the constitutional essentials of a democratic society (as it would be under the Fundamental Liberties argument), and which is therefore to be decided through the deliberations of democratic processes at the legislative stage of government. Hence, it is in keeping with the broader commitments of this liberal account of the arguments for economic democracy that the precise institutional entailments of a commitment to economic democracy are not to be specified in detail in advance, but are to be worked out through experimentation in public policy, in the light of decisions made through processes of democratic deliberation.

The three lines of argument presented in this paper all argue for workplace democracy on grounds that are internal to our concern with justice, and which thereby need rely on no controversial conception of the good or comprehensive doctrine. The Fundamental Liberties and Democratic Character arguments involve accounts of how economic democratization or workplace democracy might be a *precondition* for the achievement of social justice, whilst the Democratic Equality argument shows how some form of economic or workplace democracy can be a *consequence* of a commitment to social justice. All three arguments, therefore, are quite consistent with an independent commitment to state neutrality.

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7. Conclusion

This paper has presented three arguments, each drawn from a different element of Rawls's account of justice, in favour of some measure of economic democracy. My overall position is that, despite its interest, the Fundamental Liberties argument for economic democracy is rather difficult to defend, and may involve too radical a departure from a standard understanding of Rawls's theory of justice. Nevertheless, I have argued that the Democratic Character and Democratic Equality arguments for economic democracy are both successful, and together force us to understand the demands of justice as involving the transition to much more participatory modes of economic life. This liberal commitment to economic democratization is fully consistent with state neutrality. Economic democracy should be enacted through an experimentalist commitment to exploring different strategies in public policy that would allow individual citizens fully to develop and express their moral powers, and to be free of demeaning and inegalitarian social relations within their working lives.

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