

INTRODUCTION TO PROPERTY-OWNING DEMOCRACY

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1. Inequality, democracy and the philosophical debate on economic alternatives

Inequality has been on the rise for the past three decades and the pace at which it has been progressing has accelerated vertiginously in the past twenty years (Piketty, 2014; Atkinson, 2015).^[1] The fall of the URSS and, with it, of the “socialist threat” and the market globalization that quickly ensued, creating an extremely unfavourable relation of forces between (organized) labour and capital, took their toll. The closely related phenomena of systematic recourse by national governments to privatizations of public services and assets, and the retrenchment of the *welfare state*, in some cases in a radical form, may be added as additional causes of this surge in inequality (Glyn, 2006). Moreover, the recent financial crisis of 2007-2008, followed by the massive transfer of public resources to private banks, and combined with austerity policies that were supposedly implemented so as to improve the economic situation, have only aggravated both the crisis itself and the rise in inequality. In fact, this recessive economic tide affecting the whole world, but Europe more intensely, does not seem to be receding any time soon. Meanwhile, the debacle of “real socialism” in 1990 in the east and the triumphalism of advocates of western capitalism that quickly ensued made discussion of alternatives seem somewhat pointless beyond the walls of the academic world. To be sure, even as socialism crumbled,

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1 In the US, if one focuses on the extremely rich, this trend is quite radical: “(...)while the share of the top 100 in the total wealth of the 400 [400 wealthiest Americans] was about 50% in the early 1980s it had risen to 65% by 2002(...)” (Davies, 2009, p.140).

there were attempts to resist the neoliberal avalanche and among scholars there were many who sought for egalitarian economic alternatives to capitalism itself, even when conceding that state socialism of the sort that had so far existed was no longer a viable option (Nove, 1991; Elster and Moene, 1989; Roemer, 1993, 1994). These attempts continued, for instance, with the *Real Utopias* project, organized by Erik Olin Wright (Cohen and Rogers, 1995; Bowles and Gintis; Fung and Wright, 2003; Ackerman, Alstoot and Van Parijs, 2006). Notwithstanding such efforts, these authors faced (and still face) an unfriendly environment that puts them in the defensive: it is the alternatives they propose that need justification and evidence of its efficiency and justice and not capitalism as it exists, even as it has become more aggressively neoliberal, attacking the foundations of its social-democratic variants. At about the same time, an emerging discourse on the alleged economic inefficiencies and relative injustices generated by European-style welfare states progressively became pervasive, if not dominant, and part of their once consensual legitimacy was eroded, paving the way for subsequent alterations and attacks. Indeed, most reforms – and there have been many –, big or small, on welfare-state rules and institutions have been preceded by and premised on this dominant discourse. It has often happened that many of these reforms have also been presented as if they were undisputable and inevitable, much in the vein of Margaret Thatcher's TINA rhetoric.

However, the rapid progression of inequalities, in both income (Brandolini and Smeeding, 2009:96; Leigh, 2009) and wealth, is now well-documented – even if serious measurement issues remain – and has received scholarly and media attention (Glyn, 2009:121), and there is mounting popular discontent with this phenomenon. Discontentment has also turned on what seems to be the related distortion of polyarchical political systems, in which popular will and political equality have been all but annihilated, with political representatives becoming accountable only to a restricted plutocracy and pursuing policies that cater only to the interests of this 1% or 0,1% that thrive while all others sink into poverty, precariousness or economic dependence – the twilight of the “middle classes”. Additionally, the popular notion that political systems display a strong bias in favour of economic elites – and that this is the consequence of the inequalities that the economic system allows and promotes – seems to be confirmed (Bartels et al., 2005; Jacobs and Skocpol, 2005, p.11).

Partly as a consequence of this, it is becoming increasingly apparent that neither existing socioeconomic systems are natural, nor inegalitarian reforms of their institutions are an “inevitable” consequence of “econom-

ics”, but rather the product of political will and contestable political choices that require discussion: a discussion regarding ends and means; a discussion as to what political communities must strive to achieve, on what ideals they ought to pursue and how. Economic systems and economic institutions are not to be taken as granted. This is the proper terrain for political theorists to work on.

2. Economic Justice, Rawls and the rediscovering of Property-Owning Democracy

And this is precisely what they have been doing intensely as of lately. It is in this context that the organizing topic of this special issue, the ideal of Property-Owning Democracy (POD), frequently coupled with the concept of predistribution, has been eliciting the interest of several political philosophers in the past few years (O’Neill and Williamson, 2012). Their more immediate inspiration has been the work of the late philosopher John Rawls who contended, in his book *Justice as Fairness* (2001), that the requirements of his two principles of justice could only be thoroughly satisfied under two socioeconomic “regimes”, liberal socialism or “Property-Owning Democracy”, but not under a capitalist welfare state (Rawls, 2001:135). It was not the first time that the term had surfaced in his work, in tandem with “liberal socialism”, but it had been ignored, or treated as irrelevant, when *Theory of Justice* (1970) was first being discussed. In fact, despite the astonishingly abundant attention and commentary that Rawls’ *magnum opus* elicited, it was assumed by most, if not all, scholars that studied and debated it, whether critical or sympathetic, that Rawls’ work was meant to be a staunch moral defence and justification of the welfare-state as we know it – or knew it at the time.^[2] As it seems, it was the merit of Richard Krouse and Michael Mcpherson (1986) to have, for the first time, dispelled this mistake, by showing how Property-Owning Democracy was not just a watered-down and “human-faced” sort of capitalism, but rather a socio-economic system of its own, quite distinct from Welfare-State Capitalism, a veritable “alternative to capitalism”, as Rawls stresses (2001:136). Rawls himself seems to have become, with the passing of time, more radical and bitter in his criticism of Welfare State Capitalism (WSC), probably due to

2 One should note, however, that the error was probably understandable, as Rawls himself later acknowledged that the distinction had not been made as clear as it should in his *Theory of Justice* (Rawls, 2001, p. 135).

the visible growth in the concentration of economic resources and the distortion it caused in the political process. On the other hand, he seems to have been drawn more and more to the merits and potentialities of POD.

The contrast he establishes between the two systems is radical and some may question if he does not overstate his case, eventually distorting somewhat the functions and logic behind the Welfare State. In any case, it is worth reminding his characterization of both systems, even if this requires quoting the author at length:

(...)[T]he background institutions of property-owning democracy work to disperse the ownership of wealth and capital, and thus to prevent a small part of society from controlling the economy and indirectly, political life as well. By contrast, welfare-state capitalism permits a small class to have the near monopoly of the means of production.

Property-owning democracy avoids this, not by the redistribution of income to those with less at the end of each period, so to speak, but rather by ensuring the widespread ownership of productive assets and human capital (that is education and trained skills) at the beginning of each period, all this against a background of fair equality of opportunity. The intent is not simply to assist those who lose out through accident or misfortune (although that must be done), but rather to put all citizens in a position to manage their own affairs on a footing of a suitable degree of social and economic equality (...) (Rawls, 2001:139).

Rawls goes on to link WSC with a single-minded concern for ensuring a “social minimum” to all, by means of redistribution, not “predistribution”, a fact that has as its side-effect the neglecting of the fundamental goals of achieving a fair value of political liberties (reasonably equal chances for influencing the political process), and equality of opportunities, both of which are essential to fulfil his two principles of justice:

In welfare-state capitalism the aim is that none should fall below a decent minimum standard of life, one in which their basic needs are met, and all should receive certain protections against accident and misfortune, for example unemployment compensation and medical care (...) The redistribution of income serves this purpose (...) Yet, given the lack of background justice and inequalities in income and wealth, there may develop a discouraged and depressed underclass many of whose members are chronically dependent on welfare. This underclass feels left out and does not participate in the public political culture. (Rawls, 2001:139-140)

One must not be deceived by our exposition, though: Rawls was neither the inventor of either the term or the ideal of POD, nor must his exact understanding of it be regarded as “canonical”. Quite the contrary. There is no canonical definition of POD, nor “intellectual owners” of the ideal. There is a plurality of authors, throughout the history of political thought, that have developed conceptions of economic systems, with significant institutional differences between each other, that can fit within a broad notion of POD (Jackson, 2012). Even among those who have used the expression itself, there is a great deal of diversity. Therefore, the exact policies and means used to implement a POD are still a point of frequent divergence and discussion. While the goals it is meant to achieve, such as significant dispersion of property and some sort of independent source of income that will provide people with economic security and independence are pretty much consensual, there is great uncertainty as to what follows from or is required by these in terms of institutions and policies. For instance, Rawls himself puts great emphasis in the steep and progressive taxation of inherited wealth while being surprisingly unconcerned with income taxation, which, as he says, could be altogether replaced by a well—devised “tax on consumption at a constant marginal rate” that would make people “be taxed according to how much they use the goods and services produced and not according to how much they contribute” (Rawls, 2001:161). All the rest is left sketchy at best. However, both James Meade (1964), in whom Rawls looked for inspiration, and other contemporary authors such as Richard Dagger (2006), who believes that republicanism demands POD in the economic realm, or Stuart White XXX (2016), considered an unconditional basic income as a fundamental tool for achieving POD’s goals, whereas Rawls vehemently rejected such a social policy on the grounds that it violates the principle of reciprocity among free and equal citizens which must be respected in a fair society. While Meade positively proposed worked-managed cooperatives for his project, Rawls merely accepts that this idea is “fully compatible with property-owning democracy, since such firms are not owned or controlled by the state” (Rawls, 2001:176). It is one thing to say that a policy is compatible with an ideal, another that it is required by it or desirable in order to obtain it. Furthermore, Meade thought of Property-Owning Democracy as a hybrid and complex system that combined a set of policies typical of socialist and welfare-capitalist ideals and systems (Jackson, 2012:46): it was this mutually reinforcing combination of policies that gave the system its distinctive egalitarian outlook and its sustainability – a perspective that is hard to perceive in Rawls himself. Krouse and Mcpherson (1988), who may

be said to sustain a version of the POD ideal, believe that if it is to have a chance to be sustainably egalitarian in the long run, the State must be given a more preeminent role, with stronger coordinating, planning and redistributive competences than Rawls seems to admit. There is no shortage of examples, but the conclusion to withdraw from all of them is that there is no consensus or canonical view on what POD requires or allows in terms of policies.

Naturally, besides different “ideological leanings” or moral sensitivities that necessarily produce divergence, this lack of consensus regarding what POD is or might be only complicate the furthering of debate and the reaching of final judgments: depending on how one conceives POD will be implemented and what it will entail, authors’ judgment of its virtues and vices will greatly vary and dialogue will become confused. Two authors may apparently concur that POD is desirable and realizes the goals it sets itself, but such agreement be deceiving, as it only exists because each of them is thinking of different economic regimes and institutions under the same designation. The opposite may also occur: two people may only in appearance disagree as to the goodness or feasibility of POD simply because what one believes the expression to mean does not correspond to the other’s concept of POD.

3. An overview of the arguments to come

The five essays in this special issue all deal with Property-Owning Democracy, although they approach it from very different angles and express different attitudes towards the ideal itself.

Two of the authors, who accept it as a more or less thoroughly persuasive proposal for the socioeconomic reorganization of society deal – or deal more intensely - with what, in their perspective, are the most adequate and cogent arguments for justifying a POD . This is the case of the article written by Eric Fabri as well as the one written by Haye Hazenberg, for instance, albeit each taking a radically different path.

Another author, Lucas Petroni, while not questioning the egalitarian and democratic credentials of POD, seems to believe and seek to prove that Rawls actually overstated his case. He may have been too dismissive of the idea of a Welfare State Capitalism society being able to establish institutions compatible with his two principles of justice. While present-day welfare states may indeed be at least partially worthy of Rawls’ criticisms, there

seems to be no conceptual obstacle to devising some form of a WSC regime, such as that of the “social maximum”, that displays concern and is able to deal with the problem of extreme capital concentration and its tendency to create domination in both the economic and political sphere.

The other two authors seem more doubtful or agnostic regarding POD’s intrinsic or necessary goodness and have as their main goal to complement what is still potentially lacking or under-theorized in it. Such is John Wilesmith’s concern with the choice of corporate governance models that, in his opinion, for instance, is an institutional device of fundamental importance, as it is bound to have a significant impact on the egalitarian goals of “widespread economic security and control”. Somewhat similarly, António Baptista questions the relative merits of POD regarding the overarching goal of attaining the fair value of political liberties, or, simply put, political equality. In so doing, he is also, albeit in a much more indirect way than Eric Fabri, dealing with the normative justification of POD. The central purpose of his article, however, is to understand the sources of political inequality and the way in which POD may or may not provide adequate answers to the challenges they pose. Given the relative lack of definition on what POD may actually entail institutionally-wise (as proposals abound and display significant differences between them), answers can only be provisional as they will depend on the specific sources of political inequality one is dealing with, the way in which they are generated, and the way the mechanisms that are proposed to tackle them operate.

A more detailed account of each of these five contributions, their differences and similarities is now in order.

While all of the other articles in this special issue and most authors in general are usually content to speak of economic systems as if their consequences and their application would be unrealistically restricted to a fully-closed domestic economy, Haye Hazenberg’s article in this special issue seeks to assess the promises of the ideal of Property-owning democracy in the much more complex scenario of a global economy and changes in global inequality (or inequality among national economies). The author believes there are strong reasons, based on global justice, that justify POD apart from those usually quoted in support of it that are based solely on domestic justice. A typical “domestic-justice-based” argument attempts to justify POD by claiming that state power is basically a coercive apparatus that serves to maintain the property of things (parts of the “external world”) in the hands of its legal owners while excluding all others from enjoying them. A just society must, for this reason, provide a justification for the

exclusion of these other people. A just social system, in particular a POD that disperses property in an egalitarian and universal way, provides such a justification, as it allows all to enjoy a scheme of equal freedoms (among them, political freedoms and their “fair value”). When it comes to the international sphere, however, the argument seems to be all but forgotten by political philosophers, but, the author insists, this oblivion is arbitrary and illegitimate: state borders too can and effectively do exclude people that live outside of them from the enjoyment of all things contained within, and this exclusion calls for an equivalent justification. That exclusion can only be justified, according to Hazenberg, by offering a just “compensation” to all, particularly to those worst-off in the globe as a whole. Doing so requires promoting world growth and a just international division of labour, something which can only come by, according to the author, with an expansion of free trade.

In defence of this idea, Hazenberg draws on recent literature which contends that while domestic inequalities, *i.e.* inequality among groups of citizens within countries, have been rising exponentially with globalization and recent policies, the inequality between nations, *i.e.* international inequality, has been, for the first time, on a descending trend. Inequalities between nations have always been huge, much larger, in fact, than internal inequalities between citizens of any given country, even those with the most inegalitarian social structures. What this drop in international inequality means is that the differences in the level of GDP per capita (or total GDP divided by total population) between third-world countries and the rich western societies, due to international trade and the enhanced mobility of capital, are now less radical. A great deal of capital and production has migrated to former low-GDP countries and, as markets in the rich west are now open to commodities coming from these countries, a significant share of global GDP has been transferred to such countries as China, Brazil, India, etc. A much larger share of global wealth is still concentrated in the US, Europe and Japan, and these countries have smaller populations by which to divide their GDP, which limits the drop in international inequality. Also, and more importantly, measuring real global inequality would mean knowing how much income (and wealth) each person has and how it compares vis-à-vis others everywhere else in the world, and, in that respect, as the author himself acknowledges, there is neither a clear picture nor the one we have is all that bright. Still, in the overall balance, globalization and freer international trade has had, in the author’s perspective, a positive effect. Poverty, it is argued, is reduced, growth promoted, and convergence with

rich nations more strongly obtained only through massive industrialization of poorer non-industrialized states, something which is promoted by capital mobility and open trade. However, one must also acknowledge the fact that domestically, inequality has exploded in recent years, due in part to the same phenomena that have led to the drop in global inequality. Those with strong mobility of resources gain with globalization, their opportunities expand and with them, their wealth, whereas those whose “capital remains tied to local factors have lost out”.

If, as Hazenberg argues, further liberalization of trade is necessary to improve international justice, by elevating wealth in poorer countries, and therefore reducing disparities between them and the industrialized north, then, POD, inasmuch as it focuses on regaining public control over property-ownership, so as to spread it more equally, can create a political environment favourable to keeping international markets open. Under POD, the domestic costs (social and political) of maintaining free trade, measured in terms of national inequality, are reduced and, with it, resistance to market globalization is also reduced. Therefore, POD would be desirable also for reasons of global justice.

The focus of Eric Fabri’s article in this special issue is somewhat different. In both political theory, as well as in the everyday discourse on politics, private property rights have occupied a pivotal role in the justification of capitalism, in either its radical free-market version or its more moderate and pleasing Welfare-State variants. A number of arguments have been produced, against traditional challenges posed by socialist tradition and thought which have focused on the inherent moral qualities of rights to private property, and the immensely positive “side-effects” of having a socio-economic system that duly respects and enacts them. The differential property-rights accorded to individuals and the inequalities that result thereof in capitalist regimes are seen to be legitimate either because 1) those who labour are entitled to the fruits of said labour, in the form of a right to appropriate and to keep whatever one has appropriated (the traditional “labour justification” that can be found as early as in Locke’s labour-value theory); 2) or because a system of well protected property rights will create the right sort of incentives that will greatly enhance economic productivity and efficiency environment, ultimately making everyone better-off (the efficiency argument); or, 3) finally, because private property is perfectly tailored to promote and maximize individual autonomy (the liberty justification). However, by means of a systematic analysis of these common and powerful arguments, Eric Fabri seeks to demonstrate that, regarding all

three, it is Property-Owning Democracy, as an economic system based on private property, that is better legitimized by them. It is POD, and not WSC, that better fulfils the requirements of the arguments. As the author himself summarizes: “[...]if one thinks that private property is legitimate because the worker has a right on the fruits of his labour, because the efficiency it promotes benefits the whole society, or because it encourages individual liberty, one has therefore to support a move towards the implementation of a POD rather than WSC”. Regarding the labour justification, the author contends that, since the times of Locke, the idea that labour “creates” property, or that it justifies the appropriation of the things with which it is “mixed”, has rested on an ambiguity: is it present or past labour that legitimizes the creation and maintaining of property? Nozick, in his attempt to give moral credibility to his minimal, *laissez—faire* state, has presumed that it is past labour. However, if one attaches moral precedence to present rather than past labour, the inequalities in property ownership that result from inheritance and bequest – which have their origin in past and alien labour (of one’s forebearers) – will be seen as illegitimate. Conversely, steep taxes on these forms of property transfer will be deemed as *a priori* legitimate. POD, which relies to a great extent in such measures, is therefore in more accordance with the labour justification, as it effectively protects property based on present labour and limits the accumulation of property based on past labour – *i.e.* labour that has not been performed by those who received the asset. In other words, POD would best fit the meritocratic *ethos* behind the labour justification of property. It would also ensure that all citizens today will have an approximately equal “appropriative power”, thus ensuring that the distribution of this ability will not be distorted by previous accumulation, on one side, and material unfreedom caused by radical non-ownership, on the other.

Regarding the efficiency argument, Eric Fabri mainly seeks to challenge the notion that any restrictions on the free play of market forces involve inefficiency, since those at the bottom of the social ladder, on the one hand, would only work (or work hard) if they were constantly constrained by material necessity (*i.e.* if they were unable to obtain income from property that would allow them not to work) and those at the top, on the other, would only be willing to work or to do their best if and to the extent that they would be allowed to enjoy maximum economic rewards for their labour. Fabri contends there are other strong motivations for those at the top (such as the satisfaction of being responsible for making big decisions and obtaining the respect from their peers and subordinates) beyond

maximum gains and, regarding the majority of the population, not being forced to work is not a synonym for shirking work altogether. More economic independence for these individuals would only mean a stronger and fairer bargaining power *vis-à-vis* the wealthier. The incentives for economic efficiency presupposed in the “efficiency argument” result from an adequate protection of property, not from economic necessity at the bottom or unlimited prospects for wealth and income accumulation at the top. In fact, there might be positive effects on economic efficiency resulting from some specific institutions of POD: for instance, cooperatives, as they eliminate the separation between capital and labour, rewarding people for their actual work, could create incentives for workers in them to become more innovative and productive; and a property-generated income could lead some people to invest their free time in acquiring skills or education and become, in this way, a more qualified and productive labour force.

Finally, regarding the “liberty argument”, POD can be said to maximize autonomy for all, by giving them the economic basis for independence *vis-à-vis* others (either State or other powerful individuals): a guaranteed and stable source of income deriving from property. While this could be equally obtained by means of a basic income, it would seem that the first option would be more feasible, as seeing an individual living off the income of his property is socially thought to be more acceptable than having him living off a basic income for which he has not worked.

While most authors writing on the subject of property-owning democracy and predistribution have, for the most part, accepted the allegation of John Rawls himself that Welfare State Capitalism (WSC) is inherently plagued with inegalitarian and unjust institutions and results that make it less amenable than a POD to the goals espoused by social egalitarians and, more in particular, to Rawlsian principles of justice, Lucas Petroni article purports to show that, regardless of how short actually existing WSC societies may fall from these objectives, nothing prevents us from considering that an ideal regime of WSC, far different from the present ones, may, if well structured, become as compatible as any sort of POD with egalitarian principles of justice. In fact, one must always avoid the common mistake of comparing ideal oranges with real apples, or, in this case, an ideal socio-economic system such as POD (which has no real equivalent so far and, therefore, is untainted in scholars’ eyes by the shortcomings that eventually befall all “real” systems) with actually existing welfare state societies, which have been the product of complex interactions between social forces and, consequently, have suffered all the distortions that history and politi-

cal conflict can impose on any attempt to fulfil an abstract ideal of justice. John Rawls contends that Welfare State Capitalism is incompatible with his two principles of justice mainly because it shows no concern for unlimited concentration of wealth and property, which leads ultimately to the impossibility of realizing the fair value of political liberties, since concentrated economic power will dominate both the economy and the political arena. According to Rawls, in actuality, WSC societies are single-mindedly obsessed with ensuring nothing but a “social-minimum”, “a decent minimum standard of life” “(...) in which people’s basic needs are met” for all citizens that are also protected against “accident and misfortune”, and this limited focus would eventually undermine the obtaining of equality of social opportunities as Rawls understands them. Even if one considers this to be an accurate description of existing WSC societies, it is not –at least not necessarily – an accurate description of all potential or imaginable WSC societies. Petroni contends that an ideal system of WSC can be devised so as to work as effectively as a strong form of POD against wealth concentration, ensuring in this way that a rawlsian equality of social opportunities and the fair value of political liberties are both obtained. However, in order for this to be possible, this must be a WSC regime based not only on the notion of a “social minimum”, but also a “social maximum”. With this “social maximum” regime, WSC can be said to be concerned with dispersion of wealth and income just as much as POD, allowing for equivalent or similar economic policies as those proposed to implement POD: more say for all citizens (*e.g.*: workers, local communities, technical associations and civil society advocates) in the way means of production and economic resources are used and a high progressive taxation on total income (that which results both from labour and wealth sources), that ensures the functioning of public inclusive (and redistributive) institutions for all and may additionally be expected to provide a certain measure of transparency regarding capital, since to tax it, one must know where and how much of it there is. A “social maximum” Welfare state regime is one in which economic power cannot be concentrated above such a level that would make it unaccountable to the citizenry: it establishes therefore a “maximum” relative ceiling for economic concentration. The normative threshold for a social maximum of wealth or affluence must be relative in the sense that it is not the amount people have in itself that is morally and politically objectionable, but rather the amount they have, after due consideration of the specific society in which these people live, particularly of the total existing wealth in it and how it is distributed among all citizens. If someone has a great deal of property and income,

but everyone has pretty much the same or something equivalent, the social maximum threshold is not violated (since there are no great imbalances in terms of the fair value of political liberties or a rawlsian equality of opportunities). As the author stresses, the social maximum threshold is not meant as some sort of “punishment” against any supposedly moral wickedness of the rich, nor does it intend to be a form of coercing people to adopt a particular way of life to the detriment of another – a goal which would be incompatible with liberal neutrality –, but is rather a device for ensuring justice in society, namely, the non-domination of economic and political life by the wealthy and equality of opportunity.

John Wilesmith’s argument in his article starts from the belief that “in an economy that retains large-scale corporations, widespread private ownership of productive assets is insufficient, and quite possibly counter-productive, for realizing the social egalitarian aims of widespread economic security and control”. As he goes on to explain, small and dispersed shareholders do not possess much information, particularly technical knowledge, nor the incentives to acquire it, whereas managers of complex and large corporations do and this creates a severe imbalance that easily results in actual control being transferred, unwittingly, to the better informed. Large and complex corporations in modern capitalist economies, by their sheer nature, make it inevitable that ownership cannot be a synonym for control: shareowners appoint a board of directors who are then supposed to oversee the internal operations of the corporation. They are there, in principle, to represent shareowners; to perform their task in accordance to the interest of the owners who chose them, but agents can easily pursue other interests and evade control of the principals in an environment in which the distribution of information is strongly imbalanced in their favour. In POD, according to Wilesmith, this can be actually aggravated, as a very large group of very ill-informed and very small shareowners are no match for their information-rich “principals”. The interests of each of the parts in this unequal relation are also bound to diverge, and therefore, one may expect that the interests and strategies of managers, that focus on “managerial perquisites” and risky, short-term investment strategies, will prevail, damaging in the process the economic security of shareholders.

This makes plain that the choice of corporate governance models is central for POD, given the strong and fundamental effects that each of them can have on those two egalitarian goals to which POD is committed: economic security and effective control over one’s economic life (and, therefore, over one’s life in general). The concern with control reflects the ethical

importance of not submitting people to paternalistic structures, in which fundamental (economic) decisions for a person's life rest in the hands of other people. Wilesmith also argues that the importance of this lies in its connection to the preservation of people's self-respect, which is hard to obtain when social structures ostensibly treat them as unequal citizens. The relevance of economic security, on the other hand, is founded on the notion, that can be traced as far back as old "republican" political thought, that people who do not enjoy a safe economic situation (*i.e.*, do not have a reliable source of income) will be extremely vulnerable to domination by the powerful (be they wealthy private individuals, or the state apparatus – not infrequently a tool wielded at will by the former).

The balance each model establishes between these two distinct goals is unique and one's choice ought to reflect the relative importance one attaches to each. The author sketches three models: 1) shareholder activism through investment fund managers; 2) labour-manager firms; and 3) labour capital partnerships.

The first regime of corporate governance, that of "investment fund activism", creates a body of representatives (managers of large funds made up of pension funds of thousands of workers) between board of directors and shareowners. The members of this representative body are armed with technical knowledge that puts them "on a par" with the managers of corporations and they are motivated to make the corporation track the interests of the funds (and so, of those who have their money in them), either through "voice" or "exit" strategies. However, these are representatives too, just like the board of directors, and the problems of "principal-agent" relations are simply relocated: how can principals, the shareowners, control the "controllers"? They can't. They just yield their control to their agents. They are not called upon to defend directly their own interests, they are strictly passive and leave fundamental decisions to their agents. So, while economic security seems to be promoted in this regime, its architecture is fundamentally "paternalistic" in the way it treats shareowners.

The second model, the labour-manager firms, is conceived as the perfect opposite of the other. In it, it is the workers of the corporations who are the equal shareowners and who manage on their own the operations within it. This means the democratizing of the corporate structure and maximizes control, avoiding the paternalistic risk that plagues the first model. However, economic security is affected, since workers will probably have all or most of their assets and sources of income concentrated in the corporation in which they work. The value of what they own and their sole

source of income are therefore particularly vulnerable to the fluctuations of the market and the health of the corporation itself. Problems in the corporation can mean both the loss of their job and all their assets. Once this happens, ex-workers whose company went bankrupt will become an easy prey to economic domination by the wealthy and powerful.

The third model, the one preferred by the author, would, in his opinion, constitute a sort of golden mean, performing satisfactorily well regarding both economic security and control, while not being as protective of the former as “investment fund activism”, nor of the latter as “labour-managed firms”. This third model, “labour-capital partnerships”, is divided in two variants. One is the German system of codetermination, in which half of a board of directors is chosen by workers and another half by shareholders. This board then appoints another board which is responsible for running the everyday life of the corporation, while keeping it under control. The other possibility is inspired by James Meade and while somewhat more complex, involves the granting of an equal number of shares - both of them entitling their owners to dividends according to a given rate - to both capitalist shareholders and employees. Capital shares are tradable in the market unlike Labour Shares, which remain attached to the individual worker who holds them until he leaves the corporation. Both these schemes are compatible with strong economic security –equivalent to the one obtained under “investment fund activism”- as they do not exclude the possibility of investment funds managing “property owners’ portfolios”, whose shares need not be concentrated in one enterprise alone, thus dispersing the risk. Also, some degree of “workplace control” is kept, due to the fact that workers actually get to have their own elected representatives in the corporate boards. While far from the democratic exuberance of pure labour-managed firms, it still provides a minimum of control that puts it well above the performance of the investment fund activism model. Given this scenario, it is argued that the model of labour-capital partnerships strikes the “perfect” balance between control and economic security and is, therefore, the most adequate to complement POD’s egalitarian project so as to make it a philosophically attractive alternative to social egalitarians.

António Baptista sees the ideal of political equality as occupying a decisive role in the concept of POD. In fact, he argues that Property-owning democracy must be understood as instrumentally tailored to achieve political equality. In a sense, then, the legitimacy or persuasiveness of the ideal must be judged according to how well it fares in protecting and promoting democracy. But to know if it does promote or not democracy, one must

previously define what one's concept of democracy is (or what its founding value is). The author contends that democracy can be understood as the ideal of *isegoria*, *i.e.* the ideal of a decision-making process that is characterized by systematic and continuous respect and reproduction of all the necessary conditions for the equal political participation of all citizens. In other words, democracy's defining value is political equality and its continuous preservation. The discussion then turns on identifying some of the main obstacles to political equality that plague modern societies and that have their origin in social and economic inequalities. The author identifies four main problems that amount to processes in which social and economic inequalities are easily converted into political ones. Firstly, the poor and less well educated participate less in political activities than the affluent and well-educated. Because of these inequalities in access to quality education, they also usually suffer from relative deficits in cognitive abilities that impair their ability to develop an "enlightened understanding" of their political preferences, or, in some cases, of developing any political preferences at all. Secondly, precariousness of condition for workers and potential employees, due to the increasingly degraded status of labour *vis-à-vis* capital can coerce or impede the capacity of the common people to participate in political life and become intellectually and politically independent from their employers and other social superiors. Thirdly, access to the deliberative sphere, or the "modern agora", where preferences get to be formed in the first place, is heavily restricted. Positive freedom of expression, in which all ideological and social groupings would have equal and effective opportunities to have their ideas to be known by their fellow citizens, is impossible under a regime of plutocratic ownership of the means of mass persuasion as we presently have. Fourthly, concentrated capital can yet act in other ways to distort the political process in their favour and against popular will: through corruption or irresistible lobby, before or after election, or by means of intimidation, insulation or boycott, they may resist any desire for change that runs counter to their interests, blocking majority will with their informal "veto powers" that are born of their wielding of large economic resources.

In light of this, POD, or any other socioeconomic system will be "isocratic" insofar as it provides solutions to these problems. At this point, the discussion reaches another turning point, as specific policies and institutions that could be implemented in order to limit the effects or prevent the problems from even occurring are assessed. Regarding the first set of problems (lack of educational opportunities), the argument is made that they

can be most successfully tackled, at least in part, by creating and promoting a public, universal, free of charge, centralized and quality educational system. Such a system may be the most immune to “market pressures” that distort educational curricula so as to respond to the appeals of the labour market (i.e. the needs of corporations), instead of focusing on the formation of well-capacitated, intellectually critical, democratic citizens. Also, by eliminating market criteria and diminishing the scope for “freedom-of-choice-for-parents-policies”, ghettoization of the poor can be effectively countered. Regarding the second point, enhancing economic security and independence, POD may have a definite advantage, by providing secure and independent sources of income for people (universal basic income or universal capital grants) that would reduce worker’s or poorer people’s vulnerability to arbitrary interference from more endowed individuals. However, this may only be true if these would be complementary, rather than substitutive of other existing institutions and policies typical of WSC, such as policies directed to full employment, social security and a more protective labour law. Redistribution would be as relevant as “predistribution”. Otherwise, people may actually become more, rather than less, at the mercy of “bad brute luck” and concentrated economic power. Regarding the third problem detected (the oligopolic structure of the deliberative dimension of current politics), it would be of fundamental importance to fully (or as extensively as possible) democratize the access of all social and ideological groups to the production of political information via mass media outlets and to ensure to all citizens the enjoyment of a genuinely pluralistic and egalitarian deliberative environment. Democratizing deliberation, so as to ensure this sort of modern “isegoria” (equality of voice or speech), would require radical alterations of property rules regarding the media (including the creation of a “third sector”, a lively civic sector, independent of both market and government interferences). Fourthly, and lastly, combating informal veto powers of concentrated economic power, particularly those that result from its easy access to, and intimidation capacity against, political representatives, would require eliminating the cause of such veto powers altogether: the extreme concentration of capital in itself. A radical and strongly egalitarian version of POD could be said to fulfil such a task. Still, even when private monopolies or oligopolies are inexistent, the political will of the democratic majority can be faced with illegitimate boycott, insulation (capital flight) or intimidation by organized and prosperous minorities. This calls for public (state) ownership of fundamental resources and means of production, particularly those that have a pivotal role in the

functioning of the whole national economic system. Isocracy, then, is a demanding ideal. “Taking it seriously”, would, thus, require from POD that it be strongly egalitarian and that it would combine a large and diverse set of policies and strategies, so as to successfully address in a sustainable way all of the difficult obstacles that socioeconomic inequalities pose to political equality.

4. Concluding remarks

Despite analysing POD from different angles and displaying somewhat contrasting attitudes towards it, these five articles have a common, overarching purpose uniting them. We hope with these modest contributions of ours to further stimulate and elicit more debate and deeper investigation among other members of the academic community regarding the topics we address here, namely the justification and normative consequences of POD and, more broadly, how egalitarian goals relate with and may be affected by socioeconomic systems and specific institutions. As always, our work is not the isolated, strictly individual, product of the minds of each of the contributors, but the result of our critical intellectual interaction with what other scholars have been producing so far and it intends to become itself part of that collective intellectual work, another link in the great chain of the progression of knowledge.

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