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Comment on Michael Schefczyk

In Search of a Just Political Economy: Why We Should Go beyond Rawls's POD and Schefczyk's RUWS

Abstract: This commentary challenges Michael Schefczyk's proposal for a realistically utopian welfare state (RUWS). As it stands, RUWS says too little about the concrete measures it will offer to avoid political domination and harmful inequalities. Moreover, RUWS follows Rawlsian Property-Owning Democracy (POD) by being silent on crucial issues such as banking regulation, the governance of investments and the issue of actual control over capital. Ultimately, it therefore seems that RUWS does not present an attractive alternative to POD since it suffers from very similar problems and shortcomings as POD.

As Michael Schefczyk nicely points out, John Rawls's (2001) comments in *Justice as Fairness: A Restatement* on the benefits of having a property-owning democracy (POD) are very vague. Moreover, Rawls's (2001, 137–9) description of welfare state capitalism (WSC) and its shortcomings is based on a rather unkind understanding of what the institutions of a welfare state can deliver. It therefore seems more than justified to challenge Rawls's view by presenting a kind of welfare state system, which avoids the obvious shortcomings Rawls associates with WSC and to give POD a run for its money. This is exactly what Schefczyk wants to do by throwing the hat of a realistically utopian welfare state (RUWS) into the ring.

However, after giving a very rough overview of the basic features and aims of a RUWS Schefczyk unfortunately focuses on analysing whether Rawls's principles of justice are compatible with a welfare state which provides its citizens with an unconditional basic income (UBI). While Schefczyk's discussion is insightful and culminates in the defence of a participation income, i.e. a weakly conditional basic income, rather than a UBI, at the end of the article the reader is left wondering what a RUWS really looks like and how it compares with Rawls's POD.

In this short commentary I want to do two things: first, I want to challenge Schefczyk's account of RUWS by analysing how it fares with regard to some of the issues which are currently levelled as criticisms against Rawlsian POD; second, I want to offer a few pointers as to why—if we want to address the question

of what is the right political economy for a just and well-ordered society—we should go beyond Rawls’s POD and Schefczyk’s RUWS.

1) According to Rawls, POD has three basic features: the wide dispersal of ownership of productive assets and human capital (2001, 139), stiff taxation of inheritance and gifts (2001, 161), as well as effective regulation so as to secure every citizen’s equal opportunity to exert political influence (2001, 149–50). On top of that, Rawls mentions that under POD full employment would be possible and that women would of course enjoy the same basic rights and liberties as men.¹ The underlying rationale of POD and its policies is to secure the equal value of the basic liberties, as well as fair equality of opportunity for all.

Schefczyk shares these objectives with Rawls but he claims that there is no reason why a suitably modified welfare state should not be able to secure the equal value of the basic liberties, as well as fair equality of opportunity for all. Schefczyk then presents RUWS, which he claims guarantees the fair value of political liberties through “effective measures against the detrimental effects of lobbying”, “a multi-layered system of political participation” and an “adequate culture of political debate”. Similarly, Schefczyk claims that RUWS ensure fair equality of opportunity through “effective measures against discrimination”, “unrestricted access to [...] education”, and “effective measures against all unjustified forms of privileged access to offices and positions” (Schefczyk, 195). Furthermore, Schefczyk champions the idea of a participation income under RUWS, since such an income would realize the difference principle.

The problem with Schefczyk’s account of RUWS is twofold: first, it does not give us any detailed information what all the ‘effective measures’ will look like and why these measures are best associated with a welfare state regime; second, Schefczyk’s proposal fails to engage with some of the key-criticisms levelled against Rawls’s POD, which raises the question of whether RUWS is indeed an attractive alternative to POD. Let me briefly clarify both points.

The first point refers directly to Schefczyk’s list of the features of RUWS (Schefczyk, 194–5). While the list offers clear evidence that Schefczyk has identified some of the major threats to the fair value of the political liberties and fair equality of opportunity, apart from mentioning the participation income (Schefczyk, 195), the list leaves the reader in the dark in terms of how the ambitious goals of RUWS shall be realized. What are all the effective measures Schefczyk mentions?

Moreover, it is rather unclear whether these measures are directly linked to the choice of economic system, or the political economy more generally, or whether the measures Schefczyk mentions are compatible with POD, or liberal socialism? The first three points on Schefczyk’s list (i.e. “effective measures against the detrimental effects of lobbying”, “a multi-layered system of political participation” and an “adequate culture of political debate”) all are certainly compatible with POD. The same holds true for points four through six (i.e. “effective measures against discrimination”, “unrestricted access to [...] education”, and “effective measures against all unjustified forms of privileged access to of-

¹ For a critical comment on Rawls’s rather superficial treatment of gender (in)equality in POD see Robeyns 2012.

lices and positions” (Schefczyk, 195)), at least as long as we do not know what all these measures directly entail. If that is the case, though, we might wonder whether RUWS is in fact an attractive alternative to POD. In other words, while Schefczyk is right in claiming that Rawls dismisses WSC too quickly, Schefczyk’s RUWS looks simply too similar to POD to be a distinct and attractive alternative.

This ties in with the second point, mentioned above, namely that RUWS as defined by Schefczyk seems subject to some of the same criticisms as Rawls’s POD. Let me just mention one example.

One of the key-reasons for Rawls’s rejection of WSC is that WSC allows for major social inequalities through the large accumulation of capital in private hands. Therefore, Rawls argues for POD in which the wide dispersal of ownership of productive resource is a fundamental value. As critics have pointed out, though, ownership does not mean control. In fact, since POD is still based on private control over capital in a capitalist market economy, it is more than doubtful that wide dispersal of ownership (e.g. every citizen gets a bundle of company shares) will indeed lead to control. Most global corporations are technically owned by a large group of shareholders, but practically most shareholders are more or less powerless bystanders when it comes to these global corporations exercising their economic and political influence. As Ben Jackson (2012, 48) puts it, “[i]f the aim is to prevent a small class from controlling both the means of production and democratic political life, then it is necessary to exercise collective democratic control over the economy and not just to diffuse individual ownership more widely”. Alas, it seems that Schefczyk’s RUWS with its call for a participation income does not fare any better. In fact, it might even be considered to do worse than POD, since RUWS merely guarantees the provision of a social minimum in conjunction with several institutional tweaks so as to limit the undue influence of lobbying and to offer education for all. In other words, a critic might claim that RUWS fails to deliver both wide dispersal of ownership of *and* dispersal of control over productive resources.

While Rawls’s conception of POD is rightly criticized for being too much of a shell which lacks precise content, I’m afraid the same could be said of Schefczyk’s RUWS. What’s more, it is unclear whether RUWS is indeed able to deal with some of the complex issues which the political economy of a just society would have to face. For instance, how are investments regulated under RUWS, what kind of banking system will be in place, and what kinds of accumulations of capital and other resources are permissible under RUWS? Alas, Schefczyk follows in Rawls’s footsteps by failing to address any of these issues. Therefore, I want to use the next section to highlight some of the specific problems any POD or RUWS, which want to safeguard the conditions of social justice within a political economy, has to deal with, and offer a few pointers as to why we should go beyond POD and RUWS in answering these questions.

2) As suggested by the title of this commentary, I want to argue that neither POD nor RUWS are the answer to the question of what the political economy of a just and well-ordered society should look like. One of the reasons for taking this view, I briefly mentioned above, namely the concern that POD and RUWS

both fail to properly address the issue of actual control over resources and the issue of social, political and economic power.

If we take our bearings from Rawls's (2001, 131) writings it becomes clear that our choice of a political and economic system should limit economic, social and political inequalities so as to prevent "one part of society from dominating the rest". Put differently, Rawls wants to protect the status of each individual as a free and equal member of society by providing institutional safeguards against all (relevantly harmful) forms of social, political and economic domination. The problem with POD and RUWS though is that they seem unable to deal with social, political and economic inequality in all its complex and varying shapes and forms.

As pointed out earlier, POD seems to confuse ownership of resources and capital with control. Moreover, it is unclear how POD wants to deal with issues such as the alienating effects of modern production processes, structural cultures of (dis)esteem and (mis)recognition with potentially self-respect undermining effects, the general organization of work and labour, gender inequality, the banking and finance sector, and the power of international corporations. Alas, the same holds true for RUWS. While a participation income will probably improve the situation of the worst-off it would be naïve to assume that it is enough for addressing all forms of social and economic inequalities. Since it is impossible to present within this short commentary a full account of an alternative political economy for a just society, let me finish by highlighting a few possible avenues for addressing the above-mentioned lacunae.

As pointed out by Ben Jackson (see quote above), if we want to prevent domination we need some form of collective democratic control. However, since Rawls is not only concerned with political domination but also with social and economic domination, this call for collective democratic control should not be restricted to the mere protection of people's basic political liberties. In fact, as current research on social and relational equality suggests, the principles of non-domination and democratic control should be extended to other areas, too, for instance by promoting workplace democracy, by creating public banks and by installing norms for socially responsible investing. What is important to keep in mind, though, is that social and economic inequalities come not only in many different shapes and forms but they are most often complex and multi-causal (Schuppert 2013), which means that one probably cannot address these inequalities through a one size fits all policy.

Another promising route for avoiding the pitfalls of any of the established political economic systems (e.g. welfare state capitalism, socialism, etc.) is to opt for a mixed economy which incorporates elements from different economic traditions. Interestingly enough doing so is very much in the spirit of POD, since James Meade (1964), from whom Rawls takes the idea of POD, envisioned POD to be just one crucial element of a mixed economy, which among other things also featured something like a basic income. Thus, it might turn out that the political economy of a just society should feature a welfare state measure such as a basic income, and a dispersal of ownership requirement (for instance with regard to land) as imagined by champions of POD, as well as liberal socialist institutions

such as large firms controlled by workers and democratically controlled public banks.

No matter how we answer the question of what a just political economy should look like, it seems fair to conclude that we need both i) a more detailed account of the ‘effective measures’ which shall safeguard the equal value of every citizen’s basic liberties and b) an in-depth engagement with the economy of a just society (across time!) which will go beyond the mono-dimensional solutions offered by Rawlsian POD and Schefczyk’s RUWS. Thus, while Schefczyk is right in wanting to give POD a run for its money, a lot of work remains to be done in order to answer the underlying question(s) which interest(s) us.

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