

LEGITIMATING PROPERTY RIGHTS IN A PROPERTY-OWNING DEMOCRACY: LABOUR, EFFICIENCY AND LIBERTY

Eric Fabri *
eric.fabri@ulb.ac.be

This article examines the institutions of private property in a Property-Owning Democracy (POD). It aims at determining in which system, POD or Welfare State Capitalism (WSC), the requirements of the arguments justifying private property rights are better satisfied. It had been classically argued that private property rights are legitimate (a) because the worker has a (natural) right on the fruits of his labour (the *labour* justification), (b) because securing private property rights implements a structure of economic incentives that ultimately benefits all individuals in the society (the *efficiency* justification), and (c) because private property promotes individual autonomy (the *liberty* justification). In the different sections of this article, I briefly sketch the logic of each argument and examine how it is satisfied or not in a POD in comparison to WSC. My conclusion is that on many aspects, a POD better fulfills the requirements of those three arguments than does WSC.

Keywords: Property-Owning Democracy; Property Rights; Private Property; Labour Justification; Rawls.

Este artigo examina as instituições da propriedade privada numa Democracia de proprietários. Pretende determinar qual dos dois sistemas – a democracia de proprietários ou o Estado de bem-estar social – melhor realiza os requisitos invocados pelos argumentos usados para justificar os direitos de propriedade. Segundo a argumentação clássica, o direito à propriedade privada é legítimo: a) porque o trabalhador tem um direito natural aos frutos do seu trabalho (a justificação *laboral*); b) porque assegurá-lo permite criar uma estrutura de incentivos económicos que resulta, por fim, em benefício de todos na sociedade (a justificação por meio da *eficiência*); e c) porque a propriedade privada promove a autonomia individual (a justificação por meio da *liberdade*). Em cada secção deste artigo, esboço sucinta-

* Université libre de Bruxelles, Belgium

mente a lógica de cada um dos argumentos e examino como esta é satisfeita ou não numa democracia de proprietários em comparação com um Estado de bem-estar social. A conclusão é a de que, em muitos aspectos, a democracia de proprietários realiza mais efetivamente os requisitos destes três argumentos do que um Estado de bem-estar Social.

Palavras-chave: Democracia de proprietários; direitos de propriedade; propriedade privada; justificação laboral; Rawls.



0. Introduction

In *Justice as Fairness*, Rawls famously supports Property-Owning Democracy (POD) as a solution to the problems raised by inequalities and concentration of wealth in Welfare-State Capitalism (WSC). As he writes: “the 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 a near monopoly of the means of production” (Rawls, 2001, p. 139). The cornerstone on which lies this preference for POD is the institutional reform of private property rights which aims at a widespread ownership of property, and particularly of property in productive assets. A POD retains the main advantages of a system based on private property (namely markets), while getting rid of its worst consequences in terms of economic and political inequalities (Krouse & McPherson, 1988). Implementing this widespread ownership of property therefore implies some reforms of property rights as we know them in WSC. If a lot of attention has been devoted to examine whether a POD better implements Rawls’s principles of justice than WSC (see among others: Freeman, 2013; Krouse & McPherson, 1988; O’Neill, 2009, 2012), it had never been asked whether the kind of property rights individuals may have in a POD would satisfy the requirements of the arguments justifying the institution of private property.

Would private property rights in a POD be legitimate? This is the question I will address in this article. Along the multi-secular debate on the legitimacy of private property, three main argumentations have been brought to legitimate private property. To sum up: a. the worker has a (nat-

ural) property right on the fruits of his labour (the *labour* justification), b. private property promotes economic efficiency through implementing the structure of incentives necessary for a capitalist economy to produce its benefits (the *efficiency* justification), and c. private property promotes individual autonomy (the *liberty* justification). I open this article with a section that aims at clarifying how a POD would affect property rights as we know them in WSC. Then, in the three following sections, I present each of those arguments more in detail and examine whether POD or WSC provides a better context to meet each argument's demands. Furthermore, my goal in this paper is to demonstrate that a POD better suits those three arguments than WSC.

1. Private Property Rights in a POD

To start, it is important to clarify the main features of a POD and briefly recall how and why Meade, and after him Rawls, thought it could solve the political problems raised by economic inequalities. Meade decomposes total personal income into two distinct sources: earned income (like wages) and property income (like dividend, rent, or loans). Total personal income equals the sum of earned income and property income. With this distinction at hand, Meade stresses that the key factor for analysing the structure of inequalities and their plausible evolution is “the proportion of total personal incomes that is made up of income from property” (Meade, 1964, p. 28). If this proportion is small, then the distribution of earned income has more weight than the distribution of property income in determining the future evolution of total personal income, and hence of inequalities. In this case, inequalities in property ownings between individuals can be overbalanced by (eventually artificially entertained) differential earning powers.^[1]

But for Meade, who wrote this text in the Sixties, the plausible future of western economies was rather that, as automation progresses, less labour will be needed, so that, “for society as a whole, the proportion of income which accrues from earnings has been greatly reduced by automation” (Meade, 1964, p. 40). In this perspective, the ownership of property is therefore crucial. If property of productive assets is concentrated in a few hands, with earned incomes decreasing as automation develops, the global

1 The kind of property I will consider in this article is therefore “productive property”, meaning the property of something that produces a property income, the distribution of which has important economic and political consequences.

income generated by property will go to some very rich owners, while their property-less fellows will compete to have a share in the few last available earned incomes. A POD avoids this by enforcing a widespread ownership of property (and of property income) among individuals. It does so without sacrificing the positive efficiency effects of private property in productive assets. Meade's support for POD precisely stems from the fact that it allows "to combine efficiency in the use of resources with equity in the distribution of income" (Meade, 1964, p. 75).

To realize this widespread ownership of property, Meade advocated a list of measures, of which the most significant are: an aggressive taxation on capital transmission (between generations and *inter vivos*) to avoid the perpetual reproduction of wealth concentration, increased State investments in education and training, institutional reforms to encourage small properties to expand (through cooperative or profit-sharing companies), and the reduction of the national debt (Meade, 1964, pp. 75–76; O'Neill, 2012, pp. 79–81). Besides, the redistribution of property-ownership should not put an end to existing social policies, but rather complement them, and be complemented by those measures. Since earned income has a marginal influence in Meade's theoretical framework, he doesn't examine policies to limit earned property through implementing something like a maximal wage as Rawls seems to suggest (see Rawls, 2001, p. 161; and *infra*). To sum it up, the average individual in a POD would therefore have a small or medium property, would be granted a social minimal if needed, would have access to education, would have a property income, and can decide freely to engage in market activities.^[2]

I want to add two remarks to this brief description of POD. First, as Meade put it: "the essential feature of this society would be that work had become rather more a matter of personal choice" (Meade, 1964, p. 40). For Meade and Rawls, it is obvious that owning a property is a security that allows you not to depend on the labour market for buying the most basic commodities of life. To be actually property-less means that you have no other option than to desperately search for an earned income, which means selling your labour at any price you can get which allows you to satisfy your urgent and inescapable physical needs. On the contrary, the owner is not pushed in his back by the bare necessities of life. He can face the pressure of time and need with much more flexibility: the owner can wait for

2 For the purpose of this article, I lean essentially on Meade's version of POD. A larger account of Rawls's conception can be found in chapter five of Freeman's "*Rawls*" (Freeman, 2007, pp. 219–235).

a better opportunity, make a plan, develop his own projects *because* he has a property income, or because in the worst case he can exchange his property rather than selling his labour for a survival wage like the property-less. In this sense, private property appears to support individual emancipation and independence.

Second, owning a property seems to have a tendency to raise the total personal income in an exponential way. Indeed, if total personal income equals property income plus earned income, it is obvious that if you compare two individuals having a similar earned income, and if one of them has an additional property income, the one who has a property will have a higher total personal income than the other. Consequently, he will be able to save, or to invest his surplus in education or capital in order to increase his future earned incomes. Also, over the next period of time, this surplus will be converted in property and will produce an additional property income.^[3] Having a property increases his ability to save and get more property income over the next period of time, or to invest in education or training and have more earned income (and more surplus that might be converted in productive property). There is therefore something like a “multiplier effect” of property on earning power. The more you own, the more this additional property income increases your existing property, and the more your property income will increase, and so on.

2. Property and Labour in a POD

I now turn to the examination of the different arguments supporting the claim that labour creates a private property right in what the labour of an individual has produced. Although they significantly differ, those arguments are usually grouped under the general label: “*labour* justification” of private property. Since it is neither possible nor useful to present all of them here, I briefly recall the core of the two most famous: the *labour-mixing* argument, and the *labour-value* argument. We owe the typical formulation of the first to John Locke who, in the fifth chapter of his *Second Treatise of Government*, argued that an individual owns his labour, and that if he mixes his labour with an unowned thing, the natural law commands that he acquires a right of private property in the thing he has mixed his labour with:

3 It might be opposed that a property doesn't *necessarily* produce a property income: one can lose his or her property because the investment was risky and something went wrong. This is of course true, but I think that it doesn't in firm the fact that the general tendency of property is to produce a positive property income.

The Labour of his Body, and the Work of his Hands, we may say, are properly his. Whatsoever then, he removes out of the State that Nature hath provided, and left it in, he hath mixed his Labour with, and joyned to it something that is his own, and thereby makes it his Property. It being by him removed from the common state Nature placed it in, hath by this labour something annexed to it, that excludes the common right of other Men (Locke, 1960, pp. 287–288).

By the action of working, the labourer mixed his labour with the thing, and “transferred” the kind of property rights he had on his labour on the unowned thing. It has to be noticed that following Locke, it is assumed that the worker should have the same right on the thing as the right he had on his labour *before* mixing it with the thing, when the idea of this labour was only an intention on which he had absolute power. As a consequence, the property right the individual has on the thing is presumed to be an absolute right.

The relation Locke establishes between labour and property supports the broader claim that what labour has produced should be the property of the worker because his labour is the main source of the thing’s value. The argument here is that the valued thing should be the property of the individual whose labour created his value, or, if possible, should be distributed according to the share of the value each individual’s labour has produced. This argument, usually known as the *labour-value* argument, echoes secular claims of the same kind and is also present in Locke’s *Second Treatise*.^[4]

It could be objected that those two arguments are very weak to justify private property. Indeed they face strong limitations. The Lockean argument is pretty far from the reality we face in our societies: it is nothing but rare that individuals mix their labour with an unowned thing. While in our modern highly specialized economies, the *labour-value* argument always faces the difficulty of impossibly isolating the contribution of each individual’s labour to the final product. Despite these limitations, it is however important to examine whether a POD could better satisfy the claim that labour legitimates private property than WSC for two reasons: on the one hand, libertarian thinkers still believe that this argument (or a slightly revised version of it) could legitimate some kind of absolute property rights; and on the other hand, the idea that “the more you exert yourself and create some value, the more of this value your labour has created you should receive”, is a very powerful representation, massively endorsed in contemporary western societies.

4 The labour-value argumentation is immemorial, as attests the fact that when Aristotle criticizes Plato’s community of goods in the *Republic*, he namely argues that giving the same share of the products to contributors who made a very different contribution to the harvest will for sure lead to continuous quarrels (Aristotle, *Politics*, II, 5, 1263a).

So, is the claim that labour creates property left unsatisfied in a POD? The answer seems to be negative *a priori*. As in WSC, the individuals in a POD are the owners of what their labour has created, or of the wage they sold their labour for on the labour market (if they decide to take a job). POD retains free enterprise and the labour market, so that labour and individual exertion remain the best way to acquire property. The main difference with WSC lies in the fact that some limits would probably be set to the right to bequeath and donate property in a POD (cf. *supra*). Is this problematic in regard to the labour justification? To answer this question, we have to explore some problems of this argumentation, and first how appropriation *without labour* can be legitimate.

Indeed, according to the labour justification, private property right allows the owner to decide what will happen to his owned thing after his death. The right to bequeath and the right to donate are considered important features of the right of private property (Honoré, 1961). Although the beneficiary of a bequest or of a donation hasn't mixed *his* labour with the thing by himself, the fact that the prior owner did legitimates the transfer, and allows the new owner to have the same right to bequeath or donate the thing to someone else, and so on.^[5]

But this mode of appropriation *without labour* can lead to paradoxical situations. As many authors from J.S. Mill to John Rawls have pointed out, inheritance, bequest and donation are the core mechanisms for the reproduction of inequalities: from the moment inequality develops, some receive more than others without having worked at all, and this inequality is likely to amplify since on one hand the ownership of property allows the wealthiest to earn additional property incomes, and on the other the wealthier are encouraged to transmit their capital by inheritance or bequest to their relatives. Additionally, as underlined in the first section, the labour of the property-less soon happens to generate less earned income than the labour of the wealthy. The original inequality in property develops also into an inequality in the means to appropriate by working. As a consequence, it is plausible that in the end, the labour justification of property gives rise to a situation where labour and property are totally disconnected: the wealthier

5 The idea is that the owner has a right to decide how he will give up his property right on the thing: he can choose to exchange it against another property on the market, or give it for free. The idea that having a property right allows you to decide what happens to the thing when your property right ends is particularly clear in Nozick's entitlement theory (even if Nozick has an ambiguous position towards the *labour justification*: he spends a lot of energy to exhibit his defaults, but seems to implicitly rely on it or on a revised version as a Principle of Justice in Acquisition (Nozick, 1974, pp. 150–153).

might have never worked at all while the workers earn a subsistence wage that only allows them to earn the bare means of subsistence day after day, and leave them property-less the day after.^[6]

Although such a situation seems to be paradoxical in regard to the labour justification, thinkers like Nozick argue that the right of the first owner on his property include the rights to donate or bequeath it. Consequently, the concentration of wealth is legitimate if the wealthiest received their property without labour, but by legitimate means (voluntarily transfers, contracts, gifts, inheritance, etc.), even if it ultimately discredits the claim that *present* labour creates property (Nozick, 1974, pp. 150–153). The distribution of ownings in a society depends on the history of property rights created by *past* labour in immemorial times. Therefore, if both the original appropriation and the history of its ulterior transfers are fair, the present owner has a legitimate property right in the thing. The concentration of wealth is not a criterion to determine if a distribution is fair. Moreover in this paradoxical situation, capital owners can appropriate the value created by *present* labour because they have a property right in those productive assets that were created by *past* (or immemorial) labour, and legitimately came into their hand. The rights of *past* labour clearly have precedence over the rights of *present labour*.

But conversely, it is also possible to read the labour justification as giving priority to *present* labour over *past* labour. Under this last interpretation, the worker should have a property right in the fruits of his present labour, and every labour should create some kind of property right on what it has created. It doesn't imply that *past* labour is meaningless for determining who should have a property right on what: if an individual worked and acquired a property years ago, this *past* labour that was his property should still grant him a legitimate property right in the thing. But he could not transmit this property right generated by his *past* labour to someone else. What appears to be illegitimate is "individual appropriation *without working*", that is: appropriation because of the rights of a *past* labour that never belonged to the present

6 J.S. Mill elegantly describes a situation of this kind in his Principles of political economy (and draws a radical conclusion of it) when he writes : "If, therefore the choice were to be made between Communism with all its chances, and the present state of society with all its sufferings and injustices; if the institution of private property necessarily carried with it as a consequence, that the produce of labour should be apportioned as we now see it, almost in an inverse ratio to the labour – the largest portions to those who have never worked at all, the next largest to those whose work is almost nominal, and so in a descending scale, the remuneration dwindling as the work grows harder and more disagreeable, until the most fatiguing and exhausting bodily labour cannot count with certainty on being able to earn even the necessaries of life; if this or Communism were the alternative, all the difficulties, great or small, of Communism would be but as dust in the balance" (Mill, 1965a, p. 207).

owner. What separates those two interpretations is a dispute on whether the original property right included the right to decide of the future owner of the thing. If property includes the right to bequeath and donate, appropriation by *present* labour can only apply to the few unowned things left, since appropriation *without* labour already distributed property rights among individuals according to the rights of *past* labour.

By contrasting the precedence of *past* vs *present* labour, it appears that the labour justification lies on a fundamental ambiguity: it was never thought as a diachronic argument. The labour justification simply argues that labour should give the worker a right on the fruits of his labour, but it remains silent on which labour is pertinent to judge the distribution of property rights: *past* or *present* labour? Should the property right the worker acquires include the right to donate, inherit, or bequeath property, so that this *past* labour that legitimated the original appropriation decreases or annihilates the appropriative power of *present* labour? Should the right of the *present* labourer take precedence on the right of the *past* labourer? The labour justification remains silent on those questions.

With this ambiguity in mind, we can now turn back to our initial question: in a POD, do the limitations to property concentration infringe the requirements of the labour justification? The answer to this question depends on whether priority is given to *past* or *present* labour to legitimate the ownership of property.

I think that we have at least three reasons to give priority to *present* labour and to reject the libertarian primacy of *past* labour. First, the distribution of property rights should be judged at the edge of present considerations, and not on the basis of immemorial appropriations and transfers. Property right has no existence out of the political community that guarantees it in the present time, so why should some present injustices be legitimated by immemorial appropriations and transfers? If we do so, we subordinate the scope of our legitimate action to out of reach past events. Second, the precedence given to past labour is grounded on an indefensible version of the *labour-mixing argument*. It is not the place to demonstrate this claim here, but it is already quite intuitive that the idea of an original mix between individual labour and an unowned thing is deficient to legitimate an absolute right of private property on the thing that should be respected hundreds or thousands of years after the original appropriation.^[7] Third, the idea that labour creates property is widely shared in our contemporary societies. But this representation

7 For some critics of this argument, see among others: Simmons, 1992; Waldron, 1983, 1985.

doesn't refer that much to the right of *original* labour than to the right of *present* labour. When it is argued that the worker has a property right on what his labour has created, the labour it is referred to is the labour of the *present* worker, not of the first appropriator. The meritocratic ideal similarly points out that *present* labour - this very labour that created the value of the thing - , should have precedence on *past* labour for determining who is legitimate to have a property right on the thing.

So, if we now consider that the labour justification gives priority to the rights of *present* labour, does POD better satisfy its requirements than WSC? I think the answer is irremediably yes because the kind of inequality that WSC allows is not so much due to individual differences in *present* labour capacity or exertion, but rather to inequalities grounded in *past* labour, to individual appropriation of property *without* labour, or to differential earning powers caused by the ownership of un-earned property. While in a POD, property (and property income) will be more equally distributed among individuals. This has three important consequences in regard to the (*present*) labour justification:

- a) all individuals will be more or less equals in regard to the amount of property they can acquire *without labour*;
- b) as a consequence, individual labour will have approximatively the same appropriative power for everybody (fair equality of appropriation by labour);
- c) and no individuals will be pushed in their back by the bare necessities of life; so that their labour will appropriate them more than the bare means of survival.

Point a) underlines that if individual labour is the principle that legitimates private property, then appropriation without labour has to be minimized. POD does so by better distributing appropriation without labour among the members of a society. Point b) emphasizes an important consequence of this initial distribution of property: since individuals begin their life more or less equals in terms of property, their labour should have more or less the same appropriative power. The "multiplier effect" of property on earnings is fairly distributed among the members of that society. Property therefore really becomes a function of individual labour and exertion, instead of inheritance or of individual ability (or luck) to acquire property without working. Point c) simply emphasizes that in WSC, the labour of the property-less working for a subsistence wage cannot be said to give them a

property. Indeed, if their whole wage is perpetually used to buy the goods that are consumed the day after, the worker remains property-less. How can it be said that his labour earns him a property? A POD rectifies this by giving him a property and a property income so that if he decides to work, his labour will really appropriate him some additional property. If we consider those three features, it therefore appears that POD better satisfies the requirements of the labour justification than WSC.

3. Property and Incentives: Economic Efficiency in a POD

The second classical argumentation claims that private property is the very condition of a market economy, and that this efficient organization of the economy brings desirable consequences for the whole society. It produces an abundance of goods while maximizing individual freedom, which both benefit all members of society. The core of the argument lies in the idea that by securing the fruits of their labour to the individuals, private property encourages hard work, entrepreneurship, innovation and risk taking behaviour, all features that contribute to growth and economic efficiency. Private property is therefore legitimate because it is expected to develop a structure of incentives that brings as a *consequence* a market economy whose advantages benefit the whole society. Even if the worst off don't benefit from the advantages of a capitalist economy as much as the wealthy, the first are thought to be in a better situation than if they lived without capitalism, or under another kind of economic system such as socialism or communism.^[8]

This argumentation also provides a coherent defence of economic inequalities by highlighting the positive effect of wealth concentration. Indeed, it is expected that the capital-owners seeking high profit rates will invest their capital in promising firms or projects, thereby selecting, creating and entertaining efficient economic activity. Their property-less fellows will have opportunities to sell their labour to capital owners. They will therefore have a chance to become capital owners themselves, while being able to buy consumption goods which raise their standard of living beyond that possible in any other economic system.

8 Alan Ryan presents a similar version of this argument in chapter nine of his book "Property". Compared to our account of the *efficiency argument*, he simply puts more emphasis on the fact that giving an individual a property right in a resource will give him an incentive to use it in the most efficient way, thus bringing an optimal allocation of resources in the society: "In general, the thought is that giving people property rights in anything of value is the best way of ensuring that resources are used as efficiently as possible" (Ryan, 1987, p. 106).

However, it has to be noted that WSC doesn't meet the requirements of this argument as much as the regime of "laissez-faire capitalism", as Rawls qualifies it (Rawls, 2001, p. 137). In the latter, economic actors have a strong incentive because they expect to appropriate the whole of the value they create, while in WSC they are promised only a part of it since the State collects taxes on labour. Of course, the level of taxation has an important impact on incentive, but what I want to underline is that, despite taxes, individuals in WSC continue to work and exert themselves. It is not necessary to appropriate the whole created value to have an incentive to work. Additionally, in WSC, most of the population doesn't appropriate the value or a proportion of the value their labour has created, but rather sells his labour against a fixed wage. The main incentive of an employee isn't his will to appropriate what his individual labour has produced, but rather his wish to have a wage by the end of the month. There is no direct link between work and appropriation for the vast majority of the population.^[9] The wage-society in itself is an obstacle to the idea that securing property rights in what labour has produced will act as an incentive to encourage individuals to work, innovate and exert themselves.

Acknowledging that WSC stands with structural defaults in regard to the *efficiency* justification, we now turn to examine how a POD would affect the structure of incentives existing in WSC. The goal is to assess whether a wide dispersion of property could better satisfy the requirements of the efficiency justification.

So, how would the structure of incentives in a POD differ from what we know? Krouse and Macpherson correctly emphasize that in Rawls' thought, the widespread ownership of property equalizes the "opportunities to invest in the acquisition of human capital" (Krouse & McPherson, 1988, p. 92). Consequently, there would be a) an increase in the labour supply of qualified or highly educated workers (and a parallel decrease in the price of qualified labour), and b) a decrease of unskilled labour supply (and a parallel increase in the price of unskilled labour). The final effect is that the wages of skilled and unskilled labour are expected to ultimately converge (Rawls, 1999, p. 270) while "differentials that remain would tend to be compensatory, reflect-

9 This argument is inspired from J.S. Mill's examination of communism in the second book of his *Principles of Economy*. Mill stresses that the classical objection to communism "that each person would be incessantly occupied in evading his fair share of the work" perfectly applies to English capitalism of that time, since the vast majority of workers exchange their labour against a fixed wage. He concludes that: "A factory operative has less personal interest in his work than a member of a Communist association, since he is not, like him, working for a partnership of which he is himself a member." (Mill, 1965a, pp. 203–204)

ing differences in the cost of training for and the attractiveness of different sorts of jobs” (Krouse & McPherson, 1988, p. 92; Rawls, 1999, p. 270).

But libertarian and neoliberals doubt that this reformed structure of incentives remains compatible with economic efficiency. Jan Narveson, in his reply to Tilo Wesche’s article on the concept of property in a POD (Narveson, 2013; Wesche, 2013), perfectly illustrates this fear, and the logic behind it, when he writes:

And we can add that those at the ‘bottom’ in market societies are virtually always in fact made better off in market economies – compare the ‘working class’ of today with that of a decade ago, let alone a century, and the point is obvious. (...) However, if you disallow incentives, then you are headed toward thoroughgoing equalization of wealth – with all its incredible inefficiencies and unfairnesses – at the hands of the difference principle (Narveson, 2013, p. 116).

The idea here is that, in the absence of incentives, the economy would regress and become *inefficient* and *unfair*. So that “what the author’s proposal [Tilo Wesche’s POD] certainly will undercut is the production of the very things the redistributor would like to redistribute” (Narveson, 2013, p. 115). Besides the “convergence” of wages expected by Rawls, a POD would also allow individuals to earn a property income without working. Narveson’s fear therefore lies on two different expected effects of POD on incentives. If on one hand low and middle class individuals have a property income that allow them to live a decent life without working, and if on the other, higher class entrepreneurs are not granted the fruits of their labour, why would all those people engage in market activities that lead to economic efficiency? Since this intuition raises a real difficulty, we have to examine the two different effects of POD on incentives in more detail.

To begin with, let us examine how a POD would affect the incentives of high level entrepreneurs. Besides inheritance and bequest laws, there is also room, in a POD, for laws instituting a maximal level of earned income or a maximal wealth level. Rawls clearly states that it might be legitimate to use taxation not only to raise public funds, “but solely to prevent accumulations of wealth that are judged to be inimical to background justice, for example, to the fair value of the political liberties and to fair equality of opportunity” (Rawls, 2001, p. 161). I cannot discuss here such measures in detail, but it is in any case plausible that in a POD, high level entrepreneurs or top managers will have limited or lower incomes than in WSC, in order to prevent large accumulation of wealth.

In such conditions, would those high-level entrepreneurs stop working as Narveson seems to believe they will? It supposes that they have no other reasons to work than their will to acquire the value their labour has created. But this claim is highly controversial, and, just like John E. Roemer, I think that the wage is only part of the motivation for engaging in market activities, especially for medium and upper social positions: “For their main incentives are not, I think, to earn huge incomes, but rather to be important people, who make big decisions, and garner the respect of their peers for being important people.” (Roemer, 2013, p. 59). Roemer also underlines that this view is confirmed by a study of Piketty, Saez and Stantcheva. Examining how the top 1% of income distribution responds to increased taxation, they found out that a socially optimal top tax rate would be 83% (Piketty, Saez, & Stantcheva, 2011, p. 4), suggesting therefore that “the right-wing claim of high labor elasticities among the very highly paid is just a big, self-serving lie” (Roemer, 2013, p. 60).

It has also to be noted that the impact of such reforms on the incentives of high incomes highly depends on the level at which the earned-income or wage limit would be set. It is obvious that limiting earned-incomes at 100.000\$ a year or at 10.000.000\$ a year would have a very different impact on incentives. This also points out that a relatively high limit (say 1.000.000\$ a year –net after taxes) would not directly affect the incentives of the vast majority of the population, since it would only affect those in the top percentile. Furthermore, in contemporary WSC, high level incomes are already aggressively taxed. But on the opposite of what Narveson would expect, the perspective of being deprived of more than half of the value their labour has created, does not entail the will of high level managers to continue working hard. For all those reasons, and particularly because the will to appropriate (a part of) the fruits of one’s labour is only one among many other incentives that contributes to develop economic efficiency, there are strong reasons to think that a POD could limit or rise additional taxes on very high earned incomes without throwing away all the benefits of a market economy in terms of incentives.

The dispersion of property is supposed to have a second negative effect on incentives. Lower and middle class workers would have fewer incentives to work, since most of them would receive a property income that might allow them to live without having to work^[10]. Does that really change something as to the requirements of the efficiency justification? In my opinion,

10 To simplify, we assume here that *all* the individuals have a minimal property income that allow them to live a decent life, although this might not be the case in a POD.

no: in a POD, individuals have no obligation to work, but they still have the same incentives to do so. If they work, they will still get a wage (or a part of the value they created) to improve their living standard. The entrepreneur who wants to start his business will still have the same incentives to do so.^[11] The main difference with WSC is that, in a POD, people who took a job just because they had no other choice would have real bargain power allowing them to negotiate the price of their labour. On this point, POD performs even better than WSC, since individuals would take decisions on whether to accept a job (or not) depending on how much can be earned through their labour – i.e. depending on their property incentive - , and not because they have no other choice.

It could be opposed that a POD would face the same problems of incentives as those associated with a basic income: if people don't *have* to work, they will stop working. To answer this objection, it is important to notice that it lies on the assumption that people work only because they have no other choice, and not because they want to appropriate the fruits of their labour. This assumption therefore has nothing to do with the efficiency justification of private property. The idea that people work because they have no other choice is not an argument used to legitimate private property rights. It might be one of the worst Machiavellian arguments in favour of a capitalist economy, but it is not what is discussed here. I am not denying that in a POD important changes in market conditions would occur, and that a part of the population would probably exit the labour market, but what I want to emphasize here is that if we consider that private property, and not economic necessity, generates a structure of incentives able to produce economic efficiency, this structure of incentives is maintained in a POD.

Moreover, there is another point I can only mention here that supports the claim that a POD would better fulfil the requirements of the efficiency argument than WSC. As Freeman and many others have highlighted, a POD constitutes an adequate economic context for the development of a cooperative economy (Freeman, 2007, pp. 219–232). The main feature of a cooperative company is that its productive capital is owned by the workers of the company: the workers are the share-holders of their company and therefore share among them the profits generated by this capital according to one or another maxim of distribution. Besides its virtuous effects on education and democratic ethos, the cooperative economy puts an end

11 Until the point where he earns so much that the state taxes him more than what he would have been taxed in WSC.

to the division of society between the owners of capital on one side and those who own nothing but their labour on the other, since the owners are the workers. Just like in a cooperative economy, a POD could implement a “widespread ownership of capital and other means of production, whether by individual workers, unions, corporations, and so on, with perhaps varying degrees of worker participation and democratization of management” (Freeman, 2007, p. 220). The point is that it is difficult to imagine an economic system where private property acts more like an incentive than a cooperative economy. As JS Mill pointed out, in a cooperative the worker has a strong interest to exert himself, to be innovative, and to acquire the skills needed to participate in the management of the company as he will have a fair part of the fruits of his labour (Mill, 1965b, pp. 758–796). The requirements of the efficiency argument in terms of incentives are perfectly met in a cooperative economy, and this economic organization is highly complementary to a POD.

To conclude, I want to assess the general effect of a widespread ownership of property on individual incentives by balancing its negative and positive effects in regard to the efficiency justification. We have underlined that a POD might have a slight negative effect on high-level workers, but that this effect is unlikely to cut all other incentives that motivate these workers. On medium and low class workers, we have concluded that a POD might decrease the “pressure” to work and thereby provoke a decrease in the general labour supply, but that this objection was not relevant in the eyes of the efficiency justification. A POD doesn’t affect the core of its requirements, since a worker or an entrepreneur will continue to appropriate a significant part of the fruits of his labour, just like in WSC. But a POD can also raise new incentives and foster economic efficiency in comparison to WSC. First, a wide diffusion of property will favour access to capital for individuals who face important difficulties to finance their project in WSC, thereby stimulating economic activity. Second, the bargaining power that the worker will gain might cause a decrease in labour supply. But as a side effect it will also on the one hand put a term to many jobs with very low productivity levels in which the workers do the less in order not to get fired, and on the other it will reinforce the incentives of those workers who decide to work. The general effect on efficiency might be frankly positive. Third, a generalized property income would allow many people to invest their income in skills or education. This would also raise the general productivity of the economy. And fourth, if a cooperative economy develops in the context of a POD, workers will have a strong incentive to exert themselves since

they will directly appropriate the value their labour has created. Overall, I think it is reasonable to expect that these positive effects will overcome the slight negative consequences of setting an earned income limit (or wealth-limitations) on the incentives of high level workers.

4. Property and Liberty

The third classical argument to legitimate private property claims that it promotes individual freedom by giving the owner a right of control on the material means of his life and projects. A minimal amount of property gives every individual the means to live a decent life, a security against the “pressure of basic needs” (cf. *supra*), as well as the means of realizing some of his projects. Rawls identifies private property as a basic right for the same kind of reasons:

Among the basic rights is the right to hold and to have the exclusive use of personal property. One ground of this right is to allow a sufficient material basis for personal independence and a sense of self-respect, both of which are essential for the adequate development and exercise of the moral powers. Having this right and being able effectively to exercise it is one of the social bases of self-respect (Rawls, 2001, p. 114).

In a POD, the widespread dispersal of property extends the advantages of owning a property to the vast majority of individuals. If private property is to be legitimate by its positive effects on individual autonomy, a POD clearly better fulfils the requirements of this justification than WSC. Therefore, I won't spend as much attention on this point as to the two others. Instead, I will only make two brief remarks about how a POD can promote individual freedom.

My first remark is that the positive effect on individual freedom of owning property highly depends of what “kind” of property is granted to the individual. Owning a parcel of land, a fixed amount of money, or some shares in the capital of a company you work for obviously has different emancipatory effects. In the idea of “Property-Owning Democracy”, the kind of property that has to be more or less equally distributed is not defined *a priori*. It depends on social representations about what has to be equally distributed and how it can promote a certain kind of freedom. As Ben Jackson points out, early supporters of POD like Harrington and Rousseau “were agrarian and austere critical of commerce and luxury. Such authors

envisaged a community predominantly made up of small-scale agricultural producers, each with sufficient property (i.e., land) to be economically independent of one another and hence independent of each other's wills" (Jackson, 2012, p. 34). With the emergence of the commercial society, this agrarian conception of POD soon appeared "sociologically implausible, not to say anachronistic" (p. 35), and from the works of Thomas Paine, individual independence was thought to be better supported through property in a defined amount of money than in a parcel of land.

For contemporary thought however, the question remains open: it still has to be determined whether individuals in a POD would better receive (or earn?) a share of the global wealth as an (in-)alienable capital, as shares in a company (of which the individual is a part?), or else. A principle on which to judge the advantages of these different types of property might precisely be the kind of freedom they promote: liberty as independence, as non-domination, as autonomy, etc.

Second, the arguments that legitimate the implementation of a basic income by its positive effects on individual emancipation also partly applies to the argumentation in favour of POD. Indeed, when an individual owns an amount of property that allows him to live on his "property income", the emancipatory effects of such a predictable and regular income are similar to those of a basic income. As Meade puts it: "A man with much property has great bargaining strength and a great sense of security, independence and freedom; and he enjoys these things not only *vis-à-vis* his propertyless fellow citizen but also *vis-à-vis* the public authorities. He can snap his fingers at those on whom he must rely for an income, for he can always live for a time on his capital" (Meade, 1964, p. 39).

Of course, the gap with a basic income remains huge. In a POD, property income is neither unconditional nor universal by definition.^[12] Despite these limitations, it is plausible that, thanks to their property income, many individuals in a POD would enjoy more real freedom, since they would have a real "exit option" on the labour market: "there would be no class of workers who were forced to sell their labor power in order to survive. When "exit" is a viable option, the bargaining power of labor is strong. The 'worst aspects of so-called wage-slavery are removed' ([*A Theory of*

12 Although it is possible to imagine a POD in which the distribution of capital would take the form of a "universal capital dotation", taking place at the birth of every child, of such an amount that this property generates a property income allowing each individual to live a decent life. In fact, this universal "property income" would be quiet similar to a basic income (except if this capital is thought as alienable).

justice], p.281)” (Krouse & McPherson, 1988, p. 91). If basic income and POD may have similar effects on individual emancipation, the latter presents the advantage of being presumably more “acceptable” for public opinion: the idea that an individual lives on the income of his property seems less disturbing than the fact of receiving a basic income *without working*. Strategically, POD might therefore be a more reachable intermediary step on the way towards a basic income.

5. Conclusion

In this article, I have presented three classical justifications of private property rights and assessed whether their requirements were better satisfied in WSC or in a POD. Concerning the *labour* justification of private property, I have highlighted that it remained problematically silent on whether the right of *present* or *past* labour has to be considered for judging the fairness of a distribution. I have concluded that if priority is given to *present* labour, a POD better satisfies the requirements of this justification. Then, I have examined the libertarian fear that in a POD, wage limitations and a generalized property income would cut economic incentives and therefore undermine the efficiency of a capitalist economy. But in a POD, as we have seen, individuals have the same kind of incentives as in WSC: they are still granted the main part of the value their labour has produced and therefore have strong incentives to exert themselves. Although slight changes in the general structure of incentives would occur, the core of the argument remains valid, and a widespread ownership of property might additionally have positive effects on productivity. A POD could also promote the rise of a cooperative economy that would give all the workers even stronger incentives by associating them to the profits. In the last section, I have recalled the claim that private property is legitimate because it promotes individual liberty. Since it is rather obvious that POD better satisfies this justification than WSC, I have only made two comments on how different types of property can support different types of autonomy, and on the links between POD and basic income.

The general conclusion to draw is straightforward: 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. The three

classical arguments brought to legitimate private property actually call for widespread ownership of property rather than the concentration of wealth allowed by WSC. However provocative in some ways, this conclusion is not so surprising: it simply stresses that the reasons we have to prefer private property over other forms of property rights should benefit all the members of a society, and not only some of them. Widespread ownership of property better distributes the advantages of owning private property among the members of a society than a system that allows a highly inequalitarian concentration of wealth. It also gives them similar opportunities to appropriate the means of a decent life and to reach higher social positions.

To conclude, I want to stress that the reforms of inheritance law proposed by Meade and Rawls to equalize the ownership of property and move towards a POD are not contrary to the principles that legitimate private property. Especially, Meade's proposal for limiting the accumulated amount of wealth an individual can receive along his life doesn't infringe the principles that legitimate private property (Meade, 1964, p. 57). Such reform of the laws regulating appropriation *without labour* (inheritance, bequest and gifts *inter vivos*) is compatible with the justifications of private property we have examined. It allows individuals to earn more, but only limit the amount they can receive without working. As J.S. Mill points out: "the guarantee to them [the individuals] of the fruits of the labour and abstinence of others, transmitted to them without any merit or exertion of their own, is not of the essence of the institution, but a mere incidental consequence" (Mill, 1965a, p. 208). With the kind of reforms Meade proposed, the owners of large fortunes remain free to decide what they want to do with their property. But, in the name of political equality, they just cannot give it to those individuals that have already been favoured by receiving the maximal amount of wealth from others (or they could do it but at an increasing tax rate depending on the amount the beneficiary had already received). Such a measure is compatible with the principles that ground private property, and would be an important first step towards the implementation of a POD.

Bibliography

- BRETTSCHNEIDER, C. (2012). Public Justification and the Right to Private Property. Welfare Rights as Compensation for Exclusion. In M. O'Neill & T. Williamson, *Property-Owning Democracy: Rawls and Beyond* (pp. 53–74). Chichester: Wiley-Blackwell.
- FREEMAN, S. (2007). *Rawls*. London; New York: Routledge.

- FREEMAN, S. (2013). Property-Owning Democracy and the difference principle. *Analyse & Kritik*, 35(01), 9–36.
- HONORÉ, A. M. (1961). Ownership. In *Oxford Essays in Jurisprudence* (Oxford University Press, pp. 107–147). Oxford: A.G. Guest.
- HSIEH, N. (2012). Work, Ownership, and Productive enfranchisement. In M. O’Neill & T. Williamson, *Property-Owning Democracy: Rawls and Beyond* (pp. 149–162). Chichester: Wiley-Blackwell.
- JACKSON, B. (2012). Property-Owning Democracy : A Short History. In M. O’Neill & T. Williamson, *Property-Owning Democracy: Rawls and Beyond* (pp. 33–52). Chichester: Wiley-Blackwell.
- KROUSE, R., & McPherson, M. (1988). Capitalism, “Property-Owning Democracy,” and the Welfare State. In *Democracy and the Welfare State* (Princeton University Press, pp. 79–105). Princeton: Amy Gutmann.
- LOCKE, J. (1960). *Two Treatises of Government*. (P. Laslett, Ed.). Cambridge: Cambridge University Press.
- MEADE, J. E. (1964). *Efficiency, Equality and the Ownership of Property*. London: Allen & Unwin.
- MILL, J. S. (1965a). *Principles of political economy: with some of their applications to social philosophy* (J-M Robson, Vol. II). Toronto: Toronto University Press.
- MILL, J. S. (1965b). *Principles of political economy: with some of their applications to social philosophy* (J-M Robson, Vol. III). Toronto: Toronto University Press.
- NARVESON, J. (2013). Comment on Tilo Wesche. *Analyse & Kritik*, 35(01), 113–119.
- NOZICK, R. (1974). *Anarchy, State, Utopia*. Oxford: Blackwell Publishers.
- O’NEILL, M. (2009). Liberty, Equality and Property-Owning Democracy. *Journal of Social Philosophy*, 40(3), 379–396.
- O’NEILL, M. (2012). Free (and Fair) Markets without Capitalism. In M. O’Neill & T. Williamson, *Property-Owning Democracy: Rawls and Beyond*. Chichester: Wiley-Blackwell.
- O’NEILL, M., & Williamson, T. (2012). *Property-Owning Democracy: Rawls and Beyond*. Wiley-Blackwell.
- PIKETTY, Saez, & Stantcheva. (2011). Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities. *NBER Working Paper*, (17616). Retrieved from http://eml.berkeley.edu/~saez/piketty-saez-stantcheva12thirdelasticity_nber_v2.pdf
- RAWLS, J. (1999). *A Theory of Justice* (Revised edition). Cambridge: The Belknap Press - Harvard University Press.
- RAWLS, J. (2001). *Justice as Fairness : a Restatement*. Cambridge: The Belknap Press of Harvard University Press.
- ROEMER, J. E. (2013). Thoughts on Arrangements of Property Rights in Productive Assets. *Analyse & Kritik*, 35(01), 55–63.

- RYAN, A. (1984). *Property and Political Theory*. Oxford: Basil Blackwell.
- RYAN, A. (1987). *Property*. Milton Keynes: Open university Press.
- SIMMONS, A. J. (1992). *The Lockean Theory of Rights*. Princeton: Princeton University Press.
- THOMAS, A. (2012). Rawls, Adam Smith, and an Argument From Complexity To Property-
Owning Democracy. *Good Society Journal*, 21(1), 4–20.
- WALDRON, J. (1983). Two Worries About Mixing One's Labour. *The Philosophical Quarterly*,
33(130), 37–44.
- WALDRON, J. (1985). What Is Private Property? *Oxford Journal of Legal Studies*, 5(3),
313–349. <http://doi.org/10.2307/764513>
- WESCHE, T. (2013). The Concept of Property in Rawls's Property-Owning Democracy.
Analyse & Kritik, 35(01), 99–111.
- WILLIAMSON, T. (2012). An Emancipatory Interpretation of Property-Owning Democracy:
Rawls, Wright, Sen, and Politics. *Good Society Journal*, 21(1), 74–89.

[Submetido em 17 de agosto de 2015, re-submetido em 30 de agosto de 2015 e aceite para publicação em 4 de setembro de 2015]