

Property-owning democracy and pre-distribution

Property-Owning Democracy: Rawls and Beyond

Edited by Martin O'Neill and Thad Williamson

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Reviewed by Natan Doron

In the aftermath of the financial crisis, a wave of social democratic parties across Europe suffered heavy election defeats. What is more, social democrats have very few means by which to defend the political economy they oversaw during their time in office. This was particularly pronounced in the UK. A result of this is that it is now accepted wisdom that the Labour Party was responsible for the biggest public financial crisis in a generation. Had the political economy of New Labour been grounded in a coherent sense of justice, the task of defending its record would have been much easier. Indeed, the task may arguably have been avoided.

The opportunity for a genuine paradigm shift in political economy has opened up for the first time in a generation. The vast inequalities, particularly pronounced in the runaway wealth enjoyed by the super rich, have opened up the political space to talk about the nature of capitalism and the limits of markets. This is evidenced by the traction that Ed Miliband's 'responsible capitalism' agenda has enjoyed in the last 12 months. But to really drive this paradigm shift, the left must return to power. To return to power, it is essential that the story of *how* politics can once again deliver a better society be underpinned by a strong sense of *why* it should in the first place. After 15 years of withdrawing from an articulation of the good society, it is necessary now for social democracy to draw on notions of justice in making the case to govern again.

In such a context, *Property-Owning Democracy: Rawls and Beyond* is an important contribution to the debate. The editors take as their starting position the work of American philosopher John Rawls. Rawls is most famed for his theory of justice as fairness. This theory is arrived at by a hypothetical contract between persons who know nothing of their identity in designing principles of justice, thereby arriving at principles that all could accept as fair. Drawing on Rawls's later work, O'Neill and Williamson explore the kind of political economy that would be favoured under Rawlsian principles of justice. In doing so, they take on the assumption that Rawls was merely a defender of 'welfare state capitalism' (WSC) (the name given to the current economic settlement in the UK and the United States) and argue that he favoured a system termed 'property owning democracy' (POD). This term is derived from the work of Nobel Prize winning British economist James Meade.

POD is outlined as a socioeconomic system with three central aims:

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- 1) The wide dispersal of capital
- 2) Blocking the intergenerational transmission of advantage
- 3) Safeguarding against the corruption of democratic politics

The idea of POD is that these aims are not primarily achieved by redistributing the proceeds of growth at the end of each period through taxing income, but rather by stopping concentrations of wealth building up in the first place. In this sense, POD can be thought of as the inspiration for the 'pre-distribution' buzzword currently doing the rounds in Westminster (see also O'Neill and Williamson, 2012). This book therefore represents the most detailed exploration of the philosophical, institutional and political implications of pre-distribution to date.

So what does pre-distribution entail according to this collection? Well, it depends on which chapter you go by, but it broadly consists of increasing rates of taxation on inherited and unearned wealth to fund a much larger version of the child trust fund brought in under New Labour. Williamson's chapter on a 20-year strategy for creating a POD suggests a figure of \$50,000 for each child made up of a mix of money, shares and access to funds for property acquisition. These assets would not be available all in one go but would instead be available to adults at different stages of their lives.

To many *Renewal* readers, some of these ideas may sound familiar. Indeed, Ackerman and Alstott outlined similar ideas in *The Stakeholder Society* (1999). David Nissan and Julian Le Grand proposed a more modest fund of £10,000 in a Fabian Society pamphlet in 2000.

Whilst the idea is not new, it is arguably one whose time has come. The growth in inequality and the squeeze in living standards now facing people have underlined the sense of diminishing returns that citizenship in countries such as the UK and the United States now offers. Furthermore, the rooting of such an agenda more explicitly in principles of justice speaks to a public hunger for such ideals that was perhaps not present in the pre-crash *zeitgeist* of 2000.

Despite the timeliness of the idea, there remain a host of unanswered questions. To its credit, the collection does well to try and answer some of these. Firstly, such an agenda says very little about the nature of work under such a system and indeed POD makes few demands of government interfering in the functioning of markets. A host of chapters (particularly David Schweickart's contribution) argue that POD alone would be insufficient for furthering an equality agenda without addressing greater democracy in the workplace. Other important questions provoked by the pre-distribution agenda are its implications for childcare and gender equality. The chapter by Ingrid Robeyns is useful in this regard.

For some the language of POD is in itself a major turn-off as it instantly brings to mind the policies of Margaret Thatcher, particularly the sale of public housing stock. But one of the functions of this book is to offer the evidence for why there is an argument in favour of POD from the left. The chapter by historian Ben Jackson is very strong here as it explores the historical traditions of POD as an idea that has held currency at different times and in slightly different senses across the political spectrum in British politics.

Some may see this as proof that a POD agenda is 'ceding political ground'. But surely as long as the aims of the agenda are sufficiently progressive, the cross-party appeal is only evidence of the vast potential for public acceptance of it? This point is validated in the chapter by Gar Alperovitz. He suggests that the limitations of WSC in delivering solutions to perceived injustices mean that the very radicalism of POD might be the key to it garnering broad public appeal.

A criticism of POD and of political liberalism more generally is that it does not do enough to engage with the politics of identity and democratic participation. Stuart White's



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chapter is a good contribution in this respect and he makes a compelling argument that a fully realised POD would require a more demanding concept of citizenship than current WSC. This would be to avoid what he calls (drawing on Tocqueville) the 'illusion of self sufficiency' that arises in advanced economies. This illusion suggests that as people prosper in advanced economies, the socially produced infrastructure on which they rely is often invisible and may appear to them as 'natural'. This breeds diminishing support for re- (or pre-) distributive measures. White's argument is powerful as it offers a reflection on the kind of politics and the lived experience that an egalitarian conception of POD would require.

Martin O'Neill's chapter delves deep into Rawls's critique of WSC before making the progressive case for POD. O'Neill divides his discussion of Rawls's critique of WSC into three sections. Firstly, WSC permits concentrations of wealth that prohibit the fair distribution of political liberties. Secondly, such concentrations of wealth mean that WSC cannot do enough to achieve proper equality of opportunity. Finally, WSC fails to guarantee a principle of reciprocity. By being over-reliant on redistribution through welfare, WSC can only offer a basic social minimum to the disadvantaged. This works to divide society and does not recognise the shared production of wealth in society. O'Neill suggests that it is on this principle of reciprocity in society where Rawls would argue POD is most useful in terms of policy prescriptions.

This chapter is one of the most intriguing of the book because it challenges the left to reflect more critically on the limits of WSC. This is a huge test given the strong attachment that the left traditionally has to the welfare state. But recognising the kind of limits outlined in this book may be the key to any attempt to reframe the current debate with the Conservative Party about the growing welfare bill. Crucially, whilst POD as conceptualised in this collection could support a commitment to cut welfare spending, it would also require increased taxation to fund a wider distribution of wealth. By embracing the Rawlsian critique of the welfare state, could the left earn a hearing to address the grotesque concentration of assets at the top of society?

Much of the Labour Party's language on the welfare debate has been opposed to cuts to the welfare bill. This is absolutely justified in terms of the short-term impact that Coalition policy is having on a long list of agendas, including gender equality, child poverty, and many more. Whilst highlighting the impact that Coalition welfare policy will continue to have, there is also an opportunity to use some of the thinking exhibited in this collection to reframe our way out of WSC into a socioeconomic approach that actually fulfils our aims as social democrats. The precise content of these aims may perhaps be the territory of fierce debate, but such debate can only be enhanced by reflecting on principles of justice.

Looking back at the New Labour project, it is the rise in inequality and the accompanying charge of injustice in the way the economy functioned for the majority of people which are the hardest to swallow. It is therefore encouraging that debates about a new political economy for modern social democracy are gathering momentum (a lot of it happening in the pages of this journal).

So that social democracy avoids repeating the mistakes of the past, this new political economy must be grounded in discussions about justice. We should not only seek to deliver justice in the functioning of our economy, but we should also be able to draw on the rich tradition of egalitarian political theory in defending what we do. It is in this context that *Property-Owning Democracy: Rawls and Beyond* represents a timely and important piece of work.

A serious engagement with the ideas presented in this book would call for a real paradigm shift in how the left approaches questions of politics and social policy. It demands a critical reflection on our historic connection to the welfare state. This does not mean abandoning welfare policy. But it means asking ourselves to think harder about the





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rules of the game that we really want to play. We must question some of the assumptions that underpin our approach to political economy. Opposition provides the Labour Party with an opportunity to do this. Get it right, and instead of just talking about the injustice of inequality, we will earn the mandate to radically and effectively do something about it.

Natan Doron is a Senior Researcher at the Fabian Society.

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'Predistribution', property-owning democracy and land value taxation. Article (PDF Available) in *Politics Philosophy & Economics* 15(1) March 2015 with 123 Reads. How we measure 'reads'.
Property-Owning Democracy: Rawls and Beyond features a collection of original essays that represent the first extended treatment of political philosopher John Rawls' idea of a property-owning democracy. Offers new and essential insights into Rawls's idea of "property-owning democracy" Addresses the proposed political and economic institutions and policies which Rawls's theory would require.
The distribution of wealth is currently so skewed that the stakeholding fund could be financed by an annual tax of two percent on the property owned by the richest forty percent of Americans. Likewise, the dichotomy between property-owning democracy and the welfare state should not be overblown. Fully developed property-owning democracies, such as traditional welfare states, require familiar features such as universal health care, unemployment insurance, income support for the poor, subsidies for child care, and high-quality public education.
Beyond the welfare state Property-owning democracy aims at an entirely different strategy: achieving a greater degree of equality in the pre-tax economic distribution.
Property-owning democracy provides one serious alternative—one with the potential to appeal to a majority of citizens who would benefit from a systemic redistribution of the extraordinary concentration of wealth. *Property-Owning Democracy: Rawls and Beyond*. Edited by Martin O'Neill and Thad Williamson. WILEY-BLACKWELL, 2012. In the aftermath of the financial crisis, a wave of social democratic parties across Europe suffered heavy election defeats. What is more, social democrats have very few means by which to defend the political economy they oversaw during their time in office. This was particularly pronounced in the UK. A result of this is that it is now accepted wisdom that the Labour Party was responsible for the biggest public financial crisis in a generation. Had the political economy of New