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## *Edmundson on Neo-Liberalism: Towards a 'Left Rawlsian' Political Economy*

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A frequently heard complaint against use of the term 'neo-liberal' is that it has been pressed into service so many times, by so many interests and in so many different contexts that has become practically meaningless. One of the great merits of William Edmundson's work is that it captures the core sense of the term with precision, such that we ought not to hear that complaint repeated (Edmundson 2018). For Edmundson, neo-liberalism is a form of liberalism that drops any form of 'fair value guarantee' for the basic liberties. Just as freedom of speech is practically more valuable to Rupert Murdoch than it is to me, given that Murdoch owns a media conglomerate; just as freedom of movement is practically more valuable to Murdoch than it is to me, given that he has a private jet; so our political liberties ought to be, for the neo-liberal, of greater practical value to Murdoch than to me. If permissible inequalities impact on the value of a liberty to a person that is not an issue within the scope of the theory of justice: we simply, the neo-liberal urges, have to accept it.

To put the issue in terms made familiar by John Rawls, this contrast is between a liberty and the worth of that liberty (Rawls 1971/1999). For the political liberties alone, viewed as the 'gatekeeper' to the other liberties, Rawls urged us to issue what he called a 'fair value guarantee'. In his own work, and in my complementary work, Edmundson has stressed the importance of this requirement, constitutionally secured, for any defensible liberalism (Edmundson 2017; Thomas 2017). Otherwise our liberalism is, indeed, just as Marx claimed, a fatally compromised liberalism in which merely formal equality before the law is made practically ineffective by the material inequality that liberalism also permits (Rawls 2007). Where the neo-liberal urges that we remain relaxed about inequality and its impact on political liberty, Marx urges that we ought to be concerned. Rawls came to believe, as his career developed, that Marx had the better of this argument – and Edmundson and I, in spite of our mutual differences, agree with Rawls on this key point (Rawls 2001; 2007).

Edmundson is equally clear that neo-liberalism is a form of liberalism: it recognizes fundamental rights, gives a formal sense to the value of fair equality of opportunity and has a distributive principle in the form of a principle of average utility. Given that Rawls's reflections are always conducted in a way resolutely internal to our traditions of inquiry, he knew that this is a serious challenge to his own view. Indeed, it is its closest competitor which receives extensive scrutiny in *Justice as Fairness: A Restatement* (Rawls 2001). The arguments for and against these two views are, in Rawls's opinion, closely balanced – a point that Edmundson brings out in his treatment of this debate (Edmundson 2017).

If neo-liberalism is not, then, a form of blind allegiance to the market, no matter what the outcome, but rather a principled commitment to seeking those institutional forms that best realize the goals of a form of philosophical utilitarianism, then of what

may we convict the neo-liberal? (Skorupski 2000). Edmundson seems to suggest: of an illicit trade-off between the values of citizenship and material prosperity. When he imputes a motivation to the neo-liberal, it is that accepting that we ought not to guarantee the fair value of political liberty is a means to realizing a deeper purpose of producing the most value, overall. The implication is that economic efficiency, in the sense of Pareto-optimal outcomes, makes a compelling case for neo-liberalism such that any form of liberalism that introduces a fair value guarantee will compromise that outcome. Indeed, there are arguments in the literature that claim that economic efficiency speaks, here, with one voice: that there is ‘orthodox Rawlsianism’ and a rival view that more clearly secures the prosperity that will, in turn, secure the neo-liberal’s values via market mechanisms (Brennan 2007; Tomasi 2012).

My own view is that interpretation of the motivation for neo-liberalism rests on false empirical assumptions. There is more that we can say about the neo-liberal position, namely, that it is reckless, or indeed negligent. It is reckless, if it knowingly takes a risk of which it is aware, or negligent if it takes a risk of which it ought to be aware. In either case, we ought not to cede the economic efficiency argument to the neo-liberal with no further argument. There is a compelling economic case to be made for ‘Left Rawlsianism’ of the kind that both Edmundson and I defend that demonstrates that the demands of justice and efficiency are, as Rawls claimed, convergent with each other (Thomas 2017, chapter two).

Before turning to that argument I think it is helpful to examine the normative disagreement between the Left Rawlsian and the neo-liberal over the value of citizenship. The political theorist Jeffrey Edward Green has recently complained that even the best form of liberalism condemns the citizens of a nation-state to living under what he calls ‘the shadow of unfairness’ (Green, 2016). I think Green is wrong about this, but precisely because he has not taken advantage of the insight central to Edmundson’s paper. Edmundson shows the centrality, to Rawls’s late thought, of a constitutional guarantee for the fair value of political liberty and the way in which neo-liberalism seeks to dispense with it. Green unfortunately does not discriminate between a liberalism to which the fair value guarantee is central, and the forms to which it is not, but that does not mean that there are not insights in Green’s book upon which one can draw to explain what is wrong with the neo-liberal’s insouciance about fair value.

When Green complains that liberalism condemns us to a second class form of citizenship comparable to that of the plebeians of Ancient Rome, in which the majority of citizens are passive consumers of a theatricalized, debased, version of democratic politics, it is important that his claim is contrastive. ‘We’ are second class because an elite of us are not. While most of us are passive consumers of politics, some are, indeed, ‘players’ on its theatrical stage. Green is forthright that, given what we know about the nature of the political process, this is a privilege of the wealthy or those who represent the interests of the wealthy. Observers of recent American politics are drawn to the analogy with Ancient Rome precisely because the disparities in wealth between the political class and ordinary citizens are now so extreme that this seems to be the only appropriate analogy (Winters 2011).

As I have already noted, this ought not to be framed – as Green frames it – as an indictment of all forms of liberalism. It is, rather, an indictment of those forms of liberalism that do not guarantee the fair value of political liberty because of a naïveté about that which Edmundson calls ‘the fact of domination’. That fact is an entrenched ‘law and tendency of the social world’, as Rawls puts it, that the wealthy tend to interfere in the competitive and contested space of the political to further their own interests. Certainly, not all wealthy people, and not as a result of explicit collusion, but simply as a result of convergent material interests; Thomas Piketty calls this the ‘drift to oligarchy’ (Piketty 2014).

The neo-liberal, as Edmundson construes her position, is insouciant about the ‘shadow of unfairness’. It suffices, from her perspective, that a person retain formally adequate political rights guaranteed by law: at its most minimal, the right to vote and the protection of that right from outright fraud. All other aspects of the political process can be left to the determination of those for whom their political liberties are of more value. They are of more value, because the scheme of distribution that the neo-liberal accepts is relaxed about high levels of inequality provided the worse-off meet some minimal decent standard of living. Further increases in inequality that leave that ‘floor’ intact are not only desirable, but on Paretian grounds, mandatory. If, in the context, this inequality creates political risks that we can reasonably predict (in the light of the fact of domination) will be seized, that is a risk to which the neo-liberal is insensitive – I would argue, either negligently or recklessly. The historical record speaks for itself.

From this perspective, it is normatively irrelevant if one class of citizens – presumably, numerically a very large class – has formal political rights under the law that go no further than voting. A much smaller class – the class of the very wealthy – in Michael Walzer’s terms leverage their economic power into social and political power ‘across the spheres of justice’ (Walzer 1983). They do so via agenda setting, either by controlling the media or by flooding political communication with their own messaging to swamp rival views, controlling access to office by providing funding or, indeed, running for office themselves. At this point we run up against the delicate issue of political corruption. At least in the political history of the United States since *Buckley v Valeo* (1976) not only has any attempt to offer any guarantee of the fair value of political liberty been deemed unconstitutional, furthermore only the most egregious cases of quid-pro-quo bribery have been declared illegal at all (Kuhner 2014).

I am not accusing the neo-liberal of being in favour of corruption. It is, after all, a normative and indeed liberal view. It is simply reckless at to the risks it takes when distributive questions are not directly represented in the view (being modelled simply by the law of diminishing marginal utility) and when comparative wealth is not a normative issue at all.

My main objection to neo-liberalism, then, is nothing inherent to its content. It is, rather, pertinent to its neglect of the likely consequences of its own implementation and this has a bearing on what Rawls would call its stability: its ability to reproduce itself over time for the right reasons. All of this points to several paradoxes about what one might call the ‘actually existing’ neo-liberalism of our own affluent societies in the West: the first

is that it directs us to the state versus market distinction and yet actually existing neo-liberalism seems equally comfortable with existence of the large-scale corporation and its co-option of an expansive state (Galbraith 2008). There seems, then, a significant mismatch between neo-liberal rhetoric and neo-liberal reality (Crouch, 2011). Secondly, neo-liberalism has been most successful as a trans-national project intended, as Hayek foresaw, as a bulwark against the compromising of the free market by domestic working class opposition. It is as a form of technocratic, elitist, theory of trans-national governance that neo-liberalism has been most successful in the modern world (Slobodian 2018). Both of these points would take more scope than I have here for a full investigation; I want to focus on Edmundson's suggestion that neo-liberalism is motivated by an argument from economic efficiency. Edmundson imputes this argument to the neo-liberal: the second class status of the great majority of citizens – an extensive shadow of unfairness – is justified by the overall prosperity that it brings in aggregate.

One can assume, with Rawls, that a liberalism that took the fact of domination seriously would put in place a guarantee of the fair value of political liberty and that this would have both pre-distributive and re-distributive effects. By contrast, under neo-liberalism, a class of the wealthy will have more political influence than the majority of citizens and it is only reasonable to expect that they will exert pressure on the political process in their own interests.

From the neo-liberal perspective, the better off in society remain committed to the democratic process, but that commitment is compatible with shaping policy towards the interests of the better off. Under this pressure, state policy will be channelled in two directions: towards the creation of rent-seeking opportunities for the large private corporation and towards the dismantling of universal social protections and the opting out of the wealthy from the provision of public goods. That is because, as James Kenneth Galbraith once put it, the known facts of actual inequality send social signals (Galbraith 1998). The wealthy can reasonably surmise that public pension, healthcare and infrastructure are not necessary for them. They will be allowed to withdraw from public provision, or to contribute to it at a substantially discounted rate. The result will be a dual, or treble, welfare state: tax breaks for the wealthy, corporate welfare for corporations, and a residual welfare state for the (stigmatized) poor (Hacker 2002; Faricy 2015).

The taxation of the wealthy will, predictably, be shifted away from wealth taxes (or inheritance taxes) towards the taxation of income in ways that can be endlessly contested, and which in any case does not matter much in the case of people who earn a significant proportion of their income from capital gains, dividends, and rents.

Macroeconomic policy will be tilted away from securing full unemployment, that is viewed as occurring at a 'natural rate' that falls beyond the scope of policy, towards inflation targeting (Galbraith 1998). This is represented as a largely technical project put in the hands of a central bank (the same bank that participates in the trans-national, globalized, version of the same project). Macroeconomic policy will protect the asset holder at all costs; the wealthy, being insufficiently taxed, will actually be a resource for government borrowing and the joint goal of fighting inflation and protecting the asset holder will see "tight money" and high interest rates.

‘Privatised Keynesianism’, as Colin Crouch calls it, will see most money creation taking place in the private in an increasingly financialised economic system (Crouch 2011). Given the tilt of economic policy towards anti-inflation measures while tolerating unemployment, with no inherent concern with levels of inequality, the only meaningful policy lever available to a central bank is the regulation of the amount of credit. But this regulation is, necessarily, indirect with the state paying a seigniorage fee to the private institutions that are the primary money creators (Hockett and Omarova 2017). As the dispensing of the sovereign’s ‘full faith and credit’ is increasingly disconnected from state oversight, so the financial sector becomes detached from productive activity in the economy and a major source of rent. Indeed, the large-scale corporations with which the neo-liberal is equally comfortable will go to financial markets not to fund productive activity – they can manage that with retained profits – but to participate in this rent seeking bonanza (Lothian 2017).

Parallel to these macro-economic issues, the distinct class of the very wealthy will trigger intra-class competition for positional goods (Frank 2007). This is another aspect of the social signalling of known wealth. While we know that the wealthy have some concern for goods that are not relevant to the consumption preferences of most citizens – expensive boats and jewellery, for example – this positional competition extends to the goods of social mobility, which certainly do. Privatised healthcare, education and access to housing that acts as the gateway to social esteem and educational opportunity spread positional competition outside the boundaries of the class of the wealthy. The ‘middle class’, committed to carrying the heavy load of paying for the transfer state now that the wealthy have opted out (via a reduced proportional commitment) have to compete for the inflated value of these positional goods: easy credit comes to the rescue (Galbraith 1998; Drennan 2016).

Taken in the round, all of these features add up to a recipe for macro-economic destabilization (Galbraith 1998; 2012). Positional competition between the wealthy and the eclipse of public goods (except as shoddy compensation for the truly excluded) generates ‘demand pull’ inflation (Minsky 2013). The whole process of positional competition is, as Robert H. Frank points out, economically nonsensical as the same level of competition would occur, at the same relative ‘strengths’ for each competing party, if the entire wasteful side effects of the competition were taxed away (Frank 2016). Yet since these contests are grounded on the emotions connected to social esteem, we have known from the time of Veblen that the waste is the point. (Several carriages and more servants than you need are not on conspicuous display for economic reasons alone.)

The positional competition, the impinging of this competition on the goods of social mobility, the macro-economic limitations of the both the goals and the methods of the central bank point towards an unstable macro-economic cycle of asset inflation, crashes, and subsequent debt overhang (Galbraith 1998). Given that, while all asset holders are affected by a recession, it is the better-off amongst them whose assets are more broadly distributed, who more strongly steer policy outcomes and who are better placed to take advantage of the next upturn in the cycle, the process is entrenched. That which Robert Solow – reflecting on Piketty’s work – calls the ‘rich gets richer dynamic’

entrenches itself over time (Solow 2014). The result of a sequence of unstable economic cycles is capital wastage; but some capital ‘sticks’ to those capital holders with most at stake in perpetuating this economically unstable process in the long run.

Can the neo-liberal reasonably be represented as in favour of these outcomes? I think not, but it is equally unclear how she intends to avoid them. That is why I have represented my charge as one of recklessness. My point is that the neo-liberal ought not to be allowed to get away with the claim that we ought to accept the shadow of unfairness because we will receive the compensatory reward of material prosperity through economic growth. Some will gain – repeatedly – over the very long run as democracy is hollowed out by oligarchic practices to which the neo-liberal is unfortunately indifferent. The good news is that I believe, with Edmundson, that the very same policies that constitutionalise the fair value of political liberty are also the same policies that will either produce inclusive prosperity or at least make for a fair and sustainable society if exogenous constraints on growth cannot be overcome (Galbraith 2014). (Or if we elect not to overcome them as a positive choice.) The macro-economic evidence is clear: Left Rawlsianism is not only the correct normative view; there is a compelling economic case for it, too.

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