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Social Justice and Economic Systems: On Rawls, Democratic Socialism, and Alternatives to Capitalism

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ABSTRACT

This essay is concerned with the question of what kind of economic system would be needed in order to realise Rawls's principles of social justice. Hitherto, debates about 'property-owning democracy' and 'liberal socialism' have been overly schematic, in various respects, and have therefore missed some of the most important issues regarding the relationships between social justice and economic institutions and systems. What is at stake between broadly capitalist or socialist economic systems is not in fact a simple choice in a single dimension, but rather a range of choices across a range of different dimensions. This essay, then, has a dual objective: firstly, it aims to provide a richer account of this normative territory, while showing how issues of economic democracy, decommodification and the limits of markets, and the role of democratic economic planning, all raise questions of justice that are not well-captured by focussing only on questions of ownership. Secondly, it aims to show how the case for democratic socialism can be developed from Rawlsian foundations, in a way that is sensitive to the normative affinities between Rawlsian liberal egalitarianism and themes in socialist political thought, and which attends carefully to the different kinds of institutional elements which a stable, just, and democratic society would require. Taking these aims together, the hope is that we can move onwards to a richer debate about the ways in which the realisation of democratic socialist institutions may be seen as a requirement of social justice.

The question of what economic system would best realise a just society is one of the central questions of political philosophy. It is also a question of overwhelming practical significance. Should those of us who would hope to bring about a just society be looking towards a suitably reformed version of capitalism, or should our eyes instead be fixed on the goal of replacing capitalism with socialism? To be able to answer this question satisfactorily would be at once both to attain knowledge of philosophical value, and to gain a valuable orientation for our lives in the world as democratic agents, and as citizens of our various societies.

John Rawls's account of social justice provides us with a powerful way of thinking about which economic institutions we should support, or which we should seek to bring into existence where they do not yet exist, and about how we should want those institutions to fit together into an overall economic regime. More particularly, Rawls's account of justice approach provides us with the normative and conceptual resources for navigating our way through the choices to be made between capitalist and socialist economic institutions. Nevertheless, as I shall argue below, much needs to be done in clearing the ground for this work, in order to address these questions in a sufficiently rich way. Rawls's own approach in moving from the theory of social justice to the assessment of economic institutions and economic systems, which was often suggestive and insightful, was in some regards also obscure and confusing. By addressing some of the weaknesses of Rawls's discussion of economic questions, and finding a clearer way of organising the central issues at hand, the underlying potential of Rawls's theory for assessing the merits of capitalist and socialist forms of economic organisation can be more fully realised. This will be a large project, and a collective one, not least because both the question and thereby also its answer is in some respects more complicated than it is sometimes assumed to be. But I hope that in what follows I can at least propel that project forward, and show some of the power

and potential of a Rawlsian approach to thinking about the ways in which our economic institutions would need to be transformed as a precondition for creating a just society.

The essay has the following structure. In Section 1, I consider Rawls's candidate economic systems for moving beyond standard forms of capitalism, specifically the regimes which he labels "property-owning democracy" and "liberal socialism", considering what is at stake between them, and how each of them might relate to traditionally socialist demands for forms of economic democracy. Section 2 examines the contrast between two ways of thinking about economic regimes, and examines the case, developed from the work of James Meade, for considering a version of liberal democratic socialism that is quite different to Rawls's version. Section 3 considers the question of the borders of the market economy, and examines the relationship between Rawlsian principles of justice, and the socialist demand for decommodification and the abolition of markets in important areas of social life. Section 4 looks briefly at the relationship between social justice and economic planning, and considers some of the different ways in which the economy can be made more democratic, at different levels and by various institutional means. Section 5 concludes with some reflections on where this discussion leaves us with regard to charting the relationship between social justice and economic systems, and considers the variety of ways in which the case for democratic socialism can be made.

§1. Beyond Capitalism: Liberal Democratic Socialism and Property-Owning Democracy

In a way that is now reasonably well-understood, but which was not readily apparent to many of his early readers, John Rawls was comprehensively dismissive of what he called "welfare-state capitalism", that is, of the familiar forms of capitalist economic organisation, even when accompanied by relatively high levels of redistribution. Rawls argued that capitalist welfare states fail to guarantee either the fair value of citizens' political liberties or fair equality of opportunity as, given the scale of background inequalities in the ownership of property, "the control of the economy and of much political life rests in few hands" (Rawls 2001, 137-8; O'Neill 2012, 77-78). He also held that familiar forms of capitalist welfare state, while they might be able to guarantee a "decent social minimum covering the basis needs" (Rawls 2001, 138) would be incapable of institutionalising a sufficiently egalitarian standard of distribution, failing to recognise a "principle of reciprocity to regulate economic inequalities" (Rawls 2001, 138), such as the difference principle.¹

In short, Rawls held that familiar forms of capitalism are multiply, systematically unjust. Indeed Rawls held that even the comparatively generous capitalist welfare states of the post-war era were deeply unjust. In a 1973 exchange with Brian Barry, who had charged him with thinking that the United States in that period was "nearly just", Rawls's withering response was that "I would find it very difficult to see how anyone who has lived in this country for the past decade or so could think that it is a just or nearly just society as I define justice."² If this was Rawls's view even in 1973, before the dismal acceleration of inequalities of income and wealth during the 'neoliberal' period from 1980 onwards (on which see Piketty 2014), then his judgement that

¹ One can add here that really-existing capitalist welfare states often fail even to meet this lower standard of providing for a decent social minimum. In O'Neill 2012, I put some pressure on Rawls's claims that the capitalist welfare states need be incapable of realising fair value of the political liberties or fair equality of opportunity. For an argument that a suitably radical form of the universal welfare state – i.e. on the Nordic model – could overcome Rawls's criticisms, see Schemmel 2015.

² John Rawls, response at APSA roundtable, September 1973, pp. 6-7, Box 24, Folder 10, John Rawls papers, Harvard University archive. Quoted in Forrester 2019, 126.

the reality of capitalism is characterised by systematic injustice seems an even more secure assessment in 2020. Indeed, the fact that Rawls was at pains to emphasise this aspect of his thought more fully in the writing of the latter part of his life should comprehensively eradicate the tired and inaccurate accusation that Rawls, or the tradition of liberal egalitarian thought to which his work gave rise, is in some ways concerned with providing an apology for the *status quo*.

It is not the task of this essay to interrogate Rawls's rejection of capitalism, which we may for the purposes of this discussion simply accept, but to consider the prospects of alternative economic systems. What did Rawls think should take the place of capitalism? In *Justice as Fairness: a Restatement*, he gave an all-too-brief sketch of "the kind of background institutions that seem necessary when we take seriously the idea that society is a fair system of cooperation between free and equal citizens from one generation to the next" (2001, 136). His answer was that there were two possibilities, property-owning democracy and liberal democratic socialism.³ Both are economic systems conceived with the direct intention of satisfying the demands of the principles of justice. Unlike welfare state capitalism, which has existed in various versions in various times and places, neither property-owning democracy nor Rawls's version of liberal socialism has existed in reality; instead they are 'ideal types' that we may hope to realise under propitious political and economic conditions. Both are designed to have the elements that any economic system would need to have in order to create and sustain a just society:

"Both a property-owning democracy and a liberal socialist regime set up a constitutional framework for democratic politics, guarantee the basic liberties with the fair value of the political liberties and fair equality of opportunity, and regulate economic and social inequalities by a principle of mutuality, if not by the difference principle." (Rawls 2001, 138)

I have discussed property-owning democracy in detail elsewhere (O'Neill 2009, 2012; O'Neill and Williamson, 2009, 2012), but let me simply present its main features here. A property-owning democracy would involve institutions and policies designed to achieve three central aims:

- (a) Wide dispersal of ownership of productive capital;
- (b) Prevention of the intergenerational transmission of unequal advantage;
- (c) Safeguards against the "corruption" of democratic politics (see O'Neill 2012, 80-1)

Much less has been written about Rawls's version of liberal socialism than has been written about this model of a property-owning democracy. There are a number of reasons for that, not least of which is that this reflects the balance of attention that Rawls himself gave to his two proposed economic systems. In consequence, the idea is not very well understood, and it would therefore be worth going through the Rawlsian idea of liberal socialism carefully, marking its relationship to property-owning democracy, and to other potential economic regimes.

Like property-owning democracy, liberal socialism is an idea regime type, explicitly designed to realise Rawls's principles of justice. Just as Rawls is keen to emphasise the differences between property-owning democracy and either *laissez-faire* capitalism or welfare-state capitalism (Rawls 2001, 136-8), so too he is at pains to emphasise the differences between liberal socialism and "state socialism with a command economy" (2001, 136). Here is what Rawls says about this other kind of socialist regime, closer to the actually-existing state regimes

³ Rawls sometimes talks of "liberal socialism", at other points of "liberal (democratic) socialism" (2001, 136).

of the Soviet Union and former Eastern Bloc, which he rejects and which he seeks to demarcate from the kind of socialism that he endorses:

“State socialism with a command economy supervised by a one-party regime violates the equal basic rights and liberties, not to mention the fair value of those liberties. A command economy is one that is guided by a general economic plan adopted from the center and makes relatively little use of democratic procedures or of markets (except as rationing devices).” (Rawls 2001, 138)

Rawls makes it clear that liberal socialism, in contrast to some of the actually existing non-capitalist regimes of the twentieth century, is fundamentally a liberal democratic society, with the protection of rights and liberties, including freedom of occupational choice, and with the protection of the fair value of political liberties. It is explicitly *not* a command economy: there is not a comprehensive or general “economic plan” imposed by central government. Hence, criticisms of liberal socialism that make the mistaken assumption that socialism must involve a centralist form of detailed general planning do not manage to hit their target.⁴ The contrast with the rigid central planning of a command economy is instructive here: Rawls draws the contrast in terms of a command economy failing to make use of either democratic procedures (presumably at a more local level and not merely “adopted from the center”), or market mechanisms. The clear suggestion is that liberal socialism can make use of both democratic and market-based procedures within economic life, and thereby avoid the need for complete reliance on the kind of centralist economic planning characteristic of a state socialist command economy.

Nevertheless, it would be premature to imagine that a liberal socialist regime would somehow have no scope whatever for central planning. After all, plans for the development of, for example, national infrastructure or research and development strategies, or plans for providing public goods such as healthcare, education, and environmental protection, are often characteristic even of capitalist welfare states, and if *some* degree of central planning can be expected even in capitalist economies, it would be perverse to think that liberal socialist economies would see no role for macro-level planning decisions to be made from the centre. So the force of Rawls’s contrast between these contrasting varieties of socialism should be understood without being over-stated: it is not that liberal socialism is inconsistent with any degree of direction of the economy from the centre, but rather that this planning need not rise to the level of presenting a “general economic plan”, and is consistent with the widespread use of both democratic and market mechanisms in directing economic activity.

Now that we have a clear sense of how liberal socialism differs from state socialism with a command economy, how does it vary from its much closer cousin, property-owning democracy? As we have seen, both are constitutional regimes designed to bring the principles of justice into realisation. The main difference, unsurprisingly, turns on the background question of ownership of productive assets:

“While under socialism the means of production are owned by society, we suppose that, in the same way that political power is shared among a number of political parties, economic power is dispersed among firms, as when, for example, a firm’s direction and management is elected by, if not directly in the hands of, its own workforce. In contrast with a state socialist command economy, firms under liberal socialism carry on their activities within a system

⁴ On this basis, one can reject the main criticisms of liberal socialism advanced by Kevin Vallier in his article in the current issue of this journal (Vallier 2020).

of free and workably competitive markets. Free choice of occupation is also assured.” (Rawls 2001, 138)

The fundamental contrast between property-owning democracy and liberal socialism, then, is that whereas the former regime “allow[s] private property in productive assets” (2001, 139), under liberal socialism ownership of productive assets is socialised. Worth noting immediately is that Rawls does not say here that the means of production are owned by the *state*, but rather that they are owned “by society”. This opens up quite a space of possibilities, as there may be many different varieties of social or public ownership: whether state-level ownership, ownership by local communities or municipalities, or other hybrid or intermediate forms of social ownership.⁵

Rawls’s emphasis on the wide distribution of *economic power* under liberal socialism is, I take it, another way of emphasising the stark difference between this favoured form of socialism and its more centralist or authoritarian rivals. To sloganize: whereas property-owning democracy is about the broad dispersal of ownership *and* control of the means of production, liberal socialism involves the broad dispersal of *control*, alongside the socialisation of ownership. As I have previously suggested, then, property-owning democracy and liberal socialism have a great deal in common, indeed up to the extent that it may be difficult to distinguish between the two systems in practice (see O’Neill 2012, 76), insofar as what distinguishes them is just a difference in the formal distribution of property-rights. If in both systems *de facto* control over productive resources is very broadly dispersed, tending towards a fully egalitarian distribution, then questions of *de jure* ownership may drop out, and appear to be of questionable relevance. This is an idea that I would ask the reader to hold in mind for the time being, and to which we will return once we have investigated more fully all that Rawls has to say about his idea of liberal socialism.

As will become clear as this discussion proceeds, there are some real perplexities and obscurities in the Rawlsian account of liberal socialism. As we see in these quoted passages from *Justice as Fairness: a Restatement*, Rawls’s emphasis on the broadly egalitarian distribution of economic power comes immediately after his presentation of liberal socialism as an economic system under social ownership. But his way of explaining that idea of broadly dispersed economic power is not as illuminating as it might be. In particular, the analogy between economic and political power is to some degree mystifying. Under many familiar multi-party electoral systems in democratic societies, it is often not at all the case that “political power is shared among a number of political parties”. Or, more accurately, this may be the case in some systems where the electoral system typically leads to multi-party coalitions, but it is almost never the case in ‘winner-take-all’ democratic systems such as that in operation in the United States or the United Kingdom. Now, of course it may turn out to be the case here that further investigation would reveal that Rawls’s principles of justice could only be achieved under more proportional electoral systems that did a better job of dispersing state power among a number of political parties, but given that this is not something for which Rawls himself argues, it seems unlikely that this is what he has in mind in this passage. A better analogy, in thinking about broadly dispersed political power, would be to think not of power being spread out among many different parties, but to think about either (i) the different sources of political power in different branches of government, as in the classical separation of powers between the legislative, executive, and judicial branches of government, or (ii) the dispersal of power that one would see between centres of political power at different scales within a democratic polity, as when local, regional or city government can exert political power within its jurisdiction, or as

⁵ On the variety of forms of social and public ownership, see Cumbers 2012, Hanna 2018, Lawrence 2019, and the UK Labour Party’s *Alternative Models of Ownership* report (Labour Party 2017a).

when political power is dispersed to the constituent units in a federal or multinational political system.

Another puzzling aspect of what is in effect Rawls's canonical statement of the content of his version of liberal socialism as an economic system is the idea that "economic power is dispersed *among* firms, as when, for example, a firm's direction and management is elected by, if not directly in the hands of, its own workforce" (2001, 138). This does not seem to get things right at all. We could imagine an economy where there were a number of dominant firms, enjoying monopoly positions, and exercising undue economic power within the market, and the fact that such firms might be internally democratic in their structure would do nothing to reduce that problematic concentration of power. Conversely, an efficient and competitive economy, comprised of small (but internally undemocratic) firms could be one in which economic power was broadly dispersed. So what Rawls really must have meant here, if we hope to reconstruct his remarks charitably, was not so much about the dispersal of economic power *among* firms, as the dispersal of economic power *within* firms. The idea here seems to be that various forms of economic democracy or workplace democracy – whether more or less direct or representative – can have the effect of reducing large inequalities in the power of individual agents within the economic domain, by dispersing power *within* large organisations. But here a crucial point to make is that this kind of internal dispersal of economic power within institutions such as firms can take place in either a private property economy, or under some form of socialism, rather than belonging only within one kind of economic system. A regime with social ownership might do either well or badly at dispersing power *within* economic institutions, and the same is the case for private property regimes. The two issues, of the structure of ownership and the dispersal of economic power among individuals (or the degree of economic democracy) are distinct questions, and if we want to think carefully about the relationship between social justice and economic systems, we would do well to keep these questions distinct from one another, and to think about how they may be related, instead of being tempted to run them together.

Let us, then, separate this question of economic democracy from the question of ownership relations within the economy. It is important to realise that Rawls himself acknowledged the separability of the two questions. Indeed, in his discussion of John Stuart Mill's ideas about worker-managed firms, Rawls was at pains to emphasise the compatibility of this kind of workplace democracy with the kind of private-property economy that operates within a property-owning democracy. "Note also," says Rawls, when summing up the institutional structure of a property-owning democracy, "that Mill's idea of worker-managed cooperative firms is fully compatible with property-owning democracy, since such firms are not owned, or controlled, by the state." (Rawls 2001, 176). Here we very clearly have the idea of the democratisation of the economy, and its attendant dispersal of economic power among individuals, running alongside a system characterized primarily by private ownership of the means of production.

Just as revealing as his discussion of Mill is Rawls's engagement with Marx. In his discussion of Marx's critique of liberalism, Rawls is keen to emphasise that there is nothing in the idea of property-owning democracy that excludes the development of economic democracy, and that therefore a property-owning democracy has the potential to meet one of the strongest lines of criticism that might be launched, from a Marxian or socialist perspective, of a private property economy:

"Marx would raise another objection, namely, that our account of the institutions of property-owning democracy has not considered the importance of democracy in the workplace and in shaping the general course of the economy. This is a major difficulty. I shall not try to meet it except to recall that Mill's

idea of worker-managed firms is fully compatible with property-owning democracy.” (Rawls 2001, 178)

Rawls then briefly mentions Mill’s view, developed in Book IV of his *Principles of Political Economy* (Mill 1848/2008), that in the long-run worker-managed firms would out-compete traditional hierarchical firms, replacing them and creating a new kind of democratic economy, through an organic process of development. Rawls notes that, contrary to Mill’s expectation, this has not of course actually happened, before turning to this rather curious passage, which is inconclusive, but pregnant with significance, on the place of economic democracy in a just society:

“Since this has not happened, nor does it show any signs of doing so, the question arises whether Mill was wrong about what people prefer, or whether worker-managed firms have not had a fair chance to establish themselves. If the latter is the case, should such firms be granted subsidies, at least for a time, so that they can get going? *Would there be advantages from doing this that could be justified in terms of the political values expressed by justice as fairness, or by some other political conception of justice for a democratic regime? For example, would worker-managed firms be more likely to encourage the democratic virtues needed for a constitutional regime to endure?* If so, could greater democracy within capitalist firms achieve much the same result? I shall not pursue these questions. I have no idea of the answers, but certainly these questions call for careful examination. The long-run prospects of a just constitutional regime may depend on them.” (My emphasis) (Rawls 2001, 178-179)

There are a number of things to be said about this quite extraordinary passage in Rawls’s work. One is that it makes clear that the question of what economic system is required by social justice is certainly not settled by the question of whether we should seek to have a basically socialist or a basically capitalist economy, when that distinction is understood in terms of ownership, given that the degree of dispersal of economic power within economic enterprises remains as a further question, not in itself resolved by the adoption of any particular system of ownership. A second point is that Rawls certainly did not think that this was a marginal or unimportant question, but that “the long-run prospects of a just constitutional regime may depend on them” (2001, 179). That is to say, we can only really know whether there is a realistic prospect of achieving a stable, just society when we have come to a developed view on the possible role for economic democracy. And so, as regards the prospects for implementing a theory of justice, the stakes could hardly be higher.

A third point is that these questions cannot be resolved at the level of abstraction at which Rawls felt most comfortable working: it is not just a question of whether an institutional structure can be viewed as aiming at, or being well-aligned with, the goal of creating a just society, but it also involves addressing further questions of institutional effectiveness, that is of “whether a regime’s institutions can be effectively designed to realise its declared aims and objectives”, as well as questions of reliance and stability, looking at how “citizens, in view of their likely interests, and aims as shaped by the regime’s basic structure, can be relied on to comply with just institutions and the rules that apply to them...” (2001, 136). This involves thinking more fully about how institutions might function in practice, rather than viewing them only as abstract embodiments of particular principled aims. When we descend from the higher levels of abstraction in considering economic systems, in a way that Rawls himself was reluctant to do in *Justice as Fairness* or elsewhere, that is when we need to ask “what kind of regime and basic structure would be right and just, could it be effectively maintained”, bearing in mind that, as Rawls puts it, “while a regime may include institutions explicitly designed to

realize certain values, it still may fail to do so. Its basic structure may generate social interests that make it work very differently than its ideal description.” (2001, 137)

Now, I have argued elsewhere that there is a good answer to the question about economic democracy that Rawls poses here, once we think further through the question of the significance of the dispersal of economic power, in light of this broader assessment of what we want from our economic institutions within a democratic society. My view is that justice requires the development of workplace democracy, and of other forms of economic democracy that disperse power within economic institutions, for two kinds of reasons. Firstly, as Rawls himself suggests here, if we think about the way in which we want economic institutions to work with, rather than against, the grain of a genuinely democratic society, and to help to stabilise a just society by inculcating and developing the democratic virtues, then the case for the extension of democracy into economic life is decisive. I shall not pursue this argument in detail here, but would refer readers to my earlier discussion, and to similar lines of argument to be found in philosophers from J. S. Mill and Carole Pateman, to Joshua Cohen, Nien-hê Hsieh, and Waheed Hussain.⁶

A second, more direct line of argument, also pursued in my earlier work (O'Neill 2008b) is simply that, on a plausible understanding of the difference principle as ranging over a set of social primary goods including powers and prerogatives of offices and positions of responsibility, as well as the social bases of self-respect, social justice demands more than an egalitarian distribution of financial resources, requiring also the establishment of egalitarian social relationships within economic and political institutions. Put very simply, if we care about equality as a social and relational phenomenon, rather than a merely ‘arithmetic’ distributive ideal (O'Neill 2008a), then the way in which power and status is moulded by economic institutions will be of central significance, and the case for democratising the economy will be overwhelming.

My aim in mentioning these lines of argument regarding economic democracy here is not so much to make that specific case again here, as to begin to show that questions regarding what kind of economic system would be needed to realise a just society are considerably more complicated than we might have thought from Rawls’s rather schematic way of setting up the issues. Rawls sets up the question of our choice of economic regime in *Justice as Fairness* as a choice among a number of discrete and distinct options – *laissez-faire* capitalism; welfare-state capitalism; state socialism with a command economy; property-owning democracy; or liberal (democratic) socialism. (2001, 136) But we may think both that these options do not exhaust the space of possible options, and, more importantly, that it is a misleading error to think that we face just one single choice, in a single dimension, rather than a range of choices across a range of different dimensions.

As I shall be suggesting, there are quite a number of distinct questions we need to answer in moving from a conception of justice to the endorsement of a particular economic system, but by way of a provisional point, let us consider that we have already at this stage two cross-cutting distinctions to consider. Let us imagine these four different regimes, which, for the sake of argument, we will consider as each involving the standard shared features of property-owning democracy and liberal socialism, including protection of the equal basic liberties, free choice of occupation, and so on. In this two-by-two grid, the two columns represent a private property economy and a socialist economy respectively, with the two rows representing firstly a system

⁶ For my discussion of Rawls, justice and the case for economic democracy, see O'Neill 2008b, and Guinan and O'Neill 2019a. For sympathetic lines of argument, see also Mill 1848/2008, Pateman 1975, Cohen 1989, Hsieh 2012, and Hussain 2012.

with hierarchical firms, without extensive economic democracy, and secondly an economic system with more dispersal of power within firms, and more micro-level economic democracy.

| | | |
|--------------------|---|--|
| | Private property economy, with private ownership of productive assets | Socialism with public ownership of productive assets |
| Economic hierarchy | (1) <i>Egalitarian capitalism without economic democracy</i> | (3) <i>Socialism without economic democracy</i> |
| Economic democracy | (2) <i>Egalitarian capitalism with economic democracy</i> | (4) <i>Socialism with economic democracy</i> |

Let's consider these four options in turn. I have identified each with the work of a political philosopher who defends a position that is, to my mind, at least in the general area of each of the four options.⁷

- (1) *Egalitarian capitalism without economic democracy*. A view of this kind is defended by Alan Thomas.⁸ A version of a property-owning democracy, but without any element of economic democracy. This would be an egalitarian economy in terms of economic returns and holdings of wealth, but presumably not in terms of the distribution of power or status within economic life.
- (2) *Egalitarian capitalism with economic democracy*. A view of this kind is defended by Samuel Freeman.⁹ A version of property-owning democracy, with some element of workplace democracy. Firms would be owned by their shareholders, who would mostly not be the same group as their workers, but managerial authority would be restricted by forms of regulation that spread power and voice over decision-making within firms.
- (3) *Socialism without economic democracy*. This position has a strong resemblance to the kind of economic system that has been developed and defended by John Roemer.¹⁰ Here we imagine an economy where, in terms of ultimate and residual rights of ownership, all productive resources belong in the final analysis to the state. Nevertheless, individual entrepreneurs are able to hire capital from the public at large, and to set up firms which are then internally hierarchical. Workers have both a labour income and an income from their share, as citizens, in the rental income from capital, but their rights at work do not extend to a significant voice in economic decision-making at the firm level.
- (4) *Socialism with economic democracy*. A representative theory here would be the work of David Schweickart.¹¹ This would be a form of egalitarian socialism, in which it would both be the case that all productive resources were ultimately owned by the state, and

⁷ I realise of course that some of the philosophers in question might take issue with the accuracy of my characterisations. I do not want to be unfair to any of the political philosophers who have written about these issues, but association these positions at least approximately with their advocates is a worthwhile exercise.

⁸ See Thomas 2016.

⁹ See the discussions of just institutions and the democratisation of workplaces with a property-owning democracy in both Freeman 2007a (Chs 3 and 5) and Freeman 2007b (Ch 3).

¹⁰ See Roemer 1994.

¹¹ See Schweickart 2002 and Schweickart 2012.

wherein every economic enterprise would be required to organise along egalitarian lines, as regards power and influence over decision-making.

My main claim here is simply that these are four very different kinds of economic systems, and so in thinking through which kind of economic system is required by social justice, we need to do much more than simply to take a view of a single binary choice between two kinds of egalitarian economy, one based on private property and the other on universal public ownership of productive resources. Moreover, when one thinks about what the lived experience would be as a citizen in each of these four kinds of economic regime, it seems plausible to think that the regimes in each row would in many ways be more similar to one another than would the regimes in each column. One's degree of voice and power at work would seem to be a more momentous matter, and in some respects a less abstract one, than the question of the underlying ownership structure of the economy. In terms of income, we assume that the citizens living in the regimes under the first column would receive a capital return from their individually held share of the society's broadly dispersed, but privately held, productive resources, while the citizens in the regimes of the second column would receive, alongside their labour income, something more akin to a citizens' income from the economic return to that society's publicly held productive assets. But we imagine that the deposits into citizens' bank accounts might be broader similar, whatever their source; a small difference compared to the different kind of day-to-day social timbre of work that would be expected to distinguish the regimes populating the different rows.¹²

My hope is that this exercise in imagining a set of cross-cutting distinctions does something to complicate what might seem an unhelpfully stark choice between socialist and capitalist institutions, where that division is conceived in terms of underlying relations of capital ownership. It should also highlight the unattractiveness of Rawls's rather reductive approach to thinking about the essential features of economic systems, whereby the essence of socialism is held to inhere uniquely in social ownership, rather than in any other feature of the organisation of economic life. As Pablo Gilabert and I have discussed elsewhere (Gilabert and O'Neill 2019), the goals of socialists have often been concerned with issues relating to control and participation in the economy, and so it seems forced, artificial and, moreover, completely misleading to think that what makes an economic system socialist is purely a matter of its ownership structure. Certainly, when looking at our grid above, it is not a straightforward matter to say whether most socialists would be more concerned with the distinctions between the columns or the distinctions between the rows. And so, while my labelling above follows Rawls's approach in taking ownership to be determinative of the distinction between capitalism and socialism, on reflection it is clear that we do not have good reason to accept that framework for thinking about the categorisation of economic regimes.¹³ Therefore, the debate on which kind of plausible options might exist for an economic system is no simple choice between property-owning democracy and liberal socialism, but must encompass, at an absolute

¹² There would of course also be other values that would be relevant in making a choice between these different systems, such as issues of efficiency and productivity. If the regimes in the first row are much more efficient than those in the second, the resulting difference in income (or free time) would be something to weigh against that gain in status and power in the second group. There is a great deal of empirical debate about whether, when, or to what degree, more democratic enterprises are more or less efficient than more hierarchical enterprises. See Vaněk 1970, Dahl 1985, Dow 2003, Dow 2018a, Dow 2018b, Frega, Herzog and Neuhauser 2019.

¹³ While the thoughtful recent discussion of Rawlsian socialism by William Edmundson (Edmundson 2017) has many virtues, it inherits the central problems entailed by acceptance of the Rawlsian architectonic of regime types which I am here concerned to reject. One might say that it gets off on the wrong foot, and hence I will not be discussing Edmundson's book in the present article. For helpful and sympathetic discussions of Edmundson's book, see Ypi 2018 and Weithman 2019.

minimum, this additional dimension of assessment. But the situation is much more complex still than merely being about a choice of one option among four, as I shall go on to explain.

§2. Regimes vs. Institutions: Rawls, Meade, Capitalism and Socialism

I have argued above that, in thinking about the relationship between social justice and economic systems, it is unhelpful and potentially misleading to consider questions of ownership in isolation from questions of the internal organisation of economic institutions, whether privately or socially owned, and the degree to which those institutions are democratic, and disperse economic power. In this section, I want to argue that, even in terms of thinking about the ownership structure of the economy, the stark contrast that Rawls offers between private and social ownership, in setting up the choice between property-owning democracy and liberal socialism as a binary, either-or decision, is also seriously misleading. In illustrating this point, it will be useful to consider the rather puzzling relationship between Rawls's thought and that of James Meade.

At each point in his writing where Rawls introduces the idea of a property-owning democracy, he references James Meade as the source of the idea.¹⁴ While Meade did not invent the term, his 1964 book *Efficiency, Equality and the Ownership of Property* does contain an extended discussion of a property-owning democracy, considered as one kind of egalitarian economic strategy among four possible options (the others are called by Meade the Trade Union State, The Welfare State, and A Socialist State).¹⁵ The content of the idea in Meade's work is, indeed, familiar from Rawls's description of the regime: various mechanisms would be used to widely distribute the ownership of capital, along with investment in education and training to level up citizens' earning potential, and an aggressive system of taxation of gifts and inheritance, to break up large concentrations of wealth and to prevent their transmission across generations.¹⁶ Meade was to go on to win the Nobel Memorial Prize in Economics in 1977 for his work on international trade, quite separate from his work on equality and economic justice, but he nevertheless considered *Efficiency, Equality and the Ownership of Property* to be his best book.¹⁷

In fact, despite the undoubted influence of Meade's 1964 book on Rawls's thinking, Rawls himself had been thinking about ideas of property-owning democracy as early as the early 1950s, and had written about the idea in an unpublished "Lecture on the Function of Government" from 1951 or 1952, over a decade before the publication of Meade's book.¹⁸ So rather than owing his familiarity with the idea to his later reading of Meade's work, it seems that the idea of a property-owning democracy had a broader currency in mid twentieth century progressive thought, and was a familiar kind of idea to those interested in proposals for a more egalitarian economy. The term "property-owning democracy" seems to have to have originated

¹⁴ See Rawls 1999, xiv; and Rawls 2001, 135. Rawls also cites Meade as the source for the distinction between the allocative and distributive functions of prices that is central to Rawls's discussion of markets (Rawls 1999, 241-2), and for the idea of a recipient-oriented form of inheritance taxation, which Rawls endorses as a suitable policy for reducing the intergenerational transmission of unfair advantage, and hence for protecting the fair value of the political liberties and fair equality of opportunity over time (see Rawls 1999, 245; see also O'Neill 2007 and O'Neill and Williamson 2015b).

¹⁵ Meade 1964; see also O'Neill 2015, 2016.

¹⁶ Meade 1964, 40-65.

¹⁷ Personal correspondence from Professor David Vines, 4 May 2020. (Vines worked closely with James Meade in the late 1970s and early 1980s, and was Meade's co-author on Vines, Maciejowski and Meade 1983, and Weale, Blake, Christodoulakis, Meade and Vines 1989.)

¹⁸ John Rawls, "Lecture on the Function of Government", Box 8, Folder 3, John Rawls papers, Harvard University archives. For discussion of this material, see Forrester 2019, Ch 1.

with the Scottish Tory politician Noel Skelton in the early 1920s, who developed it as an avowedly anti-socialist position, although the idea then underwent something of a radicalisation and ideological migration, as it came to be further developed within the intellectual milieu formed by the confluence of the “new liberalism” of Hobson and Hobhouse, and the work of thinkers in the ambit of the British Labour Party, such as R. H. Tawney, G. D. H. Cole, and Douglas Jay.¹⁹ Nevertheless, despite the fact that Meade seems not – contrary to Rawls’s own claims – to have been the *source* of his familiarity with the idea of a property-owning democracy, it is certainly the case that Meade’s 1964 proposals constitute the most developed and substantive account of the structure of a property-owning democracy in terms of the specific policies that would be required to pursue an egalitarian proposal of capital dispersal, and it is certainly these proposals that stood behind Rawls’s own conception of the nature of property-owning democracy as an economic system, as presented in his mature work.

What is then extremely striking – and altogether perplexing – is that, although he evidently read Meade with considerable care, and was at pains to acknowledge his intellectual debt to Meade’s thinking, Rawls’s presentation of the idea of property-owning democracy departs from Meade’s in a fundamental respect, leading to a distortion in Rawls’s thinking about the nature of the decisions to be made about economic systems. For Rawls, “the main problem of distributive justice is the choice of a social system” (Rawls 1999, 242), and, as we have seen, that choice is presented fundamentally as a choice between one of five discrete regime types, of which property-owning democracy and liberal socialism are for Rawls the two live options. This makes it seem as if our task is to choose *between* two distinct possibilities. But this was not Meade’s understanding at all. Meade’s more nuanced approach to the question of socioeconomic systems, and his presentation of the complementarities between different kinds of economic institutions, presents a much more cogent and plausible response to the problem of economic systems than does Rawls’s implausibly oversimplified approach. Given that Rawls took himself to be following Meade in this area, it is both surprising and disappointing that he ended up distorting Meade’s approach, and losing sight of some of Meade’s most important insights.

In the conclusion to *Efficiency, Equality and the Ownership of Property*, Meade emphasised that “to combine efficiency in the use of resources with equity in the distribution of income would in that case cry out for measures to equalise the distribution of ownership of private property *and* to increase the net amount of property which was in social ownership.” (my emphasis) (Meade 1964, 75) And while Meade provided an eloquent critique of the limits of the welfare state, emphasising the inadequacy of relying on transfer payments to reduce income inequality, given the role of property in guaranteeing “a great sense of security, independence and freedom” (1964, 39) and the subsequent need to address underlying inequalities of wealth rather than only inequalities of income, he nevertheless held that the dual projects of dispersing private capital and increasing social ownership are needed “*to supplement rather than to replace* the existing Welfare-State policies.” (my emphasis)(1964, 75).

Meade therefore endorsed not the rejection of ‘welfare state capitalism’ (in Rawls’s terms), but its transformation through the parallel pursuit of *both* the spread of private property ownership across all members of society, *and* at the same time building up the state’s store of democratic, public capital. Although Meade was writing a time when overall economic returns to labour were comparatively strong, and well before the long period since around 1980, during which returns to labour have fallen and returns to capital have increased so significantly (on which see

¹⁹ For a brief history of the idea of property-owning democracy, see Jackson 2012. For the broader intellectual context see Jackson 2007, Forrester 2019, and Greenleaf 1983a, 1983b. In terms of the idea’s pre-history, Greenleaf describes Jeremy Bentham as among the advocates *avant la lettre* of “an egalitarian property-owning democracy” (Greenleaf 1983a, 254-5).

Piketty 2014, 2020), he worried that technological development made it inevitable that the future would bring about a shift in the sources of prosperity from labour to capital. Meade saw the necessity of constructing an economy in which *everyone* could benefit from that shift, both as individuals, and collectively as democratic citizens.²⁰ For Meade, the answer to the problem of our choice of social system, if we want to live under a socioeconomic regime that makes social justice possible, is that we need to navigate our way towards a combined economic regime that brings together and unites a range of economic institutions that might otherwise each separately be associated with the welfare state, property-owning, and socialist public ownership. There is no single ‘off the peg’ economic regime for us to choose from a menu of discrete alternatives; rather, the problem we face in thinking about the practical realisation of social justice is the problem of imagining how a set of economic institutions, some with different aims and rationales, can work together to be more than the sum of their parts. This was a powerful insight of Meade’s work, but one which Rawls disappointingly, and unaccountably, seems to have completely missed.

It is worth stressing here that Meade’s ‘mixed’ solution to the problem of selecting an institutional structure for a just society is not only about finding some kind of *modus vivendi* compromise between the more ‘pure’ regime types that Rawls enumerates. The mixed economy, with both socialist and (what we might call) ‘popular capitalist’ elements is not to be viewed, Meade thought, as a mere pragmatic accommodation between the attractions of competing systems, but as an economic system that had benefits that neither ‘pure’ capitalism nor ‘pure’ socialism could hope to embody. As Meade put it in a much earlier article, “Next Steps in Economic Policy”, written for the UK Labour Party’s research department in the immediate post-war period, “If private property were much more equally divided we should achieve the “mixed” citizen – both worker and property owner at the same time – to live in the “mixed” economy of public and private enterprise. The ownership of private property could then fulfil its useful function of providing a basis for private enterprise and for individual security and independence, without carrying with it the curse of social inequality as it now does.”²¹

Meade’s idea of the ‘mixed citizen’, with the dual identities of both worker and property owner, is a powerful idea. But note that, in the kind of just society that Meade envisaged, there is also a further kind of mixedness or ‘doubleness’ to citizens’ identities, as they would be property-owners both as individual holders of private property, and as democratic citizens with a claim on forms of socialised public property. The idea of the ‘mixed citizen’ can here be developed further and expanded. We might say that, as a citizen in a just democratic society, we would have a kind of double identity, which carries two sets of reasonable political aspirations: on the one hand, we are individuals with our own projects and interests, and who need the economic means in order to pursue those interests and projects; on the other hand, we recognise our standing as the equals of our fellow citizens, and want to live in a society that both avoids excessive material inequalities, and takes seriously our standing as one citizen standing as an equal among others. The similarity here to Rawls’s idea of the two moral powers will be clear, despite the fact that Rawls himself did not develop (and in fact rather missed) this fascinating aspect of Meade’s thinking.²² Although I cannot develop this connection further in the present essay, there is also an affinity here to the discussion by Marx in “On the Jewish Question” of the relationship between the standpoint of the individual man (“egoistic man”) and the standpoint of the citizen, and to Marx’s view that human emancipation requires the transcendence, or at least the repair, of this internal division.²³

²⁰ See O’Neill 2015, 2017; O’Neill and White 2019.

²¹ Meade 1948/1949.

²² On Rawls’s idea of the two moral powers, see Rawls 2001, §7, 18-24, and 112-113.

²³ See Marx 1843/1978. I am grateful to Tim Scanlon for discussion of this connection.

On the conception of the ‘mixed citizen, there is a special value to having an egalitarian mixed economy, designed to structure the economy in a way that responds to these different aspirations for, on the one hand, individual economic freedom and, on the other, social equality and collective democratic self-determination. The combined Meadean economy, with its mix of private property, socialist, and welfare state institutions, takes seriously this multi-sidedness of our status as citizens with both public and private interests, and creates an institutional structure that both mirrors those aspirations, and provides an environment in which they can be realised. Socialist and welfare state institutions protect us in some regards from the vicissitudes of the market, and affirm our standing as democratic citizens, while the dispersal of private property affirms our standing as individuals with private interests, and offers a space in which we express our conception of what is valuable in life, and pursue our own projects. Any economic system that does not take seriously this kind of doubleness of our political identity will have failed to see the connection between our understanding of what justice demands and the practical institutional implications of that understanding. Meade’s middle course can therefore be seen as providing a rather inspired institutional realisation of Rawls’s aspiration to find “the kind of background institutions that seem necessary when we take seriously the idea that society is a fair system of cooperation between *free and equal* citizens from one generation to the next.” (my emphasis) (2001, 136). It manages this in a way that Rawls’s own, needlessly schematic and misleadingly oversimplified, discussion of economic institutions simply fails to do.

The relation between Rawls and Meade gets even more perplexing when we consider that, whereas Rawls used the term ‘liberal socialism’ to refer to the wholly socialised economy that universalizes the proposals that Meade discusses under the heading of a “Socialist State” (1964, 66-74), Meade himself had used the term ‘Liberal-Socialism’ as the name for the mixed economy regime that combined capitalist and socialist elements. The term does not occur in *Efficiency, Equality and the Ownership of Property*, but was the name given to the mixed property regime outlined in his earlier book, *Planning and the Price Mechanism: The Liberal-Socialist Solution* (Meade 1948).²⁴ This was a book that Rawls read, and on which he took careful notes, during the period in the early 1950s when he was also writing his “Lecture on the Function of Government”, which made reference to ideas of property-owning democracy. Although *Planning and the Price Mechanism* did not use the term ‘property-owning democracy’, it did discuss mechanisms for reducing inequalities in the ownership of private property, discussing in a preliminary way some of the ideas that Meade would go on to develop further in his later work, and seems to have been a significant influence on Rawls’s own thinking on economic policy. Therefore, somewhat surprisingly, we see that, whereas Rawls may not have first got the idea of a “property-owning democracy” from Meade (although Meade’s was certainly the most influential development of that idea, both in general, and as regards Rawls’s own thinking) it may well be that he took the idea of a “liberal socialist” regime from his early 1950s reading of *Planning and the Price Mechanism*, even though he ended up using that term in a rather different way to Meade’s usage.

Interestingly, Meade’s own use of the term “liberal socialism” may well have been due to his friend and teacher John Maynard Keynes, who in much the same way in which Rawls was later to do, outlined the idea of liberal socialism in explicit contrast to both free-market capitalism and to the illiberal collectivism of totalitarianism. In a 1939 interview with Kingsley Martin of the *New Statesman*, Keynes drew the contrasts in this way: “The totalitarian states have shown us clearly enough that the central mobilisation of resources and the regimentation of the individual can be carried to a point which threatens the elements of personal liberty. I do not deny that. I say that we are so far from such a situation that the risk does not now exist. Nor is

²⁴ These notes can be found in a folder marked ‘Material, King Street, Princeton, 1949-52’ in the Rawls archives – Box 8, Folder 3, John Rawls Papers, Harvard University archives.

the real controversy about this. The question is whether we are prepared to move out of the nineteenth-century *laissez-faire* state into an era of liberal socialism, by which I mean a system where we can act as an organised community for common purposes and to promote social and economic justice, whilst respecting and protecting the individual—his freedom of choice, his faith, his mind and its expression, his enterprise and his property.”²⁵ This idea of “liberal socialism” as a regime that combines economic justice and a strong role for collective provision with scope for individual enterprise and property chimes exactly with Meade’s use of the term “liberal socialism” a decade later.²⁶

It is a shame that Rawls made his puzzling departure from using Meade’s much more useful category of “Liberal Socialism”. In reality – and this point bears some emphasis – every economy is in some sense a mixed economy, with a variety of ownership types, including forms of private, social and public ownership. Meade obviously understood this well, and his idea of “Liberal-Socialism” is of a particularly interesting and attractive form of mixed economy with a large and important role for forms of social and public ownership. It is a category with which it is productive to work, and which should be generative for further thinking on questions of social justice and economic systems. By comparison, Rawls’s more formalistic version of “liberal socialism” is a regime which does not allow private ownership in productive capital at all; it is a name for an institutional possibility, to be sure, but of a less plausible and less interesting variety than Meade’s, and therefore we might with reason conclude that Rawls has found a much less useful way of cutting up the conceptual territory when he departs from Meade’s sense of what a liberal socialist regime might be.

One reason to reject Rawls’s architectonic of regime types, then, is that Rawls’s dualistic opposition of a wholly (or predominantly) private property regime (i.e. POD) against a regime characterised by productive resources being wholly (or predominantly) socially or publicly owned, just leaves out all the most interesting territory in between these polar points, and involves a degree of idealisation that is simply unhelpful when held up against the basic fact that all plausible economic systems are in some sense mixed economies. A second reason, and a more important one, is that Rawls cuts up the conceptual territory in such a way that the important normative arguments that might be made here, linking the structure of a mixed economy to the interests and status of the free and equal ‘mixed’ citizen, get illegitimately occluded by giving the debate about economic systems a kind of misleadingly simplified architectonic structure. It is not only pragmatic good sense to take mixed economies more seriously (given their ubiquity), although that in itself is one consideration; it is that the exclusion of certain options by the structure of Rawls’s discussion stops us thinking clearly about what might be the best available options for economic systems that could undergird a just society for free and equal citizens.

Rawls’s ‘architectonic error’, as we might describe it, is perhaps especially surprising given that, despite the presentation of the question of social systems as a choice among exclusive options that we see in §§41-42 of *Justice as Fairness: a Restatement*, with ‘welfare state capitalism’ being a category that on the face of it seems to be rejected entirely, what he had to say about the welfare state was in fact more nuanced than this apparent wholesale rejection might suggest. For one, Rawls of course accepted the significance of some of the central institutions of the traditional welfare state, such as a system of public (or at least publicly-funded) education, and a comprehensive health system. Indeed, Rawls speaks of “a basic level of health-care provided to all” as one of “the main institutions of a property-owning democracy” (Rawls 2001, 176). Moreover, even when critiquing what we might call the ‘redistributivism’ of

²⁵ In Keynes 1982/2013, 500. On Keynes’s “liberal socialism” see Crotty 2019. See also Minsky 1986a, 1986b.

²⁶ On the relationship between Meade and Keynes, see Skidelsky 1992, 2000.

the welfare state in contrast to (what I have called) the predistributive approach embodied by property-owning democracy, Rawls does emphasise that there should be an important residual role for traditional forms of redistributive transfer payment (see O'Neill 2012, 91-93; O'Neill 2020). As he puts it, "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) (my emphasis) So even in the midst of undertaking his comparison of what might seem to be wholly distinct and mutually exclusive regime types, Rawls does allow an essential role, not only for some of the welfare-state's main institutional structures, as concerned with health and education, but for transfer payments to those facing illness or misfortune, for example through forms of unemployment insurance, disability support, and social security for those facing illness or other forms of incapacity.

It seems to me important to realise, when discussing property-owning democracy and liberal socialism, that we can cast ourselves into unhelpful and misleading ways of thinking if we consider them to be alternatives to, rather than extensions of, the welfare state. Just as the significance of predistribution should not be viewed as somehow showing the irrelevance of redistribution (O'Neill 2020), this kind of error in thinking about economic systems can lead us unreasonably to overlook the relevance and potential of the kinds of welfare state institutions that already exist in various countries, and which in general should be protected and extended rather than replaced. Meade's Liberal Socialism is an amalgam of the welfare state, the 'egalitarian capitalist' institutions of a property-owning democracy, and the role for social ownership and public wealth that he described under the heading of a Socialist State. It is a much more useful research programme to follow Meade in asking what kind of economic system would best combine welfare state institutions, broadly dispersed private wealth, and socialist institutions, than to ask, as Rawls did, how we might choose one option of three. What this means is that the Rawlsian emphasis on a choice of regimes is in some respects a rapidly degenerating way of thinking about the problem at hand.

Another feature of Rawls's approach to the question of economic system that makes for a certain neatness in his own presentation, but which is soon shown to be wrongheaded when subjected to analysis, is what we might call his 'prescriptive agnosticism' as between more broadly capitalist or socialist systems. Now, it is true that the choice between the two cannot be settled, as I have said above, at the level of abstraction at which Rawls conducts his discussion of the issue in *Justice as Fairness: A Restatement*, and that the matter has to be settled on the basis of further considerations regarding institutional feasibility, reliance, stability, and the way in which different patterns of institutional structures generate social interests that may turn out to be either self-sustaining or self-undermining (Rawls 2001, 136-137). But these are questions that can have better or worse answers, and which bear careful investigation. It is not enough to say, as Rawls does, that the answer to these questions "depends in large part upon the traditions, institutions, and social forces of each country, and its particular historical circumstances" (Rawls, 1999, 242) The problem of social justice, when examined in detail is, in its essence, a question of what institutions we should have, and so its answer cannot depend on the institutions that happen to exist in some particular time and place. If our institutions are unjust, then we should replace them. And while social forces and historical circumstances might make the transition to more just arrangements either easier or more difficult to achieve, we should not think of them as external constraints on our best understanding of what a just economic system would be. This is not to deny that there are important issues of feasibility in play when we think about social justice, as regards the accessibility of different institutional end points in light of our starting points (on which see the helpful discussion in Gilabert 2017), but it is to say that we should keep a conceptual distinction between our thinking about feasibility in the sense of questions of transition and accessibility, on the one hand, and our thinking about the feasible institutional demands of justice when considered in abstraction from questions of transition. To

sloganize: we can only know whether it is feasible to reach our destination if we first know the location of that destination.

On a Rawlsian view, the question of justice is the problem of how the basic structure, composed of interlinked institutions, should be constituted, and the answer to this question is one that needs to attend to the way in which the basic structure would itself generate its own alignment of social interests and social forces. These matters are, then, internal concerns for a theory of just institutions, not external constraints; and we should avoid the mistake of failing to distinguish between, on the one hand, factors that might make the political project of transition to a just economic system more difficult to achieve, and on the other hand, factors that should determine our best understanding of the just economic system to which we should seek to transition. Rawls's 'prescriptive agnosticism' has a certain neatness, in ushering a number of difficult questions off-stage, so to speak, and so one can certainly see its appeal. It is, nevertheless, a kind of false comfort, and hence it is a view to be resisted.

There is, as we have seen, no such thing as an 'off the peg' economic regime – whether purely capitalist or socialist in Rawls's sense – that is the best answer to what economic system would realise social justice, and we make a significant, intellectually costly error if we assume otherwise. The problem of choice of an socioeconomic system – “the main problem of distributive justice” (Rawls 1999, 242) – is not answered by a choice of 'regime', as Rawls thought; rather, it requires a much more fine-grained answer, attending to the interlocking functioning of a range of particular institutions. In this section, I have stressed the significance of breaking down the 'regime' question into more fine-grained questions of institutional structure, and highlighted the way in which the Rawlsian architectonic can lead us astray in thinking about economic systems. In the next section, I want to turn to a further dimension in which we might think that social justice requires institutional features that we would think typical of forms of democratic socialism. This is the issue of determining the limits of markets, and the degree to which areas of social life should be moved out of market relationships, through public provision and the decommodification of some important goods. As we shall see, this is another area in which Rawls's own discussion of economic systems significantly underestimates both the significance and the complexity of the issues at hand.

§3 Democratic Socialism, the Public Sector, and the Limits of the Market

One traditional socialist demand has been the expulsion of market norms, mechanisms and institutions, and the rejection of the profit motive, in significant domains of economic activity and human life. To take one example, Bernie Sanders stood twice for the US Presidency on a policy platform that included a commitment to taking both healthcare and higher education outside the scope of the market, while in recent years the UK Labour Party has stood on policy platforms that demand the demarketisation not only of higher education, but of childcare, social care, railway transport, various public utilities, and even broadband provision.²⁷ This is not to say, of course, that only socialists call for decommodification and marketisation in certain domains, as there are many views that would support such measures. But it is to say that demands for the restriction or expulsion of market sovereignty with regard to certain goods and activities is often a quintessential socialist demand.

Such demands can be justified in a number of different ways: for example, on the instrumental grounds that market provision in certain domains, such as healthcare, is inefficient, and creates scope for certain kinds of waste and rent-extraction; or on the basis that the marketisation of certain goods is incompatible with a proper understanding of the nature and value of the goods

²⁷ See Sanders 2016; Labour Party 2017b, 2019. See also Guinan and O'Neill 2018.

in question, and thereby undermines their value; or because access to some good is seen as an entitlement of citizenship and something that should be guaranteed irrespective of one's purchasing power in the market; or alternatively for the reason that permitting markets with respect to certain goods has various kinds of unwelcome effects in stunting or undercutting the kind of democratic virtues that would need to be maintained among the citizenry in order for a just society to endure over time.²⁸ It is not a task of this essay to interrogate these arguments for 'demarketisation' and public provision in detail, or to investigate how these arguments should best fit within a unified democratic socialist position. Instead, I want to clear the ground for undertaking that kind of investigation from within a broadly Rawlsian framework, by first of all looking in more detail at the way in which considerations relating to public provision and the limits of markets fit within Rawls's account of how the principles of justice should be implemented.

i. *Public Provision and Public Goods – The Case for a Richer Picture*

In §42 of *A Theory of Justice*, "Some Remarks About Economic Systems", Rawls addresses the question of the limits of the public sector. In doing so, he makes an important distinction that is revealing for how he thought about the contrast between capitalist and socialist forms of economic organisation, but is also revealing as regards the serious limits of Rawls's approach. It would be worth quoting Rawls's presentation of these key distinctions here in full:

"To begin with, it is helpful to distinguish between two aspects of the public sector; otherwise the difference between a private-property economy and socialism is left unclear. The first aspect has to do with the ownership of the means of production. The classical distinction is that the size of the public sector under socialism (as measured by the fraction of total output produced by state-owned firms and managed either by state officials or by workers' councils) is much larger. In a private-property economy the number of publicly owned firms is presumably small and in any event limited to special cases such as public utilities and transportation.

A second quite different feature of the public sector is the proportion of total social resources devoted to public goods. The distinction between public and private goods raises a number of intricate points but the main idea is that a public good has two characteristic features, indivisibility and publicness."²⁹ (Rawls 1999, 235)

After a discussion of the nature of public goods, and the problem of economic externalities, he continues:

"A final point about public goods. Since the proportion of social resources devoted to their production is distinct from the question of public ownership of the means of production, there is no necessary connection between the two. A private-property economy may allocate a large fraction of national income to these purposes, a socialist society a small one, and vice versa." (Rawls 1999, 238-239)

²⁸ The structural similarity here to forms of argument in favour of economic democracy will be clear. For some different lines of argument in favour of decommodification and demarketisation, consider for some prominent recent examples the work of Debra Satz (Satz 2010), Michael Sandel (Sandel 2012), Dorfman and Harel (Dorfman and Harel 2013, 2016), and Chiara Cordelli (2020).

²⁹ Rawls cites James Buchanan (Buchanan 1968) for his orthodox account of public goods, which follows the understanding of public goods in economics.

There is a great deal going on in these short passages, perhaps more than meets the eye, and much that is worth highlighting. The first thing to say is that Rawls is right that this distinction between (a) the size of the public sector in terms of ownership, and (b) the proportion of total social resources going to the provision of public goods, is an extremely important distinction, and picks out two separate sets of issues that might otherwise be mistakenly run together. On Rawls's view (following what he takes to be "the classical distinction") we distinguish between socialist and capitalist economies on grounds of ownership alone, and we have seen already in previous sections why this may be problematic, and may distort our understanding of socialism. That said, it is useful to think through Rawls's distinctions here, so consider these four possibilities:

| | Predominantly publicly-owned economy | Predominantly privately-owned economy |
|---|--|--|
| High level of provision of public goods | Society type-A (e.g. <i>Militaria</i>) | Society type-C (e.g. <i>Cooperativa</i>) |
| Low level of provision of public goods | Society type-B (e.g. <i>Marketia</i>) | Society type-D (e.g. <i>Freedonia</i>) |

Consider 'type-A' societies, with a high proportion of social resources devoted to public goods, and a predominantly publicly-owned economy. One might think that such a society is paradigmatically socialist, but that might be an over-quick judgement. Consider as an example a particular society, which we can call *Militaria*, where a huge proportion of public resources are devoted to the police and the military, provided as departments of the state apparatus; such a society might nevertheless have high levels of social and economic inequality, and a lack of meaningful democratic input into the economy. One could imagine, then, a type-A society marked by authoritarianism, hierarchy, inequality, and the powerlessness of many of its citizens. It would be perverse, or merely a provocation, to insist that such a society were a socialist society, simply by virtue of the proportion of economic activity that was undertaken by public or publicly-owned institutions.

Moving to 'type-B' societies, we could imagine another kind of society which we would be reluctant to classify as socialist on any grounds other than its underlying ownership structure. For imagine a specific type-B society, which we can call *Marketia*, that embodies an especially austere version of a market economy, but with something like a Roemerian structure of property rights over capital (along the lines of Roemer 1994), where all productive resources are subject to residual public ownership, but are dispersed at any one time among the population in terms of rights of immediate control. In such a society, entrepreneurs rent capital from the public store of productive resources, but are free to set up internally hierarchical firms. In a society such as this, it would not be the case that, just because capital was all in some sense public, that its management need be undertaken "either by state officials or by workers' councils" (Rawls 1999, 235). *Marketia* too seems like a poor candidate for description as a socialist society, in any but the most formal and uninformative sense.

Societies of type-C and type-D allow us to illustrate a further distinction, which is one that Rawls acknowledged but to which did not give the same centrality: that is, the distinction between, on the one hand, the degree of public provision understood as the provision of goods and services *by state-run institutions*, and, secondly, the degree of public provision understood as the provision of goods and services that is *financed by the government*, whether or not the

institutions providing those goods and services are stated-owned.³⁰ It will be evident that these two distinctions can cut across each other. For instance, we might imagine higher education, for example, provided by a range of competing institutions, none of which was owned by the state, but with all fees paid by the public purse. Conversely, we could imagine a higher education system in which individuals paid their fees from commercial loans, but in which some or all of the institutions which they might choose to attend were publicly-owned.

The distinction between state-provided and (merely) state-financed public services is an important one if we are to get a fuller sense of the broad territory of possible economic systems. Imagine, for example, one type-C society, which we'll call *Cooperativa*, in which (as J. S. Mill inaccurately expected (see Mill 1848/2008)) worker-managed firms have come to dominate within the economy. The point to emphasise here is that, although such institutions may be internally egalitarian, non-hierarchical and democratic, they are not owned by the state, and hence an economy that was fully or even predominantly populated by cooperative enterprises would, rather paradoxically, not count as a socialist economy on the kind of "classical" view that made public ownership criterial for any regime to be a socialist one. We may imagine, for example, as in Kim Stanley Robinson's science fiction novel *2312* (Robinson 2012), that the Mondragon cooperative, or cooperatives of a similar kind, are responsible for most economic activity in *Cooperativa*.³¹ Such non-public institutions might provide even fundamental public goods such as defence, albeit financed by public expenditure. In a type-C society, it might be the case that the state has in one sense shrunk to a minimal core, with perhaps only a very small number of direct employees, but nevertheless we could end up with that small state being highly fiscally active, and directing large public expenditures through these cooperative institutions. We can imagine, for example, that this state has a small but highly efficient administrative cadre that run taxation and public expenditure. We would have here a kind of economy that is unrecognisably different from the economies with which we are familiar, and which would in some respects be highly egalitarian and democratic, and with a relatively small market sector. There are many questions to ask about such a society, and the degree to which it might be hoped to realise social justice, but almost the least interesting question to ask is the "classical" question of ownership, which Rawls treats as decisive in the choice between capitalism and socialism.

Let me end this tour of less-often-imagined possibilities with a regime of type-D, which, with a nod to Groucho Marx's Rufus T. Firefly, in nomenclature if not in substantive content, I'll call *Freedonia*. One would naturally expect, I take it, that an economic system with a predominantly private-property economy, and a comparatively low level of provision of public goods, would be the kind of economy favoured by libertarians, and not at all by socialists. But imagine something different. Following Buchanan, and the orthodox economistic presentation of the idea of public goods, Rawls's conception of public goods (to which I will presently turn in more detail) is a highly orthodox one: public goods are viewed as those goods which are characterised by indivisibility and publicness (i.e. non-excludability), such that, if anyone is to enjoy the good then "all must enjoy the same amount", the paradigmatic case mentioned by Rawls being the case of "national defence against (unjustified) foreign attack" (1999, 235).³² Now, it seems clear that, especially in a well-developed and flourishing society, the proportion of total economic expenditure that needs to be devoted to goods that meet this technical definition of a public good could be rather low, and should tend to decline as the society becomes richer and more

³⁰ As I say, Rawls does not emphasise this distinction, although he does acknowledge it: "Having agreed politically to allocate and to finance these items, the government may purchase them from the private sector or from publicly owned firms." (1999, 239)

³¹ On Mondragon in the actually existing current world, see O'Neill and Etxeberria 2019.

³² Presumably defence against *justified* foreign attack would also be a public good (at least of sorts), that is, unless we are to have a thoroughly moralized (or, rather, 'justicized') conception of public goods, which would be very much against the spirit of the rest of Rawls's discussion.

successful. And therefore, a successful, relatively just society might quite reasonably hope to see its expenditure on public goods (in this technical sense) to be low by any comparative measure. Thus *Freedonia*, we could imagine, could be rather like *Cooperativa* – there could be very little state ownership of economic institutions, within an economic system that was nevertheless radically democratic and egalitarian, and which devoted a large proportion of available social resources to collective projects rather than to individual consumption. We might even want to say that such a society could be an example of democratic socialism.

The function of these examples is to further undermine the tendency towards wanting to present oversimplified dualisms of capitalism versus socialism, and to show the ways in which Rawls's own discussion of these issues misdirects our attention from the question of what kind of economic system would best create the conditions for a just society. We need a richer and more sophisticated debate about our economic institutions, and about the proper borders between, on the one hand, familiar kinds of consumer markets and, on the other hand, the role of our economic institutions in executing what we democratically decide to do together within the economy. But as a next step, as mentioned above, it would be useful to put some additional scrutiny on the idea of a public good, and to see how, while a narrow understanding of public goods can bring with it a misdirected approach to the normative issues connected to public provision, an expanded understanding of that idea can illuminate our discussion of these issues.

ii. *Two Conceptions of Public Goods*

As I have said above, Rawls has what one might describe as an orthodox, economistic conception of public goods. This is not a problem insofar as it goes, but it becomes much more significant when one realises that Rawls seems to slide from the acceptance of the economists' conception of public goods to a normative position according to which it is only when a good meets this strict definition that there is a justification of making its distribution a matter of public democratic decision-making rather than a matter for the market. Given what I said at the outset of §3 about the variety of ways in which our understanding of social justice might lead us towards various substantive positions on the proper limits of markets, what Rawls has to say about public provision is therefore rather disappointing. It is of course true that indivisible and non-excludable goods are best provided by non-market mechanisms, and it is also true, as in the case of economic externalities (such as pollution) that, as Rawls puts it, "there is a divergence between private and social accounting that the market fails to register", and that, in such cases, "One essential task of law and government is to institute the necessary corrections." (Rawls 1999, 237) But outside of these special cases, Rawls's discussion emphasises the benefits of market provision in the production of goods, and in setting the longer-run path of investment, in terms of both efficiency, and consistency with the basic liberties and fair equality of opportunity, drawing a rather sharp distinction between the use of competitive markets and a "command society", a kind of society that would be both inefficient and unjust (1999, 240-1).

In his discussion of public provision, Rawls is at pains to emphasise that a liberal socialist society need not fall into the pitfalls of a "command society", and can fully make use of market mechanisms (as in our case of *Marketia* above). Now, I do not wish to demur from Rawls's critique of a command society, at least where that description might be accurate rather than hyperbolic, or to deny either the advantages of markets in many cases, and their availability under various forms of socialism. But the crucial point that should be made here is that Rawls's discussion leaves out many cases where public provision makes sense, and, indeed, where it may be the case that the principles of justice require either direct public provision of some good by state agencies, or at least the public financing of those goods. An overly stark and schematic presentation of the conceptual terrain again makes it more difficult to situate some of the most important issues around the role of the state in a just society.

Let us consider some examples. Take the case of public libraries. In the strict technical sense, a library is not a public good. Unlike national defence, a library system can be enjoyed to different degrees by different citizens, and also unlike national defence, its use is subject to a certain amount of mutual excludability – you and I obviously cannot borrow the same books at the same time. Nor are there other insuperable technical obstacles to creating a market in books, and indeed such markets exist alongside a public library system in many countries. Nevertheless, on an expanded and non-technical reading of the term, libraries are a quintessential public good. A society that builds and maintains a library system has taken a decision to express its values in a particular way, and to create a non-market institution that embodies a commitment to those values.

Questions here about whether books, conceived as one commodity or consumer good among all the others, could be provided more efficiently purely under a market system are simply otiose – the justification of a library system is at the same time a justification for *not* treating access to books, and the knowledge and understanding that they contain, as simply one more commodity on the market, but instead to treat it in a different way. “In a free market system,” says Rawls, “the output of commodities is guided as to kind and quantity by the preferences of households as shown by their purchases on the market” (Rawls, 1999, 239), but arguments for the decommodification of some goods, and their protection from the domain of market exchange, are arguments that make the case that, for a variety of different kinds of reasons depending on the particular case, certain goods are not best viewed as commodities to be produced at the whim of consumer preferences, but especially valuable kinds of goods whose production should in part be determined by our collective political judgements rather than our mere market preferences. It can be a justifiable political judgement to treat certain goods as public goods, in a sense broader and more capacious to the one discussed by Rawls.

A quick consideration of the value of libraries: in Wim Wenders’s wonderful 1987 film *Wings of Desire / Der Himmel über Berlin*, the angels Daniel and Cassiel inhabit the Staatsbibliothek library in Berlin, where they watch over humanity in the form of the readers who come to the library. Why did Wenders choose a library as a dwelling for his angels? As Laura Marcus puts it, “For Wenders, writing and the book, memory, and public space come together in the “utopia” of the library.” (Marcus 2015, 206) As Wenders himself put it in an interview in 1988, “When we were looking for a place in the city where the angels would live, would be at home, we looked for some time. Since angels are not really linked between people and God anymore we could not do a church, so we tried for another place ... I thought this is a heavenly place, a library, and then we found this big public library in Berlin, and it’s really a wonderful place, with a lot of light, and built with a lot of respect for reading and books, and also so peaceful and quiet. There is also the whole memory and knowledge of mankind united there.”³³ The idea here is that there is something transcendent, something deeply valuable, indeed almost miraculous, about a shared public space devoted to a role as a repository for human learning and memory. That’s why Daniel and Cassiel inhabit the Staatsbibliothek zu Berlin, and not a shoe shop or a gas station; it’s precisely because this is a public space outside the bounds of commodification and mere consumer preferences, an institution that is aimed at something higher. It is because the library is a public good of great value that it makes sense in Wenders’s film that this should be the place where an angelic presence might feel at home.³⁴ We do ourselves no favours if our way of thinking about public goods in political philosophy has us thinking that judgements of that kind are some kind of mistake.

³³ Wim Wenders, quoted in Paneth 1988, 6.

³⁴ The library scene from *Wings of Desire / Der Himmel über Berlin* can be viewed here: <https://bit.ly/DerHimmelÜberBerlinBibliothek> (accessed 1 August 2020).

I would be willing to take a bet that a just society would be a society that has flourishing, well-funded libraries, although it is not the aim of the present discussion to make that case in detail.³⁵ A detailed argument in terms of Rawls's principles might stress the role of libraries in creating conditions for the protection and development of citizens two moral powers, and hence their connection to the full range of basic liberties, or it might stress the role of access to learning and information as a precondition of the fair value of the political liberties, or for fair equality of opportunity, or it might argue for the way in which the existence of public institutions such as libraries provide one aspect of the social bases of self-respect, or may take some other form, or combine a number of these strands. My point is simply that the question of whether we ought to sustain a library system as a public good (in the broad sense I am advocating here) is an important question of social justice, and one that is absolutely not settled by answering the question of whether libraries are public goods in the narrow, economic sense.

Libraries of course are only one example where there are arguments to be made about the institutional requirements of a just society that are not settled by the kind of analysis that Rawls offers for assessing the limits of the market and the scope of public provision. In work with my co-authors Emily McTernan, Christian Schemmel and Fabian Schuppert, we have argued that a just, egalitarian society should look to decommodify access to goods and services in a number of domains, for example by the involvement of government, whether at the national or local level, in providing public housing; by investment in post-compulsory education and training, and providing opportunities for lifelong learning; and by the public provision of universal childcare (McTernan et al 2016). Others will take different views, or wish to focus on the cases of other goods or services, but my claim for present purposes is only this: that looking at these kinds of questions is essential if we set ourselves the task of looking in a serious and fine-grained way at the institutional requirements of a just society. It is no mere coincidence that in recent years some of the central demands of democratic socialists have been concerned with the expulsion of the market from some of these domains of life, and the expansion of the entitlements that citizens can claim as a matter of right, outside the ambit of the market. Whether one accepts the arguments that stand behind these socialist positions, they are substantive claims about the requirements of social justice that should be carefully addressed.

As regards Rawls's own treatment of public services and public provision, the case of healthcare provides a fascinating instance of the potential flexibility of a Rawlsian approach to social justice, and of how it can justify the provision of important public services, even where they do not fit the bill of being public goods in the narrow sense. Some public health measures might be justifiable purely on the narrow grounds of the externalities associated with them – Rawls gives the example of inoculation against a contagious disease (1999, 237) – but, although Rawls lists health services as an example of a public good (1999, 239), this has to be seen as an instance of his talking slightly loosely, given that many forms of health services do not meet the narrow technical definition of a public good. As I mentioned in §1, Rawls does of course endorse public provision of healthcare, which one might see as part of the retention of some welfare state elements, despite his rejection of welfare state capitalism. But the reasons for justifying a public health system as a demand of justice that Rawls gives importantly do not turn on the kinds of considerations regarding externalities and public goods that he foregrounds in his discussion of economic systems, but instead endorses Norman Daniels's important argument that universal access to healthcare can be justified with direct reference to the principle of fair equality of opportunity (see Daniels 1985, 2007; Bidadanure and O'Neill 2015). As Rawls puts it, endorsing Daniels's approach to these issues, "Such [medical] care falls under the general means necessary to underwrite fair equality of opportunity and our capacity to take advantage of

³⁵ For an inspiring discussion of the role of libraries, see Zadie Smith (Smith 2012); see also this 2012 BBC Radio 5 interview with Zadie Smith: <https://www.bbc.co.uk/news/av/entertainment-arts-19423778/zadie-smith-says-libraries-are-essential-in-society>

our basic rights and liberties, and thus to be normal and fully cooperating members of society over a complete life.” (2001, 174) And so the argument for socialised healthcare develops in a rather interesting and direct way from consideration of some of the core demands of social justice. Indeed, in one of the most interesting pieces of writing of the last period of Rawls’s career, the Preface to the paperback edition of *Political Liberalism* of 1996, Rawls lists “Basic health care assured [to] all citizens” not only as a central demand of justice but as a core requirement for any kind of stable reasonable socioeconomic order (Rawls 1996/2005, lvi).³⁶ This strand in Rawls’s thinking seems to be powerful, and worth further development. As with the arguments canvassed at the beginning of this section, it offers a line of normative argument for why a just economic system would need to rescue certain kinds of goods and services from the market, and set up institutions to provide those goods to people independent of their standing as consumers within a market, but responsive to their standing as citizens within a democratic society.

Where, then, does this leave us? My suggestion is that, while Rawls is surely right here about the fundamental importance of the provision of (at least) “basic health care” as an institutional requirement of a just society, there are a number of other such goods for which parallel, or at least closely related, arguments can be made. Minimally, we might ask why this covers only “basic” health care (or ask what counts as ‘basic’ in this sense), and wonder why this requirement should not be extended as well to other forms of health and social care. Indeed Daniels’s line of argument, as endorsed by Rawls, would not only support the public provision of basic health care, but would lead towards something closer to the social democratic slogan of “universalising the best”, and Daniels himself also emphasises, especially in his later work, the extension of his argument to cover also the role of the state in addressing the social determinants of health (Daniels 2007).

More broadly, as we have seen, democratic socialist platforms in recent years have argued for decommodification and public provision, outside the market, of quite a range of goods and services, from healthcare and social care, to post-compulsory education and training, to public housing, childcare, and broadband. An approach grounded in a Rawlsian understanding of social justice has the resources to assess these kinds of democratic socialist claims, as soon as the underlying potential of the theory is freed from some of the artificial limitations that I have critiqued in this section. Views will differ on whether social justice requires the endorsement of public provision and decommodification in these domains, and thereby on the degree to which social justice requires the adoption of these elements of a democratic socialist position. But the task we face, in thinking about the relationship between values and principles of justice, and the web of institutional structures that might bring those values and principles into reality, and sustain them over time, is not to shy away from the kind of detailed analytical work that will be required to adjudicate on these kinds of claims.

§4 Democratic Socialism, Economic Democracy, and the Varieties of Planning

In this final substantive section, I want to discuss a further issue, central to thinking carefully about the nature of a just economic order, which also needs to be looked at with fresh eyes: the issue of economic planning. As we saw in §1, Rawls emphasised that a just society could not be a command economy of the kind associated with twentieth century state socialism, and that

³⁶ Intriguingly, another of these minimal conditions given by Rawls for a reasonable society is that the state should act as employer of last resort “through general or local government, or other social and economic policies” (1996/2005, lvii). Obviously, this is a requirement that would bring significant institutional implications. I will not pursue this issue in the current discussion but hope to return to it in other writing.

therefore liberal democratic socialism of the kind that he could endorse would reject the idea of a “a general economic plan adopted from the centre” (2001, 138). But note that the alternatives considered by Rawls to this kind of general central planning included not just the use of markets, but also what Rawls referred to as “democratic procedures” (ibid), so there is scope that remains open here for some democratic direction of economic activity, albeit not in a form that rises to the level of a central economic plan. We can put some pressure here on the determination of what kind of economic planning would be consistent with a just society, by considering things from both sides; that is, what would definitely be ruled out and what would definitely be permissible. In doing this, it is important to note that of course all plausible just regimes involve at least some degree of state direction of the economy, at least in broad terms.

In the most obvious cases, any form of economic planning that undermined either basic freedoms such as the decision of citizens regarding what part of the country they would wish to inhabit, or the free choice of their occupation, would violate the basic liberties protected by the first principle of justice. (1999, 239) And so, quite reasonably, any kind of ‘economic conscription’ would be ruled out from the outset.³⁷ Rawls emphasises that these freedoms could be fully protected under liberal democratic socialism, whereby “[C]itizens have a free choice of careers and occupations” and “[t]here is no reason at all for the forced and central direction of labour” (1999, 241). But this is not of course to say that the democratic state in a socialist system would thereby have to take no active role in the direction of the economy:

“In conformity with political decisions reached democratically, the government regulates the economic climate by adjusting certain elements under its control, such as the overall amount of investment, the rate of interest, the quantity of money, and so on.” (1999, 241)

In his more detailed discussion of the branches of government (§43 of *A Theory of Justice*), Rawls explains how a just economic system – whether or not it allowed private property in the means of production – would need to pursue certain regulatory goals in economic management. Working together, the allocation and stabilization branches of government would aim to enact a number of forms of regulation of the economy. The allocation branch would work to (i) “keep the price system workably competitive and to prevent the formation of unreasonable market power”, as well as (ii) “identifying and correcting, say by suitable taxes and subsidies and by changes to the definition of property rights” various kinds of market failures that might exist where market prices fail to measure social benefits and costs, making use of various forms of taxes and subsidies, or by revising “the scope and definition of property rights” (1999, 244). The stabilization branch, meanwhile, undertakes the traditional Keynesian goal of macroeconomic regulation to “strive to bring about reasonably full employment”, through the management of “strong effective demand” (1999, 244).³⁸ All of these forms of economic regulation involve ways in which the state intervenes within and directs the development of the economy, whether under POD or under liberal socialism, and which are not just consistent with, but are required by, principles of justice.

Therefore, just as one would be attacking a straw man if one thought that democratic socialism would have to involve the kind of detailed central economic plan associated with a command economy, one should at the same time bear in mind that any just society will involve a

³⁷ For significant complications to this picture, see Stanczyk 2012.

³⁸ Recall that Rawls later goes beyond the requirement of macroeconomic management to ensure “reasonably full employment” here to a stronger view that unemployment should be banished by the state acting as “employer of last resort” (Rawls 1993/2005, lvii). For discussion of Rawls’s branches of government, see O’Neill and Williamson 2015a. For the place of monetary policy in a just society, as it relates to Rawls’s theory of justice, see van ’t Klooster 2019.

significant degree of state direction of the economy, at least in its general features. More importantly, the essential point is that there is a huge open space of possibility that exists in between, on the one hand, forms of economic planning that would violate principles of justice, or undermine a just society and, on the other hand, the minimal degree of state-directed economic management that any even minimally well-governed society would require. As with so many other issues in this area, an examination of the works of James Meade show that he had thought through the salient distinctions many years before. In his *Cabinet Office Diary* of 1945, written at a time when he had taken over from Lionel Robbins as head of the Economic Section of the British Cabinet Office, and was working on the reconstruction of the British economy after the Second World War, Meade discusses "... the draft paper which I had prepared for the Lord President [i.e. Herbert Morrison, Attlee's deputy prime-minister] on the principles of economic planning, in which I try to emphasise the desirability of 'liberal-socialist' planning ... rather than a rigid quantitative authoritarian 'Gosplan'".³⁹

But why might a just society want to undertake more than this minimal degree of democratic direction of the economy? Good answers are not difficult to find. The very same aspiration that would stand behind demands for forms of economic democracy at the 'micro' level of the firm, whereby we might endorse arrangements in which collective decision-making supplants managerial authority, is closely related to the same aspiration at the 'macro' level where, in a democratic society, we may think that there is a strong case for citizens together to form and implement judgements about the long-run shape and direction of their shared economic activity, rather than allowing the economy as a whole to develop, as it otherwise would do, through a somewhat strange mixture of market pressures and the decisions of powerful individual agents within large economic enterprises. As Ha-Joon Chang points out, we should not think that capitalism is somehow an economic system that lacks a significant degree of planning, it is just that often that planning happens *within* large firms, and expresses the power of managerial authority within those institutions, rather than taking place through some broader or more democratic process (Chang 2010).⁴⁰ Similarly, many of the democratic arguments for restricting the scope of the market, and increasing the scope for democratic deliberation and decision-making among citizens, can have implications not only in terms of the degree and organisation of public provision of goods and services, and the expulsion of the market from those particular domains, but also in terms of lessening the degree of market pressure, and market authority, in setting the agenda for the long-run development of our societies.

Rawls does not say much about the varieties of democratic planning that would take place within a just liberal socialist regime, but such forms of democratic decision-making could include setting some broad goals for the direction of investment, and taking collective decisions about the requirements for long run environmental protection. A democratic society might decide, for example, to direct social resources towards particular forms of research and development, using either direct public investment or some combination of taxes and subsidies in order to set the priorities for economic development over some period. In his important book *Inequality: What Can Be Done?*, Tony Atkinson considered the serious failures of governments

³⁹ Meade 1945/1990, 133. See also Meade 1945/1990, 114-5, where he discusses "the different main meanings that may be given to the idea of Socialist economic planning", contrasting a "Gosplan" that involves "quantitative planning of the economy commodity by commodity" (i.e. as under a 'command economy') as against his own understanding of "the Liberal-Socialist solution", which involves a mixture of selective nationalisations, together with strategic use of regulation, taxation, and directed subsidies and public spending, along with background control of interest and exchange rates. Meade's disparaging references to the 'Gosplan' of a command economy is a reference to the State Planning Committee of the USSR (the "Госплан"), commonly associated with the imposition of various highly prescriptive (and frequently fanciful) 'five year plans'.

⁴⁰ For a provocative extrapolation of this point, see Phillips and Rozworski 2019.

to give sufficient attention to the direction of technological development over time, and the first of his fifteen proposals for a more egalitarian economic settlement was that “the direction of technological change should be an explicit concern of policy-makers, encouraging innovation in a form that increases the employability of workers, emphasising the human dimension of service provision.” (Atkinson 2015, 87-93, 118-123, 302) On a related theme, Mariana Mazzucato has emphasised, in her work on ‘the entrepreneurial state’, the way in which state decisions about investment in research and development often stand behind the direction of development of the economy, in a way that is frequently insufficiently acknowledged in the schematic and misleading narratives of public vs. private that are at work in much public discussion of economic policy (Mazzucato 2015/2018). Given the significant influence, even within current capitalist societies, of state decision-making about the direction of investment, and how those decisions mould the long-run development of the economy, it seems to be a rather minimal demand that this phenomenon should be taken seriously and made a matter of proper democratic scrutiny, instead of being pushed away from serious attention, under the baleful influence of ways of thinking about economics which oversimplify our thinking about the roles of the public and private sectors.

The economy is neither an abstract machine operating beyond human comprehension, nor some ferocious monster over which we cannot hope to exercise collective control. It is a set of human relations and institutions, and there to be moulded according to our collective judgements. An emblematic demand of one strand of democratic socialism is for us to take seriously our collective democratic agency, and thereby to exert collective democratic control over the economy, at least in certain significant ways.⁴¹ This democratic socialist ambition is that we should see ourselves as being able to act together deliberately, casting citizens as collective agents, and not merely as playthings of impersonal forces,⁴² nor as meek underlings powerless in the face of the untrammelled sovereign power of individual capitalists (on which see Anderson 2017).⁴³ As Karl Polanyi, whose kinship to Rawls is perhaps underappreciated, put it in in *The Great Transformation*, “Socialism is, essentially, the tendency inherent in an industrial civilization to transcend the self-regulating market by consciously subordinating it to a democratic society,”⁴⁴ the idea here being that the idea of collective democratic self-determination is at the heart of socialist ambition. But it is not only democratic socialists who should take more seriously this issue of democratic control over the economy, given the pressing collective challenges that our societies face. Serious work needs to be done in thinking through the different ways in which a just society would need to exercise control over the long-run direction of investment and economic activity, and in order to do that we need to shake ourselves free of an unhelpful picture that sees economic planning only through the lens of twentieth century command economies.

Given the environmental crisis that we are facing, with rising global temperatures, and the obvious necessity for radical transformation of our economic model, the importance of engaging in serious work on the normative requirements for a just form of economic planning could not

⁴¹ On the neglected case for socialist planning, developed in the 1970s within a broad European perspective, but then submerged by the coming of the neoliberal era, see Holland 1978. For contemporary contextualisation, see O'Neill and Holland 2017.

⁴² See, for example, Marx's comments, again from “On the Jewish Question”, that “Where the political state has attained to its full development, man leads, not only in thought, in consciousness, but in reality, in life, a double existence-celestial and terrestrial. He lives in the political community, where he regards himself as a communal being, and in civil society where he acts simply as a private individual, treats other men as means, degrades himself to the role of a mere means, and becomes the plaything of alien powers.” (Marx 1843/1978, 34). See also Wolff 1992, Wolff 2002.

⁴³ For ideas of socialist agency, see the essays by Gabriel Wollner and Nicholas Vrousalis in the present issue.

⁴⁴ Polanyi 1944/2001, 242. See also Bockman et al 2016, Block 2016, Polanyi 2018, Klein 2019.

be more clear.⁴⁵ And, while I will not examine the point here, this kind of democratic control over the economy, seen as part of the institutional requirements of a just society, is something that can operate not only at the national level, but which also has an important role at the regional, local, and city levels (on this, see Guinan and O'Neill 2019b).⁴⁶ There are a number of highly important open normative questions about the way in which a just democratic society should, at different levels of operation, and through different kinds of institutional mechanisms, oversee the shape and development over time of its economy, and answers to these questions will only be found with the constructive engagement of political philosophy as a discipline, alongside various other relevant disciplines. For these are not mere technical questions of policy design; they are irreducibly normative questions of justice.

§5 Conclusion – Liberal Democratic Socialism: a Research Agenda

This article has sought to make a number of points about the relationship between social justice and economic systems. My approach has been to accept the normative framework of Rawls's theory of justice, while discussing what we can learn from the various shortcomings in what Rawls had to say about what institutions might realize these normative ideals. At the conclusion of this essay, let me very briefly summarise its main claims.

One of the main contentions of this discussion, as set out in §1, is that it is now time to move beyond schematic discussions of discrete 'regime types', and instead to think in a more fine-grained way about the role that might be performed by different kinds of economic institutions, and how sets of institutions might fit together to create the economic basis for a just society. There is a kind of misleading oversimplification in the stylised opposition of 'property-owning democracy' and 'liberal socialism' as possible solutions to the question of how we should characterise the institutional foundation of a just society. The opposition between the two, centred on issues of ownership, loses track of the fact that liberal democratic socialism is not only, or even primarily, a view about ownership relations, but is also a view about the democratisation of the economy.

In Section 2, I hope to have shown that the Rawlsian architectonic obscures the significance of intermediate and mixed economic systems, losing sight of some of the most valuable contributions of James Meade, a figure from whom Rawls in other respects learned a great deal. In particular, Meade's idea of the 'mixed citizen' is ripe for further development; we can view one's secure standing as a free and equal citizen as being grounded in one's participation in the life of one's society as at the same time a worker, property-owner, and as a beneficiary of shared public institutions. A mixed economic system, combining widely dispersed private capital together with strong public institutions, need not be seen as a mere compromise between purer alternatives, but as the best means of creating a society in which people can live as free and equal democratic citizens.

In Section 3 I argued that concerns about the limits of markets, and arguments (socialist or otherwise) about the significance of expanding decommodification and public provision, should be given an important place within discussions of how principles of justice relate to economic

⁴⁵ See, for example, Aronoff et al 2019, Pettifor 2019, and Lawrence and Laybourn-Langton 2021.

⁴⁶ This point chimes in with the point, emphasised by Brian Barry and others, that the Rawlsian approach to thinking about social justice, given its focus on state-level justice, has been reluctant to examine the role of sub-national units – cities, regions, and constituents of federal states, etc. – in promoting social justice. (See for example Barry and Wissenburg 2011.) Needless to say, the kind of concerted economic planning that will be required to respond intelligently to the climate crisis will need to involve action at every level of jurisdiction, requiring work from sub-national, national, and supra-national institutions.

systems. We should be wary of any view that is too quick to treat market mechanisms as the default form of provision, and that accepts too readily an overly narrow conception of the nature of public goods.

Lastly, in Section 4 I have argued that we need to engage seriously with the idea of democratic economic planning, and to avoid the mistake that assimilates all planning to the idea of a ‘command economy’, and which illicitly rejects as illiberal the legitimate democratic aspiration to shape the course of our shared economic life. And in the face of looming environmental catastrophe, the case for macro-level democratic planning of the economy is overwhelming.

Although my approach in this essay has been Rawlsian in its normative foundations, I hope that this discussion will be of interest not only to those who approach these questions from within that tradition in political philosophy. After all, those Rawlsian normative foundations are in crucial respects both rather minimalist, and widely shared: the central idea is that the task of social justice is to create a set of shared institutions for a democratic society, conceived as a system of cooperation over time between free and equal people. This animating normative ideal obviously has much in common with those strands within democratic socialist thought that emphasise human emancipation from oppression, domination and exploitation, which look to overcome inequalities of status, rank and power, and which value collective democratic self-determination and social solidarity.⁴⁷

The question of whether justice requires socialism is a complicated question, and accordingly it ought properly to have a complicated answer. What is clear, though, is that democratic socialists and Rawlsian liberal egalitarians share a great deal, as regards both their underlying normative orientation and, as has been argued, in many of the institutional conclusions to which those normative commitments should lead. The question of whether justice requires socialism is, in fact, just one part of a broader question about the what kind of institutional system is needed in order for people to live together in a way that allows us to flourish, individually and collectively, as free and equal democratic citizens. The task of answering that question, of the institutional requirements of a just society, is a large, collective and ongoing task. But my hope is that the present discussion has opened up some rich seams for future exploration.

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⁴⁷ On the variety of socialist ideals and principles, see Gilabert and O’Neill 2019.

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