

Jan Narveson

Comment on Tilo Wesche On Property-Owning Democracy

Abstract: The gist of Wesche's argument seems to be to pick up on an idea he attributes to Rawls, that in a true property-owning democracy, productive wealth would be distributed more broadly 'ex ante' rather than, as now, 'ex post', the point of demarcation being the use of capital to generate wealth and income. As against this, I argue that ex ante distribution of capital is impossible, because business activity creates wealth, and thus we don't know what there is to distribute ex ante. Moreover, the prospect of greater wealth for the producers ex post is what especially motivates them to produce, and without production we are poor. It is also noted that Rawls's 'difference principle' does not in fact have the egalitarian implications he supposes, nor really any distributive implications, despite Rawls's intentions.

I assume here that Tilo Wesche is not merely making an internal exploration into what Rawls says and apparently thinks; rather, he thinks that Rawls has a good point, and is offering arguments that will stand up on their own. It is on that assumption that this critique is advanced. According to the author,

“The key of Rawls’s argument is that the broadly spread ownership of production resources makes an *ex ante* distribution possible, in contrast to an *ex post* redistribution”—“*ex ante* distribution spreads productive resources before they are used by their owners for generating wealth and income.” (Wesche, 103)

This passage requires that we know what ‘the productive resources’ *are* ‘ex ante’. But we don’t, since hardly any of them, at any given stage, have been invented yet. Tilo Wesche apparently assumes (1) that such resources are natural and antecedent to human effort and ingenuity; and further (2) that they are *known*. Neither is true. The earth has always contained lots of coal, but not until comparatively recently did people know it can be burned, nor of course what else can be done with it. A ‘broadly spread ownership’ of ‘the resources’ is thus both impossible in principle, and insofar as attempted, will surely result in an extremely low rate of technical progress. But technical progress is precisely what makes wealth possible. It is also what makes *resources* possible. A quick glance around will assure any unbiased onlooker of the point. Even if you’re touring

the wilderness with your Bowie knife (in 1825, say), or your GPS (in 2010), it's inescapable. Our resources, overwhelmingly, are the products of human invention, which is in principle not predictable. So when he says,

“In contrast, the *ex ante* distribution spreads productive resources before they are used by their owners for generating wealth and income. This guarantees that economic resources are in a suitable and more direct way equally distributed than in the rather indirect way of a redistribution of the produced wealth” (Wesche, 103),

this would have to mean exercising control over the minds of inventors of all sorts.

What ‘the owners’ in a free enterprise economy do with their productive resources is, especially, to generate *more* productive resources: what they can make in year x is enormously different than what they could make in $x-5$, say. To do this, of course, they have to have the means of generating them. In the end, the contrast between *ex ante* and *ex post* seems to make little sense. If you're going to redistribute, you should wait until there is something to distribute—not try to distribute it before it exists.

We might also ask, at just what level he envisages the notion of ‘resources’ to be applied. Take, for example, an automotive assembly plant, with its myriad inputs. Those are the resources, I should think, for turning out driveable cars—the end of the line, but it's a pretty long line. What on earth good would it do to distribute all those pre-automotive bits to vast numbers of people who know practically nothing about how to make cars? Or, are we going to distribute land before Big Farmers get hold of it? But again: the reason Big Farms happen is that they are vastly more productive and efficient than little ones. Why distribute land to a few million people when a few thousand can farm it with incredible productivity, and ‘redistribute’ the results at the Supermarket, enabling all the non-farm millions to eat very well and have the whole day available to do something more useful? When you contemplate examples such as this—surely wholly typical of contemporary advanced societies—one must wonder what Wesche thought he was advocating here.

A main claim here is that “[b]y implementing preemptive dispersion of economic resources, property-owning democracy undercuts the tendency to domination” (Wesche, 103). I'm not sure how many readers feel ‘dominated’ by this, that, or the other company offering him or her all that vast variety of goods typical of any Western city, nor why we should think that, say, the government of the U.S. is literally dominated by some or other among those capitalists. But in any case, what the author's proposals certainly *will* undercut is the production of the very things the redistributor would like to redistribute. Wesche says he is not a socialist, but we do well to recall that mucking around with the productive system, which seems to be what he is calling for, was one of the main causes of socialism's failure. Every socialism has been notorious for its scanty supply of consumer goods, long queues for the little there is, and total lack of innovation and enterprise in the productive sector. Property-Owning Democracy advocates may think they are not socialists, but if you're going to try to

‘preemptively disperse economic resources’ you are effectively making government the controller of the economy, and that’s essentially what socialism tries to do. How does he intend to stop short of socialism, and yet so drastically alter the essence of capitalism, which is the free market in everything including productive resources?

“By contrast, welfare-state capitalism permits a small class to have a near monopoly of the means of production.” This is a mantra among leftists, who generally don’t show much interest in defining the claim—is the Fortune 500 the supposed ‘near monopoly’ they have in mind? (Tell any member of members of that rapidly varying club about how they are ‘monopolists’ and they’ll laugh uproariously. Monopolies have no competitors. Large corporations have huge competition, both from other large corporations, and from innumerable small ones, and their executives spend most of their waking hours trying to out-compete them.)

Rawls doesn’t seem to have been interested in small producers, of which there is a vast number at any given time – but in fact they employ half the contemporary American ‘labor force’, and create by far most of the new jobs.¹ Since when is the tiny percentage of the economy that might be ‘commanded’ by some multi-billionaire a ‘monopoly’ stacked up against the hundred *million* separate business persons who ‘command’ all those tiny shares of the economy? Nor does the author, or Rawls, note that this ‘near-monopoly’ is constantly changing under the pressures of competition. One must also point out that if welfare-state capitalism ‘permits’ this, Rawls seems to think it *ensures* it—which is hardly true. Going from what systems *permit* to what actually *happens* is rendered problematic by the cussedness of people, who have a way of bringing about unintended consequences—such as the real and very unequal distribution of political power in socialist systems, and the enormous progress of working-class people in capitalist countries despite Marx’s analyses claiming that this was impossible. Again, advocates of POD may deny the association with Marx, but the point here is that there will be unintended consequences of the measures POD enthusiasts propose, and these will have the same effect and for the same reason that socialist measures had—namely, general poverty. Drastic intervention in market economies is not recommended; and if POD doesn’t involve drastic intervention, it is impossible to understand how it would effect the ‘distributions of resources’ its proponents advocate. (Or, is POD really just a slightly revised name for what we have—namely, a system in which capital is ownable by anyone but no one is required to own any?)

Wesche and other POD enthusiasts lean on Rawls quite a bit, so it is appropriate here to make an observation about Rawls. Most basically, we must remind readers that what Wesche, along with most others, assumes is that the difference principle *would* allow substantial inequalities of wealth, as well as that it *would* require legislative interventions to limit such inequalities. But careful reflection convinces the discerning reader that neither of these can be assumed after all. Indeed, the reason it would do either or both of these things, if it did,

¹ For a run-down, see for example <http://www.politifact.com/virginia/article/2012/jan/18/ups-and-downs-small-business-employment/>.

is that it really excludes *nothing at all*. Why? A paragraph or so making this as clear as it can be made in a very brief exposition follows.

The difference principle says that we are to ‘maximize the minimum’: to arrange things so that the worst off are as well off as they *can be*. But what does that mean? Remember that the principle is not supposed to be flat-out redistributive egalitarian. But that is what it would be if we read the requirement to maximize the minimum with no constraints at all: if ‘primary goods’ are redistributable without limit, then it calls for absolute equalization, since whenever anyone has less of something than average that it would be possible to give him more of, maximization of his situation calls for giving him that. But Rawls doesn’t want that. How would he avoid it? The answer is that Rawls allows *incentive* to justify inequalities. OK: how far is that to be allowed to go? If it is meant to be a *constraint* on equalization, and there are no others, then it means that whatever redistribution is done must be compatible with the incentives of those who produce the wealth in question. But that’s what libertarians say! Rawls doesn’t provide any other clear constraints; his principle imposes only the condition that those ‘at the bottom’ not actually be made worse off by the inequalities in question. That condition is called for by his ‘first’ principle, the Liberty Principle, anyway.

And we can add that those at the ‘bottom’ in market societies are virtually always in fact made better off in market economies—compare the ‘working class’ of today with that of a few decades ago, let alone a century, and the point is obvious. It is all but impossible to find a working-class individual in the U.S. who doesn’t have telephone, indoor plumbing, television, and on and on, including many things that he either couldn’t afford or that didn’t even exist decades earlier.² The point is that the sky is the limit in that direction. However, if you disallow incentives, then you are headed toward thoroughgoing equalization of wealth—with all its incredible inefficiencies and unfairnesses—at the hands of the difference principle. Rawls is utterly unclear just how the factor of incentive is to be handled; nor is it obvious that he can allow it at all, as I have pointed out (Narveson 2002[1976]). The latter argument is substantially made also by Cohen (Cohen 2008, 27–86).³ All discussions of the difference principle that I have seen appear to ignore this problem and assume, without any argumentation at all, that it actually has some distributive implications other than those of sheer property-owning libertarianism. They are, I believe, in error on the point.

As to the distributive implications of equal political liberties, here the problem is that there is no reason to think that from the sheer democratic point of view, they necessarily have any such effect at all. The propertyless person is entitled to one vote just like the billionaire, and can use it whatever way he or

² Apparently this observation, which I assumed to be common knowledge, to the point of triviality, is thought to need ‘evidence’ by some. For an example, see Rector 1995. Since that account, America’s poor have acquired cell phones, many more computers, and the benefits of ‘Dollar Stores’ among other sources of goods that anyone can afford. For one more recent account, see ‘Air Conditioning, Cable TV, and an Xbox: What is Poverty in the United States Today?’ by Robert Rector and Rachel Sheffield: <http://www.heritage.org/research/reports/2011/07/what-is-poverty>.

³ Cohen cites my own version: Cohen 2008, 27.

she wants. That includes using it to maintain fully capitalist institutions as well as using it to diminish or abolish them. The ‘fair value of the equal political liberties’ is just too vague a notion to permit the sort of theorizing that author indulges in. To start with: what value *are* the specifically political liberties, such as the right to vote? It’s hardly surprising that a sizable fraction don’t bother to vote at all—those people apparently don’t see much value in voting. (Perhaps they see value in *being able to* vote, while at the same time choosing not to bother. How far can that be taken?) And while it nowadays takes sizable sums to run for major offices in democracies, it remains that no one will get anywhere who tries to go it entirely alone, while those who run under party affiliation are financed by numerous contributors, who need not be wealthy. Nor does anyone tell us why it’s not a violation of the supposed equality that some are much more politically capable than others—silver-tongued, politically perceptive, handsome or beautiful, and so on. Trying to say just what equal political liberty is supposed to be, especially if that is modified by a caveat of ‘equal worth’ is a daunting and, I would suggest, futile endeavor. Votes count equally, and everyone has one and only one. Beyond that, political equality is too amorphous, and especially, too ideology-laden, to figure in serious analysis.

Thus the author says,

“[f]rom the perspective of stability, it is a prerequisite of a well-ordered society that public reason and political debate may not be distorted by the adverse effects of divisive and deluded convictions. And this prerequisite can only be fulfilled by a widespread wealth of productive resources which is a feature rather of property-owning democracy than of welfare-state capitalism.” (Wesche, 106)

This seems to me both incredible and entirely arbitrary. There is no particular reason why widespread wealth would not ‘generate divisive and deluded convictions’ as much as any other system (cf. Aristotle commenting on Plato in *Politics*). We know, e.g., that the history of communisms is a history of deep divisions and often fatal disagreements among the committees of rulers. The point, by the way, was beautifully noted by Aristotle in his rejection of Plato’s communism.⁴ And then, of course, there is the proliferation of silly fundamentalist and other religions among moderately well-off Americans, say. The recent spate of jihadists coming from middle class families is also a decent example in point. Readers should be utterly unpersuaded by arguments like this.

Tilo Wesche writes:

“it is on the dice that [Rawls] bears in mind a sort of ingrained conviction about deserved wealth and economic growth, political bias and prejudice based on social origin [. . .] The best way to avoid (or rather: minimize) ideological consciousness is an *ex ante securing of the fair value of the political liberties* that can be accomplished by

⁴ “Indeed, we see that there is much more quarreling among those who have all things in common, though there are not many of them when compared with the vast numbers who have private property.” (Aristotle, *Politics*, Bk. II, ch. 5)

a widespread dispersal of productive capital.” (Wesche, 108, emphasis added)

The assumption that a belief that some people deserve great wealth is a ‘delusion’ does not have the ideology-free ring to it that is claimed here, one would think. On any normal concept of desert, some people deserve the great wealth they have, though others no doubt do not.⁵ Nor is there any reason to think that widespread dispersal of capital (which we have now anyway, of course—how many readers *don’t*, usually unknowingly, own a considerable amount of capital, by participation in savings plans, etc.) would reduce ‘ideological consciousness’?

The critic could say: the view that everyone *is* entitled to the ‘fair value of political liberties’ is itself ideological, unless you take it to be true simply by definition (if ‘fair’ means ‘just’ then of course justice requires that everyone have the fair share of whatever we’re talking about. But that only proves something if the share is a priori restricted from ranging all the way from 0 to 100%.) If not, so that some definite idea of shares is associated with the claim, then it should be accepted because good arguments can be found—acceptable to all—leading to that conclusion. Have they? Why wouldn’t those arguments also imply that some people (e.g., those who have ingeniously constructed productive organizations that produce high quality products at affordable prices) really do deserve the millions they make by doing so? The multi-millionaire and the pauper are both permitted to engage in whatever market activity they may want to engage in; the former, in innumerable cases, has successfully engaged in those, and the latter not. If the transactions were free, then evidently the people who engage in them must think that the wealthier party deserved his success, seeing that no one was obliged to give anyone anything.

The author’s conclusion, in part, is the following: “a broadly spread ownership of capital safeguards a social cooperation of citizens as free and equal on the footing of self-respect.” (Wesche, 110) Well, why is the ‘self-respect’ of citizens assured when many of them are getting (so the others will say, and as surely looks to be true) a free ride on the coat-tails of the productive? There are self-respecting homeless persons these days who insist that they are voluntarily homeless and do not claim an income from others, apart from sheer charity.⁶ The author, I guess, wants to say that they are wrong and suffering from false consciousness—which further illustrates the general problem. How are *they* ideologically deluded by comparison with their more politicized counterparts who claim handouts as a matter of justice?

It is not entirely clear what a stable and well-ordered society is. But the U.S. has been a private-capital owning democracy for a couple of hundred years, rather than a ‘property-owning democracy’ of the sort apparently being advocated here, as also Switzerland, Canada, and various others. POD advocates want to enforce equal distribution of capital, or some approximation thereto,

⁵ For at least some correction, see Narveson 2002, 131–61.

⁶ I take this to be a matter of common knowledge. There were some in my own small city, written up in the local papers some years back.

while just plain capitalism, as practiced in most democracies, does not. Yet on any commonsense notion of stability, it would be hard to point to better examples of stability than those. I presume that none of them would count as ‘property-owning democracies’ on the model being proposed by the author—or if they do, what does the concept come to? So the idea that you can’t be stable and well-ordered without also being a Property-Owning Democracy runs into empirical heavy weather.

In all: what Rawls says is so vague and at so many points infected by dubious or arbitrary assumptions that the project of making clear sense of what he says on these matters is quite daunting. Apart from that, the fundamental ideas the author is trying to press seem to me ill-supported and if anything contravened by both theoretical and empirical considerations.

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