

# Liberty, Equality and Property-Owning Democracy

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## 1. Introduction

John Rawls has often been read, by both his supporters and opponents, as providing a philosophical justification for the traditional welfare state. However, in the writings of the final phase of his career, Rawls was at pains to point out that he in fact considered his theory of justice to be inconsistent with the institutional arrangements characteristic of “welfare-state capitalism” (henceforth: WSC). Indeed, Rawls’s hostility to the capitalist welfare state, and his advocacy of more radical forms of socioeconomic organization, are perhaps the most striking aspects of the revised presentation of his theory of justice in his book *Justice as Fairness* (henceforth: *JF*).<sup>1</sup> Rawls gives the name “property-owning democracy” (henceforth: POD) to his alternative to the welfare state. Rawls’s alternative socioeconomic regime involves a way of structuring patterns of ownership and control within the economy that is comprehensively different to that found in capitalist welfare states. This surprising and radical element of Rawls’s theory has, thus far, received insufficient attention, and there is thus a striking need both to understand the nature of Rawls’s institutional proposals, and to assess their soundness and cogency.

In this article, I aim to investigate whether Rawls’s hostility to welfare state capitalism is well-motivated within the terms of his theory, and to examine whether he is right to think that even a generous welfare state would be unable to realize “all the main political values expressed by the two principles of justice.”<sup>2</sup> In so doing, my aim is to pay special attention to the relationship between the institutional arrangements of the basic structure of society, and the ways in which Rawls aims to respect the values of liberty and equality through his two principles of justice.

My discussion will divide into the following parts. I begin by outlining Rawls’s reasons for rejecting the institutional arrangements characteristic of WSC. I then go on to look at the institutions and policies that are characteristic of the “property-owning democracy” that Rawls advocates. In the following sections, I discuss Rawls’s reasons for supporting POD over WSC, in terms of the different elements of his two principles of justice, and in terms of Rawls’s understanding of the place that the values of liberty and equality occupy within his theory of justice. In the penultimate section, I look at the respects in which WSC and POD are “ideal types” of social organization, and say something about their relation to real policy options.

I conclude by suggesting that, while Rawls has good reason to prefer POD over WSC, some elements of his critique of WSC are more robust than others.

## 2. Rawls's Critique of "Welfare-State Capitalism"

It is hard to resist the view that the real-world political institutions that have done most to advance the cause of social justice are those associated with the welfare state. Progressive taxation, the redistribution of wealth, and the public provision of goods like health care and education are all policies that are associated with those societies that come closer than others to the Rawlsian standard of justice. It might thus seem perverse for a liberal egalitarian theorist with the substantive commitments of Rawls to draw back from full support of the best existing institutional mechanisms for improving the material condition of the worst off, and for raising the levels of opportunity and social mobility within society. The pressing question, therefore, is why Rawls should be so hostile to the (seemingly beneficent) institutions of welfare state capitalism.

The short answer to this question is that, notwithstanding the capacity of those institutions to advance some way toward satisfying the demands of justice, Rawls identifies a number of structural limitations on the capacities of the institutions of welfare state capitalism. He views these structural constraints as preventing WSC from ever advancing sufficiently close to the goal of full social justice. Rawls holds that WSC unavoidably "violates the two principles of justice" in the following respects:

Welfare state capitalism . . . rejects the fair value of the political liberties, and while it has some concern for equality of opportunity, the policies necessary to achieve that are not followed. It permits very large inequalities in the ownership of real property (productive assets and natural resources) so that the control of the economy and much of political life rests in few hands. And although, as the name "welfare-state capitalism" suggests, welfare provisions may be quite generous and guarantee a decent social minimum covering the basic needs, a principle of reciprocity to regulate economic and social inequalities is not recognized.<sup>3</sup>

This is evidently a daunting and comprehensive charge-sheet against WSC. Put briefly, we can list Rawls's criticisms of WSC as falling under the following headings:

- (i) WSC fails to guarantee the fair value of the political liberties, as "the control of the economy and much of political life rests in few hands." (Hence, there is a violation of Rawls's first principle of justice.)<sup>4</sup>
- (ii) WSC cannot do enough to achieve equality of opportunity. (Thereby leading to a violation of the first part of Rawls's second principle of justice.)
- (iii) WSC is incapable of institutionalizing a "principle of reciprocity," such as the difference principle, instead managing only to guarantee an inadequate

social minimum. (This is a violation of the second part of Rawls's second principle of justice.)

In other words, Rawls sees the institutional structure of WSC as being unable to meet the demands of any of the three elements of his principles of justice. Thus, Rawls's conclusion is that the achievement of any part of his principles of justice is impossible while we retain the sort of "welfare-state capitalist" institutions with which we are familiar. This is a bleak prognosis indeed for a writer who has commonly been read as the defender *par excellence* of the welfare state. Rawls's prognosis regarding the impossibility of achieving his principles of justice under familiar socioeconomic institutions raises the question of what the institutional realization of the two principles of justice might actually look like. It is to that question that we now turn.

### **3. Rawls on the Aims and Features of "Property-Owning Democracy"**

Rawls's pessimism about the possibilities of WSC regimes leads him to adopt the institutional and policy recommendations of a "property-owning democracy," which he strikingly describes as "an alternative to capitalism."<sup>5</sup> In both his name for this socioeconomic regime, and in a great deal of its content, Rawls here follows the example of the economist James Meade, who used the term "property-owning democracy" to describe his own political proposals for moving beyond the limitations of the traditional welfare state.<sup>6</sup> Meade's proposals encompassed the aggressive taxation of capital transfers between generations (whether through inheritance, or by means of gifts *inter vivos*), and the redistribution of that capital on a broadly egalitarian basis, alongside increased state spending on the broad development of human capital through publicly funded education.<sup>7</sup> Rawls's aim with the delineation of a POD of the same general kind as that of Meade is to construct a social system that will remedy the multifarious shortcomings of WSC regimes, thereby allowing the realization of all parts of his two principles of justice.

Rawls's property-owning democracy is a socioeconomic system delineated with an explicit focus on the satisfaction of the two principles of justice. It therefore "guarantees the basic liberties with the fair value of political liberties and fair equality of opportunity, and regulate[s] economic and social inequalities by a principle of mutuality, if not by the difference principle."<sup>8</sup> Like WSC, it allows private property in productive assets<sup>9</sup> (unlike Rawls's other favored socioeconomic alternative, "liberal socialism"<sup>10</sup>). However, unlike WSC, under POD the basic structure of society and its background institutions "work to disperse the ownership of wealth and capital, and thus to prevent a small part of society from controlling the economy and, indirectly, political life as well."<sup>11</sup> POD ensures "the widespread ownership of productive assets and human capital," and hence (following Meade) it makes use of varieties of *ex ante* redistribution (i.e., redistribution of the capital that individuals bring to the market) as opposed to *ex post*

redistribution associated with WSC. As Rawls describes the aims of POD: “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.”<sup>12</sup>

We should thus understand POD as a socioeconomic system with at least the three following institutional or policy-based features:

- (i) **Wide Dispersal of Capital:** The *sine qua non* of a POD is that it would entail the wide dispersal of the ownership of the means of production, with individual citizens controlling substantial (and broadly equal) amounts of productive capital (and perhaps with an opportunity to control their own working conditions).<sup>13</sup>
- (ii) **Blocking the Intergenerational Transmission of Advantage:** A POD would also involve the enactment of significant estate, inheritance, and gift taxes, acting to limit the largest inequalities of wealth, especially from one generation to the next.
- (iii) **Safeguards against the Corruption of Politics:** A POD would seek to limit the effects of private and corporate wealth on politics, through campaign finance reform, public funding of political parties, public provision of forums for political debate, and other measures to block the influence of wealth on politics (perhaps including publicly funded elections).<sup>14</sup>

Policies of type (iii) should be viewed as being in place with an eye on the protection of the fair value of the political liberties, and are therefore closely connected with creating a regime that is in accord with the first principle of justice. Policies of types (i) and (ii) should, in contrast, be viewed as providing the means for institutionalizing the demands of Rawls’s second principle of justice. Through a combination of all three kinds of policies, Rawls has thereby specified a social system that has the capacity to overcome the structural limitations of WSC in delivering a fully just set of socioeconomic arrangements.<sup>15</sup>

#### **4. POD, the Difference Principle and the Value of Equality**

In this section, I want to examine the plausibility of the claim that only a POD can realize Rawls’s second principle of justice. More specifically, I want to focus on the role of POD-type policies and institutions in realizing the second part of Rawls’s second principle: that is, the difference principle, which states that inequalities in the distribution of social primary goods are justifiable only when they are of benefit to the least-advantaged members of society.<sup>16</sup> In discussing POD and the difference principle, my aim is to link the discussion to Rawls’s elaboration of the value of equality, and especially to Rawls’s account of the connection of the value of equality with power, domination and self-respect.

In his “Comments on Equality,”<sup>17</sup> where Rawls specifies the diversity of reasons which we have for regulating economic inequalities, he emphasizes that we should care about inequality in part because of its effects with regard to status, power, domination, and self-respect.<sup>18</sup> To start with power and domination, Rawls claims that:

A second reason for controlling economic and social inequalities is to prevent one part of society from dominating the rest. [ . . . ] This power allows a few, in virtue of their control over the machinery of state, to enact a system of law and property that ensures their dominant position in the economy as a whole.<sup>19</sup>

With regard to status harms, Rawls tells us that:

A third reason [for regulating social and economic inequalities] brings us closer to what is wrong with inequality in itself. Significant political and economic inequalities are often associated with inequalities of social status that encourage those of lower status to be viewed both by themselves and by others as inferior. This may arouse widespread attitudes of deference and servility on one side and a will to dominate and arrogance on the other. These effects of social and economic inequalities can be serious evils and the attitudes they engender great vices.<sup>20</sup>

Bearing in mind these ways in which inequality can be a great evil can help to make sense of the reasons why the redistributive functions of WSC cannot be adequate to rectify the harms of an inegalitarian society. For, while inequalities of income and wealth can straightforwardly be rectified through a process of *ex post* redistribution through transfer payments (as in a capitalist welfare state), matters become more complex and troublesome if we consider the kinds of social inequality that may generate status-harms (thereby undermining the self-respect of “low status” individuals), or which may lead to unacceptable forms of power or domination. These kinds of social inequality are far less likely to be remediable by means of the *ex post* redistribution of income and wealth.

To take an example, let us assume that society is structured in such a way such that all decisions about economic investment and production are made by a small, high-status group who constitute something like a ruling class or economic elite. This dominant class gets to decide to a considerable degree how society is to be structured, and what the variety of jobs and social roles within that society is likely to be. Now, if we enact within this society the kind of “transfer-based” *ex post* redistribution associated with many WSC-type mechanisms, we may presumably be able to create a society in which income and wealth is equalized (or maximized) across the dominant and subordinate social classes. But we will nevertheless be completely unable to enact a redistribution of *power*, or of *status*, within this society by any plausible *ex post* mechanism, given that the shape of the society in terms of its productive relations, and the distribution of roles within the economy of that society, will still be a matter of decision by the dominant group. Only *ex ante* mechanisms, which challenged the ruling group’s position of dominance by, for example, granting more control over productive capital to others, will be able

to head off inequalities of power (thereby preventing relations of domination), and their associated inequalities of status (thereby preventing the erosion of self-respect of the subordinate group). Thus, we may plausibly think that a “redistributive” *ex post* realization of the difference principle would fail to address some of the ways in which inequality is bad, because of its inability to address inequalities that result from the way in which social production is organized (rather than merely addressing inequalities that result from the distribution of the social product itself).<sup>21</sup>

This example is designed to suggest that the *ex post* redistribution of resources (e.g. income and wealth) will be insufficient to address certain kinds of deep-seated social inequalities. But, in addition to this claim, one might go further, and contend that the *ex post* redistribution of resources may be actively counter-productive with regard to certain forms of social inequality. This is because the recipient of “welfare” payments may come to see himself as a passive beneficiary, rather than as a free and equal individual with his own valuable plan of life, and of equal standing with his or her fellow citizens. The recipient of such *ex post* transfers may experience these transfers as the *source* of his diminished status, and thereby as the mechanism which undermines his self-respect. Here, again, a reordering of social relations of production would seem to be the only way of making sure that all of the severe harms of inequality are eradicated.

An individual who lives in a social and economic environment that she plays some part in fashioning, and who engages her capacities as an agent with a conception of the good and an ability to cooperate with others in productive social relations, will be provided with the “social bases of self-respect,” to use Rawls’s phrase. In other words, citizens situated in this way will “have a lively sense of their worth as persons and . . . be able to advance their ends with self-confidence.”<sup>22</sup> Only by making sure that the structure of the economy is such so as to broadly disperse control over productive resources, therefore, can we ensure that all citizens are able to have this “lively sense” of their own agency, and in so doing to head-off the possibility of harmful inequalities of power and status. In this way, the institutions of a property-owning democracy should be able to overcome problems of domination and social inequality in a way that the institutions of a capitalist welfare state are structurally incapable of doing. In so doing, as Rawls puts it in his discussion of Marx’s critique of the division of labor under capitalism, “the narrowing and demeaning features of the division should be largely overcome once the institutions of property-owning democracy are realized.”<sup>23</sup>

Given these clarifications, the egalitarian argument for POD-type arrangements becomes clear. The aim of the kind of radical socioeconomic reorganization characteristic of a property-owning democracy (and, especially, through its type-[i] policies involving the wide dispersal of capital) is to realize the value of equality through *ex ante* compression of objectionable economic inequalities. A property-owning democracy aims to do this through the organization of economic life in a way that reduces the likelihood of social domination or of loss of status.

Therefore, satisfaction of the difference principle, when viewed as ranging *not only* over income and wealth, but also over the social primary goods of (a) the powers and prerogatives of offices and positions of authority and responsibility; and (b) the social bases of self-respect,<sup>24</sup> plausibly mandates a move toward greater dispersal of control over productive resources.<sup>25</sup>

If this line of argument is successful, then we have a clear demonstration of why policies of type (i) would be necessary if we are to create a fully just society. Insofar as such policies are characteristic of a POD, we therefore have an argument for the superiority of a POD to WSC-based regimes, which do not pursue similar policies. Thus, when we focus on the difference principle and the value of equality, we have good reason to endorse Rawls's argument for the superiority of a system of social organization that disperses control of productive resources, over a system which concerns itself (as in the capitalist welfare state) primarily with matters of *ex post* economic redistribution.

### 5. POD and Fair Equality of Opportunity

In the foregoing section, I have argued that, insofar as we wish to design an institutional regime that can satisfy Rawls's difference principle, we have good reason to prefer a POD over WSC. I want now to turn to the connection between Rawls's principle of fair equality of opportunity (henceforth: FEO) and his support for a property-owning democracy.<sup>26</sup> Here, I suggest, Rawls's argument for POD over (some form of) WSC becomes somewhat more contestable.

To begin with the uncontroversial: What is surely beyond dispute is that any institutional regime that aims to preserve fair equality of opportunity over time needs to have a keen concern for limiting the influence of social background on individual life chances. On Rawls's view, FEO is achieved when the influence of social factors on the capacity of individuals to achieve particular social positions is neutralized, such that "those who have the same level of talent and ability and the same willingness to use these gifts should have the same prospects of success regardless of their social class of origin."<sup>27</sup> This goal can only plausibly be achieved when type-(ii) policies, such as the various forms of inheritance and gift taxes proposed by Meade, which seek to block the intergenerational transmission of advantage, are enacted. Thus, we should accept the claim that type-(ii) policies are a *necessary* element of any socioeconomic regime that seeks to satisfy the FEO principle. Nevertheless, this is not equivalent to accepting the claim that FEO can be achieved only given the acceptance of a full-blown property-owning democracy. For one might take the view that the enactment of a range of type-(ii) policies (alongside other institutional elements, such as an excellent system of public education) could be sufficient to achieve FEO, without needing to go so far as embracing a full POD-regime, together with its type-(i) policies involving the broad dispersal of (non-human) productive capital. Thus, one may agree that type-(ii) policies are necessary means toward the goal of FEO, while denying that FEO can be achieved only under the full institutionalization of a property-owning democracy.<sup>28</sup>

One immediate objection to this suggestion would be that type-(i) and type-(ii) policies are so intertwined that it does not make sense to talk of pursuing either in isolation. But, while it is certainly true that the two types of policies are often likely to go together, and be mutually supporting, it is not true to say that type-(ii) policies cannot be pursued without enacting type-(i) policies. For example, a socioeconomic regime that prevented the intra-familial transmission of wealth across generations could still allow substantial inequalities in the ownership of productive resources within each generation. Consider, for example, the policies associated with the “stakeholder grant” scheme advocated by Bruce Ackerman and Anne Alstott, whereby all young adults receive a one-off capital grant of \$80,000, funded by aggressive inheritance taxation.<sup>29</sup> Although superficially similar to POD, such a scheme, if taken in isolation, with its “starting gate”<sup>30</sup> characteristics, would be fully consistent with the emergence of inegalitarian concentrations of capital that would be inconsistent with the type-(i) policy goals associated with a full-blown POD.<sup>31</sup>

In making this suggestion that POD may not be the only way to satisfying FEO, I am taking issue with the account of these issues that has been developed by Samuel Freeman. On Freeman’s view, achieving FEO entails that there exist “real opportunities for all income classes to control capital and their means of production.”<sup>32</sup> On Freeman’s interpretation of FEO, therefore, citizens of all socioeconomic classes (hence: *all citizens*) must possess a real (ongoing) opportunity to control productive capital. If this were to be so, then the role of type-(i) policies (for the dispersal of productive capital) in safeguarding FEO would be clear.

However, Freeman’s account appears to depart significantly from Rawls’s own view with regard to what is meant by an “opportunity.” What is claimed under Rawls’s FEO is simply that the likelihood of any particular individual belonging to any particular socioeconomic class should be a function of their effort and ability and *not* of “their social class of *origin*.”<sup>33</sup> The *opportunities* that Rawls’s principle of FEO ranges over are thus the opportunities of individuals with given social backgrounds to come to membership of any of the full range of socioeconomic positions or social classes. They are, so to speak, *diachronic* opportunities enjoyed by individuals, regardless of their initial social background. This is a different idea to that involved in Freeman’s use of the term “opportunities,” which he uses to describe the (synchronic) powers and capacities possessed by individuals once they have already come to occupy a particular social position.<sup>34</sup>

Hence, on Freeman’s view, FEO is satisfied only when everyone has the ongoing potential to control productive capital (and hence only when type-[i] policies of capital dispersal have been pursued). But on the more modest reading of FEO which I here endorse, FEO can be satisfied as long as everyone, regardless of social class of origin, has the diachronic opportunity to come to a position of control over productive capital. Moreover, this more modest reading of FEO can be satisfied even when the actual distribution of control over productive capital

takes an inegalitarian or hierarchical form; and hence it can be satisfied in the absence of any type-(i) POD policies. It is thus my contention that, on the most faithful and plausible reading of the FEO principle, it cannot be said uniquely to mandate a POD-type socioeconomic regime, even though there is of course nothing about a POD that is inconsistent with the achievement of FEO. Indeed, one can imagine a WSC-type regime, with an inegalitarian distribution of positions of control over productive capital, which nevertheless satisfied the FEO principle. Such a regime would need to enact robust type-(ii) policies, but it would not need to transform itself all the way into a POD. We should therefore conclude that, although there is a good argument for favoring POD over WSC on the basis of the difference principle, there is not a similarly strong argument for favouring POD over WSC on the basis of the principle of FEO.<sup>35</sup>

## **6. POD and the Fair Value of the Political Liberties**

Having discussed the connection between POD and Rawls's second principle of justice, I want now to turn to the connection between POD and Rawls's lexically prior principle of the equal basic liberties. Specifically, I want to assess Rawls's claim that WSC "rejects the fair value of the political liberties, and [. . .] permits very large inequalities in the ownership of real property (productive assets and natural resources) so that the control of the economy *and much of political life rests in few hands*."<sup>36</sup> My concern here is that Rawls's argument for the necessity of POD in order to secure the fair value of political liberties may be unsuccessful and, at the very least, it can be shown to depend on some controversial claims in political sociology. Rawls's argument on this point is, at any rate, rather too rapid, and in need of further support. Thus, just as I claim that enacting a POD may not be a necessary condition for achieving the realization of the FEO principle, so too I claim that it may not be necessary for securing Rawls's first principle of justice.

My contention is that Rawls's argument is too rapid on this point because he provides insufficient support for the claim that control of political life must always go hand in hand with control of unequal amounts of productive resources. In a number of places, Rawls identifies a close relationship between the two forms of power or control. For example, Rawls talks of POD as working "to prevent a small part of society from controlling the economy, and indirectly, political life as well."<sup>37</sup> Now, I have no wish to deny the claim that, under really existing political arrangements in contemporary liberal democracies, economic power is often freely converted into political power. And neither do I wish to deny that this process of the "corruption" of politics undermines the possibility of each citizen enjoying the fair value of the political liberties.<sup>38</sup> My concern, rather, is that it may well be possible to pursue policies that prevent the conversion of economic power into political power, without waiting for the adoption of the full range of economic policies associated with a POD.<sup>39</sup>

It is somewhat curious that Rawls does not here fully pursue the alternative avenue of examining whether the fair value of the political liberties could be

guaranteed (even under a broadly WSC-regime) through mechanisms *other* than egalitarian dispersal of productive wealth: for example, through campaign finance reform, or the regulation of political speech. In his comparison of WSC and POD, Rawls does not consider strategies whereby the political sphere can be *insulated* from the economic sphere, even under the conditions of background inequality associated with a WSC-type regime. But there seems to be no obvious reason to think it impossible that a capitalist welfare state with highly concentrated ownership of the means of production could still enact such policies of “insulation.”

Rawls’s position is especially puzzling when one sees, in his discussion of the fair value of the political liberties,<sup>40</sup> that he actually *does* advocate, in a different context, precisely the kind of policies that I mention here for insulating the economic and political spheres from one another. Rawls makes use of just such a strategy in rebutting the common charge of socialists and radical democrats “that the equal liberties in a modern democratic state are in practice merely formal.”<sup>41</sup> Yet, if Rawls believes that these sorts of “insulation” policies would be sufficient to counter this sort of challenge from more radical forms of egalitarianism, then it is difficult to see why such strategies could not also be harnessed in defense of the possibility of satisfying the first principle of justice even under WSC.<sup>42</sup> We might say that Rawls is in two minds about the “insulation strategy” for protecting the fair value of the political liberties; and it thus seems difficult to make sense of Rawls’s claim that POD solves the problem of political corruption, whereas WSC cannot.<sup>43</sup>

Specific kinds of political solutions are no doubt needed to fight problems of the corruption of politics, but the policies that are needed (that is, type-[iii] policies, of the sort described above) could be available under WSC as well as under POD. Indeed, a WSC-regime would be unable to enact such policies only if WSC is understood in its “worst case” form—that is, as something of a “straw man” regime-type (as it indeed sometimes appears to be in Rawls’s presentation). Otherwise, it is difficult to see how a concern for preserving the fair value of the political liberties mandates an institutional choice of POD (including type-[i] policies) over WSC, at least in the absence of a more developed argument. Such an argument might be advanced by pointing toward the real-world ineffectiveness of type-(iii) policies in guaranteeing broad equality of political influence in the absence of the eradication of inequalities in economic power. But such an argument would need to make use of controversial claims in political sociology, and would for that reason need to be made carefully. It is not sufficient simply to assume that economic power and political power must always go together, with inequalities in the latter being inevitable whenever inequalities in the former have not been eradicated.

When one considers the commitments of Rawls’s view, there would seem to be an internal tension in his treatment of the connection between economic and political power. One might even worry that Rawls is here losing sight of the malleability of the rules of property ownership, and placing too much emphasis on the formal powers of ownership. After all, on Rawls’s view the specification of the

rules of property are not given in advance of the workings of the basic structure of society, but are specified by that basic structure itself.<sup>44</sup> Thus, it is open to our political institutions to specify, for example, that corporate funds cannot be used for political purposes, or that wealthy individuals can only direct a limited amount of their property toward the funding of political campaigns, as the entitlements of those property-holders are themselves a matter of political determination, and are to be determined with reference to the demands of justice. Rawls's approach to thinking about the conventionality of relations of property ownership suggests that there are a number of ways in which we might hope to prevent the bad political consequences of the unequal division of economic power without our options being constrained only to the single political option, entailed by POD, of eradicating those power inequalities themselves.

Thus, with regard to the protection of the fair value of the political liberties, it would seem that the argument for preferring POD over WSC is to some degree incomplete. Rawls has not shown that the fair value of the political liberties can be secured only under POD, and the view that this should be the case in fact stands in tension with some of the other commitments of his theory. We should therefore conclude that, while a POD is plausibly a type of regime that could do well in terms of institutionalizing Rawls's first principle of justice, Rawls does not give us sufficient reason to conclude that his first principle could not also be satisfied, through the use of alternative political strategies, under WSC.<sup>45</sup>

### **7. WSC and POD as Ideal Types, and their Relation to Real Policy Options**

Having assessed POD and WSC in terms of Rawls's principles of justice, I would now like to step back in order to highlight the status of POD and WSC as "ideal types," and to examine their somewhat complex relationships to real political regimes, and to particular policy options. Given the separability of policy types (i), (ii) and (iii), it is plausible to think that the best way of understanding POD is as a complex amalgam, composed of a set of different varieties of policy, each with a different underlying aim. This is significant if we consider the possibility of social arrangements that enact some, but not all, of the elements associated with POD, as when we consider, for example, WSC-regimes which nevertheless enact type-(ii) and/or type-(iii) policies (as suggested in §§5–6 above). There is perhaps a sense in which Rawls bestows a false unity on the idea of POD as a form of social organization, speaking as he does as if WSC and POD were each indivisible packages of policies. If we think more in terms of the particular kinds of *policies* that might be required in order to achieve social justice, then Rawls's discussion in terms of general *regimes* might come to seem overly schematic.

There is a related worry that Rawls's version of WSC is presented as something of a "straw man" position. WSC, according to Rawls, is a rather minimalist, unrepentant and toothless version of a welfare state. We should resist the temptation, therefore, to think that Rawls's "WSC" refers unproblematically to really

existing welfare states. The significant gains for social justice that have been made by welfare state regimes, such as the Swedish Social Democrat (SAP) governments of the post-war era, or the post-war Labour government in the UK, were typically made not only by the enactment of the narrow range of policies which Rawls associates with WSC regimes, but by a range of policies that include some which belong within Rawls's specification of the policies of a property-owning democracy.<sup>46</sup> For example, whereas Rawls characterizes WSC as being interested only in *ex post* redistribution, the vigorously egalitarian education policies that have been pursued by a variety of European social democratic governments can very much be understood as generating mechanisms for the *ex ante* redistribution of human capital. Thus, even if the traditional welfare state has not done a great deal to disperse non-human capital (as in a POD), it would be unfair to conclude that traditional welfare-state strategies take no interest in the *ex ante* distribution of productive assets.

Given these worries, we should bear in mind the potential distortions that can enter our thinking if we do not remember that POD and WSC are only *ideal types* of regime. All the policy elements of POD need not stand or fall together, and nor are they all inconsistent with a broadly WSC-based set of political arrangements. It might therefore be potentially misleading to present POD and WSC as competitor positions. Rather, one might view them more as staging posts on a broader continuum of policies that might be enacted in the pursuit of social justice. POD-type measures can be viewed as useful extensions of, rather than replacements for, the welfare state.<sup>47</sup>

Moreover, despite his avowed hostility to WSC, Rawls himself endorses many central aspects of the traditional welfare state. For example, Rawls is committed to policies such as universal health care and disability cover which are very much part of the traditional range of policies associated with *ex post* WSC approaches.<sup>48</sup> It would be difficult to see how such traditional "welfare state" functions of redistributive *ex post* social insurance could be replaced with analogous *ex ante* policies. So, insofar as Rawls wishes to give the label "property-owning democracy" to the set of socioeconomic institutions which would realize the two principles of justice, one must thereby conclude that such a POD needs to contain many elements which replicate, rather than in all cases replacing, significant elements of the traditional welfare state.

Thus, for a number of reasons, one should be cautious with regard to Rawls's overly schematic typology of "regime types." POD and WSC are not simple rivals, each with its own indivisible internal coherence. Rather, each of these Rawlsian regimes represents an amalgam of possible policies. Accordingly, plausible policy menus will typically draw from across these Rawlsian regimes, and the adoption of elements of a property-owning democracy need not involve the wholesale rejection of traditional welfare state mechanisms.

This point about the fuzzy borders between POD and WSC connects to a related point about political strategy, with regard to the process of political change and the transformation of socioeconomic regimes. Taking, as an example, the

problem of securing the fair value of the political liberties, it is significant that type-(iii) policies can be advocated for enactment under near-to-current conditions, rather than making sense only given the thoroughgoing “regime change” that would be involved in full enactment of a POD. We need not necessarily think that there is no hope of reducing the influence of money in politics until we can achieve an egalitarian reordering of the productive relationships of our economies. Given this, insofar as we endorse principles of justice that are broadly similar to those identified by Rawls, we may welcome the “fungibility” of the set of policies characteristic of a POD, as holding out the hope that some of the aims of a POD, in terms of achieving and securing social justice, can be achieved within the constraints of (something like) WSC.

### **8. Conclusion—Liberty, Equality and Property-Owning Democracy**

This essay has suggested that the best reasons for supporting a property-owning democracy are connected to the difference principle, rather than to the fair value of the political liberties, or to fair equality of opportunity. The difference principle, when viewed as ranging over the full range of social primary goods, can be institutionalized only under conditions associated with POD (or something rather like it), whereas fair equality of opportunity and the fair value of the political liberties could plausibly be achieved under a variety of different socio-economic regimes. One might put the same point in a different way by saying that Rawls’s best reasons for advocating a POD are grounded in the value of equality rather than the value of liberty. Here, my view parts company from Rawls himself, who clearly took the view that WSC was inconsistent with each of the separate elements of his principles of justice.<sup>49</sup> I am also in disagreement with Samuel Freeman, who advances the view that the best reasons for adopting POD over WSC are based on securing the fair value of the political liberties, and on securing fair equality of opportunity, and who correspondingly downplays the significance of the difference principle in determining our selection of POD over WSC, in choosing a just socioeconomic regime.<sup>50</sup> On my account of these issues, neither of the elements of Rawls’s principles of justice that are lexically prior to the difference principle is sufficient to determine the case in favor of POD.

As against Rawls and Freeman, my claim is that many of the aims of a property-owning democracy (e.g., relating to the aims advanced by type-[ii] and type-[iii] policies) can be achieved under a capitalist welfare state, even with a relatively inegalitarian distribution of productive resources. In terms of egalitarian strategy, this is potentially good news, as it means that we have more options than the single option of agitating for systemic “regime change.” Those with a concern for social justice can also pursue more piecemeal methods for moving toward satisfaction of the principles of justice. Nevertheless, Rawls is surely right in claiming that a truly just society, which satisfies the difference principle, as well as the other (lexically prior) elements of his theory of justice, will require the increased dispersal of productive resources characteristic of a property-owning

democracy. Systemic regime change, beyond the traditional institutions of welfare state capitalism, is surely necessary if Rawls's principles of justice are to be fully institutionalized.

*For very helpful discussion of these issues, and for useful comments on previous versions, I am grateful to Luc Bovens, Corey Brettschneider, Robert Goodin, Axel Gosseries, Nien-hê Hsieh, Waheed Hussain, Dominic Martin, Keir Martin, Kieran Oberman, Shepley Orr, Ingrid Robeyns, Miriam Ronzoni, David Schweickart, Raj Sehgal, Hillel Steiner, Zofia Stemplowska, Antoon Vandavelde, Gijs van Donge-laar, Philippe van Parijs, Jack Vromen, Thomas Wells, Thad Williamson, Jonathan Wolff, and two anonymous referees for the Journal of Social Philosophy. I am also grateful to audiences at the annual APSA meeting in Chicago; at "Priority in Practice" at University College London; at the Jepson School of Leadership Studies at the University of Richmond, Virginia; at the Erasmus Institute for Philosophy and Economics at Erasmus Universiteit Rotterdam; and at the Lovanium Seminar in Ethics and Public Policy at the Katholieke Universiteit Leuven. I thank St John's College, Cambridge, and the Hallsworth Fund of the University of Manchester for generous research support. The final version of this article was completed while I was a visiting Hoover Fellow at the Université Catholique de Louvain, and I would like to thank the members of the Chaire Hoover d'éthique économique et sociale, both staff and graduate students, for their wonderful hospitality during my stay.*

## Notes

<sup>1</sup>John Rawls, *Justice as Fairness: A Restatement*, ed. Erin Kelly (Cambridge, MA: Harvard University Press, 2001). Although the most systematic discussion of the contract between "welfare-state capitalism" and "property-owning democracy" comes in *JF*, there is also a sustained discussion of property-owning democracy in Chapter V of Rawls's *A Theory of Justice* (Cambridge, MA: Harvard University Press, 1971), especially section 43, and again in the Preface to the French edition of *A Theory of Justice* (reproduced as the preface to the revised (1999) edition of *A Theory of Justice*, see especially at xiv–xvi). For Rawls's hostility to capitalism, another enlightening text is his exchange with Philippe van Parijs in their "Three Letters on *The Law of Peoples* and the European Union," *Revue de Philosophie Economique* 8 (2003): 7–20. Retrieved July 16, 2009 from <http://www.uclouvain.be/cps/ucl/doc/etes/documents/RawlsVanParijs1.Rev.phil.Econ.pdf>.

<sup>2</sup>Rawls, *JF*, 135.

<sup>3</sup>*Ibid.*, 137–38.

<sup>4</sup>It seems clear from Rawls's remarks here that, with regard to his first principle of justice, he denies *not* that WSC could provide the formal protection of the equal basic liberties, but that WSC would be able to protect the *fair value* of the political liberties. On the "fair value" of the political liberties, see Rawls, *JF*, 148–50 (§45). In according significance to the fair value of the political liberties, Rawls is following Norman Daniels, "Equal Liberty and Unequal Worth of Liberty," in *Reading Rawls*, ed. Norman Daniels (New York: Basic Books, 1975).

<sup>5</sup>Rawls, *JF*, 135–36.

<sup>6</sup>See James Meade, *Efficiency, Equality and the Ownership of Property* (London: George Allen and Unwin, 1964). Although Rawls is avowedly following Meade in his use of the term "property-owning democracy," the term had a pre-history even before Meade's book. The term originates

with the British Conservative politician Noel Skelton, and was popular as a label used to describe a range of policies proposed by mid-twentieth century British Conservatives, including Anthony Eden, especially around the time of the 1955 General Election. In harnessing the term to genuinely progressive ends, Meade was, perhaps somewhat mischievously, appropriating the language of his political opponents. On the genealogy of the term “property-owning democracy,” see Amit Ron, “Visions of Democracy in ‘Property-Owning Democracy’: Skelton to Rawls and Beyond,” *History of Political Thought* 29, no. 1 (2008): 89–108; and Ben Jackson, “Revisionism Reconsidered: Property-Owning Democracy and Egalitarian Strategy in Post-War Britain,” *Twentieth Century British History* 16:4 (2005): 416–40. At any rate, none of the uses of the term that come before Meade’s have much, if any, bearing on the content of Rawls’s particular POD proposals.

<sup>7</sup>James Meade, *Efficiency, Equality, and the Ownership of Property*, 40–65, 75–77.

<sup>8</sup>Rawls, *JF*, 138.

<sup>9</sup>*Ibid.*, 138–39.

<sup>10</sup>If Rawls’s idea of a “property-owning democracy” stands in some neglect, this can rightly be claimed also with regard to the other institutional regime which Rawls endorses: that of “liberal socialism.” Rawls’s development of his idea of “liberal socialism” is rather limited, and it is not given as much space as POD in *JF*. Rawls does claim, though, that a “liberal socialist” regime could meet the demands of the two principles of justice in the same way as does a POD (see *JF*, 138). Rawls envisages “liberal socialism” as involving a number of competing, democratically controlled firms, operating within “a system of free and workably competitive markets” (*ibid.*), and retaining free choice of occupation. See also Rawls’s remarks on Marx in his *Lectures on the History of Political Philosophy* (Cambridge, MA: Harvard University Press, 2007), where he describes the central features of liberal socialism, 322–23. Given that Rawls describes liberal socialism here as involving “a property system establishing a widespread and a more or less even distribution of the means of production and natural resources” (Rawls, *Lectures on the History of Political Philosophy*, 323), one may speculate that there would be, in effect, little real difference (other than in the specification of *formal* property relations) between a liberal socialist regime and some variant of property-owning democracy. For a number of liberal socialist proposals along the broad lines envisaged by Rawls, see Joshua Cohen, “The Economic Basis of Deliberative Democracy,” *Social Philosophy and Policy* 6 (1989): 25–50; David Miller, *Market, State and Community: Theoretical Foundations of Market Socialism* (New York: Oxford University Press, 1989); John Roemer, *A Future for Socialism* (Cambridge, MA: Harvard University Press, 1994); David Schweickart, *After Capitalism* (Lanham, MD: Rowman and Littlefield, 2002); and Gar Alperovitz, *America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, Our Democracy* (Hoboken, NJ: John Wiley & Sons, 2004).

<sup>11</sup>Rawls, *JF*, 139.

<sup>12</sup>*Ibid.*

<sup>13</sup>As Rawls puts it (*JF*, 139): “. . . welfare-state capitalism permits a small class to have a near monopoly on the means of production. Property-owning democracy avoids this, not by the redistribution of income to those with less at the end of each period, so to speak, but rather by ensuring the widespread ownership of productive assets and human capital (that is, education and trained skills) at the beginning of each period, all this against a background of fair equality of opportunity.”

<sup>14</sup>See Rawls, *JF*, 149–50.

<sup>15</sup>For fuller elaborations of the policies integral to a POD, see Richard Krouse and Michael McPherson, “Capitalism, ‘Property-Owning Democracy,’ and the Welfare State,” in *Democracy and the Welfare State*, ed. Amy Gutmann (Princeton, NJ: Princeton University Press, 1988). Rawls describes himself as being indebted to the discussion of Krouse and McPherson at *JF*, 135. See also Samuel Freeman, *Rawls* (New York: Routledge, 2007), 112–15, 132–36, 219–35; Samuel Freeman, *Justice and the Social Contract: Essays on Rawlsian Political Philosophy* (New York: Oxford University Press, 2006), 10–11, 75–109; Martin O’Neill and Thad Williamson, “Property-Owning Democracy and the Demands of Justice,” in *Living Reviews in Democracy* (forthcoming); and the other articles in the current Symposium.

- <sup>16</sup>I shall discuss the relationship between POD and the principle of fair equality of opportunity in the next section.
- <sup>17</sup>Rawls, *JF*, §39, 130–32.
- <sup>18</sup>Here, Rawls seems to be following T. M. Scanlon. See fn. 48 at *JF*, 130. For Scanlon's account of the badness of inequality, see his "The Diversity of Objections to Inequality," in his *The Difficulty of Tolerance* (Cambridge: Cambridge University Press, 2003). See also Scanlon, "When Does Equality Matter?," unpublished ms., Department of Philosophy, Harvard University. For a broader discussion of Rawls's and Scanlon's treatments of the badness of inequality, with regard the various conceptions of the nature and value of equality, see Martin O'Neill, "What Should Egalitarians Believe?" *Philosophy & Public Affairs* 36, no. 2 (2008): 119–56.
- <sup>19</sup>Rawls, *JF*, 130–31.
- <sup>20</sup>*Ibid.*, 131.
- <sup>21</sup>For further development of the idea that a concern with equality, understood as ranging over a set of diverse social primary goods, leads to a concern for reorganizing the structure and control of production itself, see Martin O'Neill, "Three Rawlsian Routes towards Economic Democracy," *Revue de Philosophie Economique* 8, no. 2 (2008): 29–55.
- <sup>22</sup>Rawls, *JF*, 59.
- <sup>23</sup>Rawls, *Lectures on the History of Political Philosophy*, 321 (Section on "Marx—His View of Capitalism as a Social System").
- <sup>24</sup>See Rawls, *JF*, §17, 58–59.
- <sup>25</sup>Although I shall be going on in the two following sections to take issue with some of the arguments regarding property-owning democracy offered by Freeman, here at least I am very much in agreement with Samuel Freeman who, in his discussion of POD, also emphasizes that the difference principle enjoins us to "maximize the total index of primary goods, including powers and opportunities available to the least advantaged" (and not just income and wealth). See Freeman, *Justice and the Social Contract*, 107.
- <sup>26</sup>It should be borne in mind here that on Rawls's view FEO has lexical priority over the difference principle.
- <sup>27</sup>Rawls, *JF*, 44.
- <sup>28</sup>Needless to say, even if it is true that FEO can be achieved without recourse to type-(i) policies, this does not mean that it is easy to achieve FEO, given the political difficulties of enacting (even very limited versions) of type-(ii) policies. For a discussion of some of these difficulties in a U.S. context, see Michael J. Graetz and Ian Shapiro, *Death by a Thousand Cuts: The Fight Over Taxing Inherited Wealth* (Princeton, NJ: Princeton University Press, 2005). With regard to the British context, see Martin O'Neill, "Death and Taxes: Social Justice and the Politics of Inheritance Tax," *Renewal* 15, no. 4 (2007): 62–71; and Stuart White (with Rajiv Prabhakar and Karen Rowlingson), *How to Defend Inheritance Tax* (London: Fabian Society, 2008).
- <sup>29</sup>See Bruce Ackerman and Anne Alstott, *The Stakeholder Society* (New Haven, CT: Yale University Press, 1999).
- <sup>30</sup>On "starting-gate" theories, see Ronald Dworkin, *Sovereign Virtue: The Theory and Practice of Equality* (Cambridge, MA: Harvard University Press, 2000), ch. 2, esp. 87–89.
- <sup>31</sup>I am grateful to Antoon Vandevelde, Philippe van Parijs, Jack Vromen and an anonymous referee for this journal for pressing me to say more about the ways in which these two types of policies can be disentangled.
- <sup>32</sup>Freeman, *Justice and the Social Contract*, 107. See also Freeman's discussion of POD and FEO in Freeman, *Rawls*, 135–36.
- <sup>33</sup>Rawls, *JF*, 44 (my italics).
- <sup>34</sup>Rawls's full characterization of the requirements of FEO in *JF* make clear that the requirement is more modest than in the version of FEO described and endorsed by Freeman. As Rawls puts it, "supposing there is a distribution of native endowments, those who have the same level of talent and ability and the same willingness to use these gifts should have the same prospects of success

regardless of their social class of origin” (*JF*, 44). Note that the characterization of FEO here is in term of (lifetime) *prospects*.

<sup>35</sup>This is not to say that Freeman’s arguments in favor of POD, on the basis of POD’s ability to provide ongoing opportunities for control of productive resources, may not be independently plausible. It is simply to note that Freeman’s argument on this point departs significantly from, and goes beyond, meeting the demands of Rawls’s FEO principle.

<sup>36</sup>Rawls, *JF*, 137–38 (my italics).

<sup>37</sup>*Ibid.*, 139.

<sup>38</sup>When I talk about the “corruption” of politics by inequalities in wealth, I do not mean corruption only in the gross literal sense whereby the wealthy effectively buy the allegiance of politicians. I also have in mind milder forms of “corruption,” whereby the aims of the democratic process are thwarted, and the political liberties of some citizens are rendered “merely formal,” by the wealthy having a greater effective capacity than others to take part in political activity and influence political outcomes. (See Rawls, *JF*, §45 and esp. 149.) I am grateful to Nien-hê Hsieh, Waheed Hussain and Thad Williamson for pushing me to greater clarity on this point.

<sup>39</sup>Indeed, a number of writers take exactly this approach to the problem of the corruption of politics by economic inequalities. See, for example, Michael Walzer, *Spheres of Justice* (New York: Basic Books, 1983); Micky Kaus, *The End of Equality* (New York: Basic Books, 1992); and Michael Sandel, “What Money Can’t Buy: The Moral Limits of Markets,” in *The Tanner Lectures on Human Value 21*, ed. Grethe B. Peterson (Salt Lake City: University of Utah Press, 2000), retrieved July 16, 2009 from <http://www.tannerlectures.utah.edu/lectures/sandel00.pdf>.

<sup>40</sup>Rawls, *JF*, 148–50.

<sup>41</sup>*Ibid.*, 148. Here Rawls is explicitly responding to the criticisms of his first principle developed by Daniels in “Equal Liberty and the Unequal Worth of Liberty.”

<sup>42</sup>With regard to Rawls’s engagement with the criticisms of socialists and radical democrats, it is important here to note the limits to how far one can go, within the constraints of a POD, in securing the fair value of the political liberties by means of reallocating ownership and control of economic resources. Many socialists and radical democrats hold that, unless there is state ownership (or at least effective state control) of the means of production, and therefore of investment decisions, democratic politics will be unacceptably constrained by the structural power of capital to limit state action (i.e., by virtue of its threat advantage in removing economic investment). (See, e.g., Cohen, “The Economic Basis of Deliberative Democracy,” 25–50. For a socialist critique of Rawls, see David Schweickart, “Should Rawls Be a Socialist? A Comparison of His Ideal Capitalism with Worker-Controlled Socialism,” *Social Theory and Practice* 5 [1979]: 1–27. See also Arthur DiQuattro, “Rawls and Left Criticism,” *Political Theory* 11 [1983]: 53–78.) Fully accepting this line of argument would suggest that private ownership of productive assets is inconsistent with ensuring the fair value of the political liberties, and that hence the only acceptable socioeconomic regime is liberal socialism rather than either POD or WSC. If this socialist “structural constraint” argument works, then POD and WSC are, so to speak, in the same boat, as regards failing to meet the demands of Rawls’s first principle. As we have seen, this is certainly not Rawls’s own view. Although I cannot pursue these issues further within the constraints of the present discussion, it is worth noting that this is likely to be the most important issue on which the plausibility of Rawls’s response to his socialist critics is likely to turn. I am grateful to an anonymous referee for prompting me to say more on this matter.

<sup>43</sup>Alternatively, we might draw the conclusion that Rawls thinks that the insulation strategy can be effective only when used in tandem with the strategy of wealth dispersal. But, if so, this is a substantive assumption in political sociology that requires rather more in the way of support. Absent an account of why the insulation strategy, if pursued on its own, must always fail, it seems reasonable to give more of the benefit of the doubt to such “insulatory” policies. I am grateful to Waheed Hussain and an anonymous referee for pushing me toward greater clarity on this issue.

<sup>44</sup>See Rawls’s discussion of property rights at *JF*, 114–15. On the broadly Rawlsian view of property rights as conventional, see Liam Murphy and Thomas Nagel, *The Myth of Ownership: Taxes and*

*Justice* (New York: Oxford University Press, 2002); and also Martin O'Neill, "Entreprises et Conventionnalisme: Régulation, Impôt et Justice Sociale," *Raison Publique* 10 (2009): 171–200.

<sup>45</sup>To be sure, this is not to show that POD might not, in fact, present a more structurally secure, and thereby stable, means for institutionalizing Rawls's first principle than that available under WSC. It is simply to say that, as things stand, (a) this case has not yet been made, and that (b) even if POD did present a setting in which the institutionalization of the first principle might be more stable than under WSC, we should not be too quick to discount the possibilities of realizing Rawls's first principle under WSC. I am grateful to Thomas Wells, Miriam Ronzoni, and an anonymous referee for pushing me to say more on this point.

<sup>46</sup>We might conclude that Rawls's "WSC" is roughly equivalent to the subclass of "liberal" welfare states (as opposed to "conservative/corporatist" or "social democratic" welfare states) as identified by Gøsta Esping-Andersen in his *Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press, 1990), esp. 26–29. On the political theory of "really-existing" welfare states, see Robert Goodin, "The End of the Welfare State?" in *The Cambridge History of Twentieth Century Political Thought*, ed. Terence Ball and Richard Bellamy (Cambridge: Cambridge University Press, 2003); and Christopher Pierson and Francis G. Castles, ed., *The Welfare State Reader*, 2nd ed. (Cambridge: Polity Press, 2006). On the post-war Labour governments in the UK, see Kenneth O. Morgan, *Labour in Power, 1945–1951* (Oxford: Oxford University Press, 1984), and Peter Hennessy, *Never Again: Britain 1945–1951*, 2nd ed. (London: Penguin, 2006). On the evolution of Labour's political thought over the twentieth century, see Ben Jackson, *Equality and the British Left: A Study in Political Thought, 1900–64* (Manchester: Manchester University Press, 2007). On social democracy in Sweden, see Jenny Andersson, *Between Growth and Security: Swedish Social Democracy from a Strong Society to a Third Way* (Manchester: Manchester University Press, 2006). On social democracy in general, see Adam Przeworski, *Capitalism and Social Democracy*, new ed. (Cambridge: Cambridge University Press, 2008).

<sup>47</sup>This is very much the way that James Meade thought about the policies of a POD. As he puts it: "These measures are needed, for the most part, to supplement rather than to replace the existing Welfare-State policies" (my italics). See James Meade, *Efficiency, Equality, and the Ownership of Property*, 75.

<sup>48</sup>See, for example, Rawls's endorsement of Daniels's suggestions for state-funded healthcare, at *JF*, 175–76. Indeed, Rawls speaks of "a basic level of health-care provided to all" as one of "the main institutions of a property-owning democracy" (*JF*, 176). On Daniels's proposals, see Daniels, "Health Care Needs and Distributive Justice," *Philosophy & Public Affairs* 10 (1981), 146–79; Daniels, *Just Health Care* (Cambridge: Cambridge University Press, 1985); and Daniels, *Just Health: Meeting Health Needs Fairly* (Cambridge: Cambridge University Press, 2007).

<sup>49</sup>Rawls, *JF*, 137.

<sup>50</sup>See Freeman, *Rawls*, 133–35, 224–26; and Freeman, *Justice and the Social Contract*, 105–08.