



Rawlsian Institutions

Capitalism

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1. **Four institutional systems**
2. Rawls on property-owning democracy
3. Debate

Meade on property-owning democracy

- **Primary aim:** strike a balance between efficiency and equality
- **Primary institutions:** private property ownership without centralised control, but state enforces wide dispersion of property, especially preventing transmission across generations
- **Methods**
 - ❑ (Relatively) free markets
 - ❑ Aggressive taxes on inheritance and gift-giving
 - ❑ High taxes on capital income
 - ❑ Tax incomes used for extensive property redistribution (but with an eye to incentive-compatibility)
 - ❑ Safeguards against corruption of politics (e.g., public financing of political campaigns)

(Note: this is Meade, not Rawls—although many of Rawls’s remarks suggest he has something very similar in mind.)

Miller on market socialism

- **Primary aim:** have the benefits of socialism, and combine them with the benefits of markets
 - ❑ Socialism: democracy, equality, community
 - ❑ Markets: innovation, price mechanism
- **Primary institutions:** enterprises owned by worker collectives compete on a free market, state intervenes and coordinates where necessary
- **Methods**
 - ❑ No centralised planning of economy
 - ❑ Enterprises interact on (supervised) markets
 - ❑ State control of capital, directly or indirectly (all/most income is earned income)
 - ❑ Heavy regulation of capital markets (or direct involvement of state in providing capital to enterprises)

Comparing the five systems

	Property in productive assets	Redistributive policy
Laissez-faire capitalism	Private property ownership	No redistribution (except to address past injustice in transactions)
Welfare-state capitalism	Private property ownership	Ex post redistribution to guarantee social minimum
Property-owning democracy	Private property ownership, but widely dispersed	Ex ante redistribution through inheritance and capital taxes
Market socialism	Collective property ownership in enterprises	Ex post/ante redistribution to prevent extreme inequalities
Centrally planned socialism	Collective state property ownership with centralised planning	Equalisation through centralised planning of wages and benefits

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Rawls's Objections (p. 137-8)

Laissez-faire capitalism	(i) Does not guarantee fair equality of opportunity (ii) Fails to guarantee the equal value of the political liberties (iii) Entails a social minimum which is too low
Welfare-state capitalism	(i) Has “some” but not enough concern for fair equality of opportunity (ii) Fails to guarantee the equal value of the political liberties (iii) Fails to recognise a “principle of reciprocity”
Property-owning democracy	No objections; choice between two systems rests on contextual factors
Market socialism	
Centrally planned socialism (with one-party state)	(i) Violates first principle (basic liberties and rights) (ii) Fails to guarantee the equal value of the political liberties (if there is democracy at all)

Rawls on equality of opportunity

- Principle 2(a) chosen in the original position: **fair equal opportunity**
- **Formal equality of opportunity**
 - ❑ Offices open to all
 - ❑ Offices distributed on the basis of talent
- But: the ability to develop one's talent are unequally distributed
- **Fair equality of opportunity**: “In all parts of society there are to be roughly the same prospects of culture and achievement for those similarly motivated and endowed” (JaF 44)

The “fair value of the political liberties”

- In *Theory of Justice*, Rawls’ first principle of justice contains the political liberties (e.g., right to vote, to stand for office)
- In *Justice as Fairness*, Rawls goes further: these liberties also need to have equal value to everyone
 - “[T]he worth of the political liberties to all citizens, whatever their social or economic position, must be approximately equal, in the sense that everyone has a fair opportunity to hold public office and to influence the outcome of political decisions” (JaF 149)
 - “The fair value of the political liberties ensures that citizens similarly gifted and motivated have roughly an equal chance of influencing the government’s policy and of attaining positions of authority irrespective of their economic and social class” (JaF 46)

Rawls on reciprocity

- Reciprocity is a fair relationship between fair and equal people in a well-ordered society; it goes beyond mutual advantage (PL 16-17)
- Rawls compares property-owning democracy and welfare-state capitalism as follows:

“The intent [of a property-owning democracy] is not simply to assist those who lose out through accident or misfortune (although that must be done) [as is also done in welfare-state capitalism], 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. The least advantaged are not, if all goes well, the unfortunate and unlucky—objects of our charity and compassion, much less our pity—but those to whom reciprocity is owed as a matter of political justice among those who are free and equal citizens like everyone else.” (JaF 139)

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Debate

- You are all *Rawlsians*
 - Not always loyal-to-the-letter Rawlsians, but loyal-to-the-spirit Rawlsians
 - E.g., Twin Rawls
- Question: **which social-political institutions should Rawlsians endorse?**
- 4 Teams: Laissez-faire capitalism, welfare-state capitalism, property-owning democracy, market socialism
- Preparation (25 mins.) & Debate (25 mins.)

Meade against the welfare state

A man with much property has great bargaining strength and a great sense of security, independence, and freedom; and he enjoys these things not only vis-a-vis his propertyless fellow citizens but also vis-a-vis the public authorities. He can snap his fingers at those on whom he must rely for an income; for he can always live for a time on his capital. The propertyless man must continuously and without interruption acquire his income by working for an employer or by qualifying to receive it from a public authority. An unequal distribution of property means an unequal distribution of power and status even if it is prevented from causing too unequal a distribution of income. (41)