

Property-Owning Democracy: A Short History

FIRST DRAFT

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The rise to prominence of the term ‘property-owning democracy’ in late twentieth-century political discourse and political theory is, on the face of it, a confusing and contradictory story. While political theorists following in the footsteps of John Rawls alighted upon the idea of a property-owning democracy in the 1980s and 1990s as a non-socialist model for the advancement of egalitarian distributive objectives, in the same period intellectuals and politicians associated with the rise of neo-liberalism, in particular those attached to the Thatcher government in the UK, sought to foster a property-owning democracy that was indifferent to a significant widening of income and wealth inequalities and was explicitly intended to undermine the electoral base of egalitarian politics. But these two versions of this fertile objective were not as distinct as they might appear, since both had in fact grown from the same historical root. The term ‘property-owning democracy’ first emerged into political debate at the hands of British Conservatives in the 1920s. It was then transmitted into academic political theory through the work of the British economist James Meade. But in the process of its migration into the political theory of Rawls and his successors property-owning democracy acquired much more radical connotations than had been entertained by its initial Conservative sponsors, as it merged with a broader, more explicitly egalitarian political tradition that emphasised the need for significant redistribution of existing property entitlements. This chapter gives a detailed account of how this tangled conceptual trajectory unfolded and draws out some of the implications of this historical narrative for contemporary debates. In particular, it locates the genesis of the egalitarian model of property-owning democracy in two episodes in the history of political thought: in the rise of commercial republican thinking in the late eighteenth and early nineteenth centuries and in the mid-twentieth century high tide of the socialist critique of capitalism.

1. Property-Owning Democracy Before Socialism: The Rise of Commercial Republicanism

The claim that the stability and independence of mind promoted by private property-ownership was a necessary condition for the responsible exercise of political power has been a long-standing theme in western political theory. However, this idea was characteristically employed as a justification for class-stratified participation in political decision-making rather than as the basis for a radical reconsideration of the existing distribution of property rights. With the gradual emergence of ideas of popular sovereignty and civic equality, however, the leading edge of the radical political theories of the eighteenth and early nineteenth centuries began to reshape traditional arguments about property-ownership to argue that a much larger citizenry could be entrusted with

political power and that this widening of the status of citizenship should in turn be underwritten by a much wider diffusion of private property. The earliest versions of this form of argument, found for example among such pre-commercial renovators of classical republicanism as James Harrington and Jean-Jacques Rousseau, were agrarian and austere critical of commerce and luxury. Such authors envisaged a community predominantly made up of small-scale agricultural producers, each with sufficient property (i.e. land) to be economically independent of one another and hence independent of each others' wills, but with none possessing such a large concentration of property as to enable domination of the political process and severe hierarchies of social status. As Rousseau argued: 'Do you, then, want to give the state stability? Bring the extremes as close together as possible; tolerate neither very rich people nor beggars.' Famously, he added that no citizen should 'be so very rich that he can buy another, and none so poor that he is compelled to sell himself.'¹ Rousseau himself did not offer a particularly detailed account of how to go about achieving this condition of relative economic and civic equality, although he did support the taxation of luxury goods, and, along with other pre-commercial republicans such as Harrington, also supported some form of agrarian law. Such legislation, modelled on what was believed to be the practice at one time in the Roman Republic, aimed to severely limit the amount of land that any one individual could hold.² The assumption of these pioneering republican theorists therefore seemed to be that, in the largely agricultural polities they envisaged, regulations governing the inheritance of land should be sufficient to break-up excessively large concentrations of wealth and to ensure a basic minimum of property was allotted to the poorest citizens.

The advent of commercial society or capitalism, as it would come to be known, precipitated a new departure in thinking about property relations. While Rousseau had sternly opposed the corruption and materialism of commerce, Adam Smith eloquently elaborated on its social benefits and on the growing social interdependence consequent on the new industrial organisation of production. The ideal of a free community of equally placed independent peasant proprietors came to seem increasingly sociologically implausible, not to say anachronistic, and was gradually replaced by a commercial republican vision that embraced a dynamic and expanding capitalist economy, and its highly differentiated division of labour, but also envisaged a role for a democratic state in distributing property-holdings to all members of the community as a means of securing the material conditions of their citizenship. Thomas Paine, who had been influenced by Smith, blazed this trail in the late eighteenth century with two striking, and incendiary, works: *The Rights of Man Part Two* (1792) and *Agrarian Justice* (1797).³

Paine was relatively sympathetic to commercial interests and directed most of his critical fire against the aristocracy in *The Rights of Man*, although his tone had changed somewhat by the time he penned *Agrarian Justice*, which expressed a palpable revulsion

¹ J.-J. Rousseau, *The Social Contract* [1762], ed. V. Gourevitch (Cambridge, 1997), p. 78; for Harrington, see his *Commonwealth of Oceana* [1656], ed. J. G. A. Pocock (Cambridge, 1992). The words by Rousseau are quoted, alongside relevant critical discussion, in J. Rawls, *Lectures on the History of Political Philosophy* (Cambridge MA, 2007), pp. 244-8, quotes at p. 247. See also S. White, 'Rediscovering Republican Political Economy', *Imprints*, 4 (2000), pp. 213-35.

² Harrington, *Commonwealth*, p. 33; E. Nelson, *The Greek Tradition in Republican Thought* (Cambridge, 2004), especially pp. 48-126, 188-93.

³ For a more detailed discussion of the rise of this commercial republicanism, see G. Stedman Jones, *An End to Poverty? A Historical Debate* (London, 2004), especially pp. 16-63.

towards the moral arbitrariness of a civilisation that rendered some fabulously wealthy while others starved in the streets. In both works, Paine made the pioneering proposal that the rise of representative government should bring with it a new social commitment to individual rights to material resources, to be furnished by the state through a system of taxes and transfers. Paine argued that to enable citizens to possess the independence and security they required to exercise their political duties, it was necessary to provide them with material support ‘not of the nature of a charity, but of a right.’⁴ According to Paine in *The Rights of Man*, such social rights should include: benefits for the children of the poor, conditional upon attendance of the children at school; old age pensions; funding for universal education; the provision of a basic capital endowment for every new-born baby and newly married couple; and a scheme whereby the state would act as an employer of last resort in London. These measures would be funded by the progressive taxation of wealth.⁵ In *Agrarian Justice*, Paine put the case for a universal endowment of capital for every person, male and female, reaching the age of twenty-one, as well as the payment of an annual pension to those over fifty, to be funded through the taxation of inherited wealth.⁶ Paine argued that the accumulation of private property was ‘the effect of society’ as opposed to the result of individual initiative and thrift and concluded that every property-owner should therefore return at least part of their holdings to the community that had facilitated their gains.⁷ Although Paine’s proposals are often cited as pioneering examples of proposals for a ‘property-owning democracy’, it is intriguing to note that a number of them – pensions, child benefit, education, perhaps even the state as employer of last resort – fit just as comfortably under the more traditional heading of the ‘welfare state.’ His reason for advocating pensions was, after all, ‘to provide against the misfortunes to which all human life is subject.’⁸ This is an early indication of a theme I will return to later in this chapter, namely that presenting a ‘property-owning democracy’ as a superior alternative to a ‘welfare state’ (and, as I will demonstrate, ‘socialism’) can be misleading and unhelpful. Nonetheless, Paine clearly deserves recognition as the proponent of a pioneering and resonant republican vision that sought to break up large concentrations of property and disperse individual property rights through the use of the progressive taxation of wealth and state-sponsored redistribution.

2. Property-Owning Democracy at the Socialist High Tide (i): Progressive Conservative Origins

The radical thinking behind Paine’s commercial republicanism was itself reshaped as the nineteenth and early twentieth centuries unfolded. Brutally summarised, for many radicals, the republican aspirations of individual independence and property dispersion increasingly seemed to stand in tension with the lived realities of capitalist economic development. Fresh ideological questions were posed by the rise of larger units of production, owned and managed by a distant and powerful capitalist elite, and by the

⁴ T. Paine, *The Rights of Man Part Two* [1792], in T. Paine, *Rights of Man, Common Sense and Other Political Writings*, ed. M. Philp (Oxford, 1995), p. 296.

⁵ Paine, *Rights of Man*, pp. 292-311.

⁶ Paine, *Agrarian Justice* [1797], in T. Paine, *Rights of Man, Common Sense and Other Political Writings*, ed. M. Philp (Oxford, 1995), pp. 419-25.

⁷ Paine, *Agrarian Justice*, p. 428. Emphasis in original.

⁸ Paine, *Rights of Man*, p. 322.

growth in social interdependency that resulted from highly complex industrial development, urbanisation and population growth. Increasingly, despotism and domination was seen by radicals to stem from the unaccountable power of capitalists rather than aristocrats or landlords, while republican ideas about dispersing small-scale ownership as a means of fostering individual independence began to seem anachronistic in the context of a capitalist economy. Instead, radicals proffered a new ambition of asserting democratic collective control over the enormous units of production that now seemed to be an inescapable feature of a modern economy. In other words, commercial republicanism was displaced on the Left by the rise of socialism.⁹

As I have already mentioned, the phrase ‘property-owning democracy’ was in fact coined by a British Conservative, who hoped to adapt Conservatism to the arrival of a mass working class electorate by proposing the diffusion of individual property-ownership as an ideological alternative to the collective ownership proposed by socialists. A version of this idea, although not the precise phrase, had earlier been floated in British political debate by the sometime Liberal MP and Catholic social theorist, Hilaire Belloc in his *The Servile State* (1912). Belloc argued that the early twentieth century capitalist combination of political freedom for all with economic freedom only for the minority who owned the means of production was inherently unstable and caused serious social friction and injustice. But Belloc rejected one possible solution to this problem, namely the nascent ideas for centralised social welfare provision propounded by his former colleagues in the Liberal Party and by Fabian socialists such as the Webbs. In Belloc’s view, the introduction of state welfare would lead directly to the enslavement of the working class, since reforms that aimed at guaranteeing the economic security of workers could only be implemented in return for the state increasing the level of scrutiny and control it exercised over their behaviour. The arrival of these measures, Belloc argued, signalled a reversion from a society of freely contracting individuals to one grounded on status. If this vision was implemented, society would eventually be legally divided into discrete groups of owners and workers, with quite different rights and duties adhering to each.¹⁰ Two plausible options remained, according to *The Servile State*:

If you are suffering because property is restricted to a few, you can alter that factor in the problem either by putting property into the hands of the many, or by putting it into the hands of none. There is no third course. In the concrete, to put property in the hands of “none” means to vest it as a trust in the hands of political officers.¹¹

Belloc was therefore sceptical of this latter collectivist option since it would hand vast and unaccountable power to the minority who would exercise political control over the means of production; the only attractive option, he argued, was to ensure a wider dispersion of individual property-holdings among the population. However, Belloc himself offered no concrete account of how his ‘distributive state’ could be realised,

⁹ My understanding of this transition in radical thought is indebted to the illuminating discussion in M. McIvor, ‘Republicanism, Socialism and the Renewal of the Left’, in J. Callaghan, N. Fishman, B. Jackson and M. McIvor (eds), *In Search of Social Democracy: Responses to Crisis and Modernisation* (Manchester, 2009), pp. 254-60.

¹⁰ H. Belloc, *The Servile State* (London 1912), pp. 3-4, 13-27, 97-8, 140-5, 155-83.

¹¹ Belloc, *Servile State*, p. 99.

instead restricting himself to drawing attention to the many advantages of a wider diffusion of property over its concentration in a few hands.

This lack of detail was somewhat remedied a few years later by the Scottish Conservative politician, Noel Skelton. Skelton was the first to use the phrase ‘property-owning democracy’, giving it a debut in an influential series of articles in *The Spectator* in 1923.¹² Skelton remains an enigmatic and neglected figure; it is not possible in this brief discussion to do justice to the subtlety of the analysis that led him to advocate a property-owning democracy.¹³ He wrote in the wake of the Bolshevik revolution and presented his ideas as an explicit response to the appeal of socialism to a newly enfranchised British working class.¹⁴ Socialist politics, Skelton noted, had significantly widened the scope of political debate. Previous political battles between Liberals and Conservatives had been like pre-1914 military engagements: fought on a narrow front by small professional armies. But the new conflict with socialism was analogous to the all-encompassing total war that the world had just endured. ‘Socialism fights on the broadest of fronts’, politicising vast areas of civil society previously deemed exempt from public debate. In this new era, ‘envelopment and the crushing defeat successful envelopment achieves form the danger against which Conservatism must guard in the great battles ahead’; a rigorous and popular ideological alternative would therefore have to be offered if the Conservatives lines were not to be overwhelmed.¹⁵

Skelton’s diagnosis of the fundamental issue to be addressed in this new era was similar to Belloc’s (and may well have been influenced by reading *The Servile State*):

For the mass of the people – those who live mainly by the wages of industry – political status and educational status have outstripped economic status. The structure has become lopsided. It is therefore unstable. Until our educated and politically minded democracy has become predominantly a property-owning democracy, neither the national equilibrium nor the balance of life of the individual will be restored.

Like Belloc, Skelton also rejected the notion that public ownership represented a solution to this problem: ‘what everybody owns, nobody owns.’¹⁶ Private property ownership,

¹² The articles were later reprinted as a book: N. Skelton, *Constructive Conservatism* (Edinburgh, 1924).

¹³ For helpful initial orientation, see P. Williamson, ‘Skelton, (Archibald) Noel (1880–1935)’, *Oxford Dictionary of National Biography* (Oxford, 2004); online edition, Jan. 2008

[<http://www.oxforddnb.com/view/article/40226>; accessed 3 Aug 2009]; A. Ron, ‘Visions of Democracy in “Property-Owning Democracy”: Skelton to Rawls and Beyond’, *History of Political Thought*, 29 (2008), pp. 172-9.

¹⁴ For a more detailed study of the response of British Conservatives to these developments, see D. Jarvis, ‘British Conservatism and Class Politics in the 1920s’, *English Historical Review*, 111 (1996), pp. 59-84.

¹⁵ N. Skelton, ‘Constructive Conservatism II: The New Era’, *The Spectator*, 5 May 1923, p. 746. Another military analogy had previously been widely discussed by late nineteenth and early twentieth century Conservatives, particularly by the Conservative Prime Minister Lord Salisbury, namely the aim of strengthening ‘the ramparts of property’, which in essence meant defending the larger owners of private property from expropriation by fostering an electoral defensive shield made up of smaller property-owners: see A. Offer, *Property and Politics 1870-1914* (Oxford, 1981), pp. 148-60, 405-6.

¹⁶ N. Skelton, ‘Constructive Conservatism III: Problem and Principle’, *The Spectator*, 12 May 1923, p. 789. This passage is also notable for being the first occurrence of the phrase ‘property-owning democracy’.

Skelton maintained, was essential both for the development of individual character and for the stability of the state:

So deeply, indeed, has Conservatism felt the importance of this relation that in the past it was wont to maintain that only those who possessed private property should exercise political functions. That doctrine has now this new and pregnant application – that since, today, practically all citizens have political rights, all should possess something of their own.¹⁷

Skelton identified four concrete policy implications of his analysis. First, the encouragement of profit-sharing and, eventually, some form of co-partnership in modern industrial production. By co-partnership, Skelton meant that workers in enterprises would eventually receive some of their remuneration in the form of shares in the firm and, ‘as the workers become capitalists, “seats on the board”, either for the domestic internal government of the concern, or for its general direction, very naturally follow.’ Second, Skelton advocated the expansion of agricultural small-holdings to diffuse land-ownership more widely. Third, he wanted to introduce co-operative principles into larger agricultural concerns, although he declined to give precise details of what this commitment might entail. Finally, Skelton endorsed the use of the referendum as a constitutional device to invoke popular opinion to overrule any parliamentary decisions that might threaten the new democratic constitutional settlement or the existence of private property-rights.¹⁸

Although these measures gave an indication of how Skelton’s ‘property-owning democracy’ would look in practice, there was still significant ambiguity about how far he was willing to take his stated objective of widening property ownership. There was certainly no intention to secure an egalitarian distribution of individual property rights, although presumably some narrowing of the extreme class inequalities of the 1920s would have followed from his programme. Similarly, Skelton was reluctant to endorse a significant role for the state in bringing about his favoured reforms; his articles suggested that his analysis was the basis for Conservative politicians to exercise moral suasion over the community, or perhaps to use legislation to create incentives for changes to the economy, but certainly not to compel enterprises to undertake co-partnership schemes. Such proposals, Skelton said, ‘offer a means of economic, social and national progress which the state cannot dole out with a spoon.’¹⁹ This anxiety about allotting too forceful a role for the state presumably also accounted for the failure of Skelton to mention any role for the taxation of wealth in his scheme. Fundamentally, Skelton’s aim was to address the legitimate economic grievances felt by the working class, and the consequent political and industrial instability, by creating ‘a real identification of interest between capital and labour’ that would in effect lead workers to think more like capitalists.²⁰

Skelton himself did not reach the front-rank of British politics; he died of cancer in 1935 having served as a junior minister at the Scottish Office since 1931. However, by

¹⁷ N. Skelton, ‘Constructive Conservatism III’, p. 790.

¹⁸ N. Skelton, ‘Constructive Conservatism IV: Democracy Stabilised’, *The Spectator*, 19 May 1923, pp. 837-8.

¹⁹ Skelton, ‘Constructive Conservatism IV’, p. 837.

²⁰ Skelton, ‘Constructive Conservatism IV’, p. 837.

then his slogan of a 'property-owning democracy' had been taken up by the Conservative Party leader Stanley Baldwin as he tried to carve out a consensual, but firmly anti-socialist, Conservatism for the 1930s. Perhaps more significantly, Skelton's ideas influenced a younger generation of progressive Conservative politicians, including eminent figures such as Anthony Eden and Harold MacMillan, later to be leading players in the post-1945 remodelling of the Conservatives as a 'One Nation' party and Prime Ministers during the peak of the Party's emollient dalliance with Keynesianism, the welfare state and trade unionism.²¹ The phrase 'property-owning democracy' first came to widespread public notice in Britain as a result of a famous speech by Anthony Eden to the 1946 Conservative Party conference. Eden called for 'a nation-wide property-owning democracy', distinguishing between the socialist understanding of property, 'where everyone must rely on the State for his job, his roof, his livelihood' and the Conservative view 'that the ownership of property is not a crime or a sin, but a reward, a right and a responsibility that must be shared as equitably as possible among all our citizens.'²² Eden's ideas were picked up by other Conservative politicians, notably the party leader, Winston Churchill, and the creation of a 'property-owning democracy' became an important ideological theme for the Conservatives as they sought to recover from the loss of the 1945 general election and to adapt to the new welfare state and nationalised industries introduced by the 1945-51 Labour government. In practice, though, Conservative politicians were often unclear about exactly *how* property-ownership was to be more widely diffused. The imaginative proposals originally entertained by Skelton were neglected, and party policy in the 1950s increasingly focused on home ownership as the principal means of fostering a society where everyone possessed at least a small amount of property.²³ This post-war narrowing of the Conservative vision of a 'property-owning democracy' further attenuated the already limited scope of Skelton's ideas but also opened the way for other ideological entrepreneurs to appropriate and radicalise his agenda.

3. Property-Owning Democracy at the Socialist High Tide (ii): Liberals, Labour Revisionists and James Meade

While the Conservatives of Skelton's era were keen to characterise the British Left, and socialists in particular, as crude collectivists in their attitude towards property ownership, this was of course a rhetorical caricature of a much more complex, and ideologically heterogeneous, political tradition. Of particular significance in this context is that an important strand of the British Left's political thought blended the commercial republican ambition of ensuring a more equitable distribution of private property to promote

²¹ P. Williamson, *Stanley Baldwin: Conservative Leadership and National Values* (Cambridge, 1999), pp. 180-2; Williamson, 'Skelton, (Archibald) Noel (1880-1935)'.

²² J. Ramsden, *The Age of Churchill and Eden, 1940-57* (London, 1995), p. 141; A. Eden, 'A Nation-Wide Property-Owning Democracy', in his *Freedom and Order: Selected Speeches 1939-46* (London, 1947), p. 420.

²³ Ramsden, *Age of Churchill*, pp. 141-2, 175, 211, 255-6; P. Weiler, 'The Conservatives' Search for a Middle Way in Housing', *Twentieth Century British History*, 14 (2003), pp. 360-1.

individual citizenship with the later socialist insistence on the need for collective control of the productive process.²⁴

Before the Second World War, for example, important new liberal and socialist writers distinguished between justifiable and socially harmful or unjust forms of private property. In an influential discussion of the nature of property rights in 1913, the new liberal theorist and publicist Leonard Hobhouse drew on the Aristotelian idea of private property as necessary for the expression of individual personality. He argued that this position, properly understood, mandated the redistribution of private property, so that every citizen was able to access the personal freedom that was conferred by property ownership.²⁵ In Hobhouse's view, the morally objectionable form of property that should be subject to collective control was not indeed capital ownership *per se*, but 'property for power' as contrasted with 'property for use.' With this distinction, Hobhouse sought to differentiate between the ownership of small amounts of property that conferred 'control of things' and hence 'gives freedom and security' for an ordered individual life, and the ownership of larger amounts, which gave 'control of persons through things' and 'gives power to the owner.'²⁶ According to Hobhouse, the legitimacy of this latter form of property was undermined not only because it endowed the owner with the power to exploit those who owned nothing, but also by the fact that it enabled the rich to avoid work altogether.²⁷ Hobhouse's view was famously echoed by his new liberal colleague J. A. Hobson, in his distinction between 'property' and 'improperty',²⁸ terminology that the leading socialist intellectual R. H. Tawney in turn drew on in his 1921 book *The Acquisitive Society*. In that work, Tawney argued that certain forms of capital income were justifiable so long as they were *functional*, that is related to genuine productive effort on the part of the individual or necessary to maintain economic efficiency. Functional wealth included productive private property that was used by its owners and a certain amount of income from interest (since savings could represent a genuine sacrifice on the part of the individual). Other forms of capital income, notably large inheritances, were considered *functionless* and could justifiably be taxed or bought out by the state.²⁹ For egalitarians such as Tawney or Hobhouse, then, private property, when fairly distributed, was actually very desirable, since it advanced both freedom and equality.

But this objective was coupled in the British Left's political imagination with a keen awareness of the great, unaccountable power exercised by the owners of large capitalist enterprises and a desire to subject these concentrations of property to collective democratic control, whether through the use of progressive taxation of income and capital; the promotion of countervailing industrial power through strong trade unions; the outright state ownership of industries; or the promotion of alternative forms of public

²⁴ The following paragraph draws on my more detailed discussion of this egalitarian tradition in B. Jackson, *Equality and the British Left: A Study in Progressive Political Thought, 1900-64* (Manchester, 2007).

²⁵ L. T. Hobhouse, 'The historical evolution of property, in fact and in idea' [1913], in his *Liberalism and Other Writings* (Cambridge, 1994), pp. 180-1, 195-6.

²⁶ Hobhouse, 'Historical evolution', pp. 181, 198.

²⁷ Hobhouse, 'Historical evolution', pp. 181, 191; his *The Labour Movement* (third edition, 1912), p. 17.

²⁸ J. A. Hobson, *Democracy After the War* (London, 1918), pp. 28-32; and his *Wealth and Life* (London, 1929), p. 144. See also M. Freedman, *Liberalism Divided* (Oxford, 1986), pp. 258-66.

²⁹ R. H. Tawney, *The Acquisitive Society* (London, 1937 [1921]), pp. 58-9. For a systematic theoretical defence of this functional theory of property rights, partially inspired by authors such as Hobhouse and Tawney, see S. White, *The Civic Minimum* (Oxford, 2002).

ownership such as workers' co-operatives, profit-sharing, enterprises jointly controlled by workers and capitalists, and outright syndicalism and guild socialism. This latter idea, associated in particular with the work of G. D. H. Cole, sought to deflect Belloc-style worries about the 'slavery' that would result from public ownership by envisaging an economy of worker-managed firms regulated by the state to protect consumer interests but otherwise granted considerable associational autonomy and internal democracy. Cole was a keen student of Rousseau as well as Marx. Guild socialism was a bold attempt to marry the idea of self-governing communities of independent citizens with the social complexity, interdependence and necessary economies of scale fostered by the advent of industrial production.³⁰

This accumulated ideological capital was therefore at the disposal of a later generation of British liberals and socialists when Baldwin and, especially, Eden placed a 'property-owning democracy' at the forefront of Conservative rhetoric and statecraft in the 1930s and 1940s. Like all such suggestive political slogans, the phrase itself became the subject of lively ideological debate as rival political formations attempted to claim ownership of it by integrating it into their own electoral appeals. Two of the strands of this ideological contest deserve particular attention since they provide a fairly precise political and intellectual context for the emergence of James Meade's thinking. One strand was associated with the Liberal Party, in electoral retreat by the post-war period, but determined to regain the ideological initiative. As Stuart White has shown, from the 1930s onwards, certain intellectuals and activists associated with the party sought to carve out a distinctive Liberal ideological space that focused on securing a wider dispersion of property and power as opposed to the concentration of property in either state or capitalist hands purportedly favoured by the Labour and Conservative Parties respectively. White suggests that leading Liberal publicists such as Elliot Dodds, as well as prominent Liberal politicians such as Jo Grimond, saw this agenda as a means of promoting a classically new liberal combination of values, notably depicting it as centrally concerned with realising individual independence and autonomy as well as the co-operative community that they saw as essential to the development of moral personality. To that end, they proposed an ambitious agenda of social and economic reform encompassing moves towards co-partnership and profit-sharing in industry; worker involvement in industrial decision-making (with some limited sympathy for industrial democracy); and the progressive taxation of capital, especially inherited wealth. Later, by the 1970s and 1980s, this Liberal agenda widened further to include the redistribution of capital via the introduction of universal capital endowments and a basic income scheme, by which juncture James Meade himself had become directly involved in internal party discussions (he had earlier given evidence to a Liberal Party committee on co-ownership in the late 1940s).³¹

As with Skelton's proposals, however, this strand of Liberal thinking remained ambiguous about how far the power of the state would be deployed to implement these reforms, with some oscillation in official party policy, for example, between voluntary

³⁰ See e.g. G. D. H. Cole, *Self-Government in Industry* (London, 1917); and his *Guild Socialism Restated* (London, 1920).

³¹ This paragraph draws on Stuart White's illuminating discussion of this Liberal thinking in his "'Revolutionary Liberalism"? The Philosophy and Politics of Ownership in the Post-War Liberal Party', *British Politics*, 4 (2009), pp. 164-187.

and compulsory variants of the co-partnership schemes. In addition, a minority of the exponents of these proposals explicitly entertained them as substitutes for, rather than as supplementary to, the welfare state institutions that were cemented into British public policy in the 1940s, in effect hoping that a diffusion of private property would obviate the need for extensive social insurance schemes.³² Indeed, a number of figures later to be associated with the neo-liberal right made their debut in public debate in the course of these Liberal Party discussions. The economists Arthur Seldon and Arthur Shenfield, later to be stalwarts of the Mont Pèlerin Society and the Institute of Economic Affairs (IEA), worked closely with Dodds on his ‘Ownership for All’ ideas in the late 1930s and 1940s, helping to draft party policy documents on the subject and, in Shenfield’s case, standing as a Liberal parliamentary candidate. Dodds’s own thinking was also influenced by the proto-neo-liberal theorists of the 1930s such as Wilhelm Röpke and Walter Lippmann.³³ Meanwhile, other economists later associated with the IEA, such as Graham Hutton and Alan Peacock, were active in the 1950s in trying to water down the elements of the Liberal programme that involved state compulsion.³⁴

A second strand of post-war thinking about a ‘property-owning democracy’ unfolded within the Labour Party and in particular among the group of intellectuals and politicians located on the right of the Party who were dubbed the ‘revisionists.’³⁵ Labour politicians such as Hugh Gaitskell, Anthony Crosland and Douglas Jay, along with allied economists such as Nicholas Kaldor, Arthur Lewis and, at times, James Meade, sought to downplay the importance of nationalisation to the achievement of socialist objectives and instead to focus the Labour Party’s attention on social policy and the distribution of property as the primary fields for egalitarian advance in the 1950s and 1960s. Meade offered the first glimpse of the emerging revisionist agenda in a memorandum produced for the Labour Party Research Department in 1948. As head of the Economic Section at the Cabinet Office from 1946-47, Meade had been frustrated by certain aspects of Labour’s economic strategy, and once out of government he articulated a liberal socialist alternative to the physical controls initially prioritised by Clement Attlee’s administration. According to Meade, three strands of economic policy were necessary to achieve Labour’s goals: Keynesian demand management rather than direct state intervention in the market; the public ownership of monopolies but a substantial private sector open to market forces; and, crucially, ‘a matter which in my opinion has been much neglected’, the redistribution of private property:

³² White, “‘Revolutionary Liberalism’?”, pp. 169, 171, 174, 181-2; P. Wiles, ‘Property and Equality’, in G. Watson (ed.), *The Unservile State* (London, 1957).

³³ P. Sloman, ‘The Liberal Party and Economic Planning, 1939-45’ (unpublished MSt thesis, Oxford University, 2009), pp. 10-13, 26-7, 30, 32, 39-41; A. Seldon, *Capitalism* (Oxford, 1990), pp. 34-5, 208; A. Seldon, ‘Liberalism and Liberty: The Diffusion of Property’ [1952], in C. Robinson (ed.), *The Collected Works of Arthur Seldon Vol. Two: The State is Rolling Back* (Indianapolis, 2004), pp. 10-16. I have discussed the character of the proto-neo-liberal theory of this period in B. Jackson, ‘At the Origins of Neo-Liberalism: The Free Economy and the Strong State, 1930-47’, *Historical Journal*, 52 (2009), forthcoming.

³⁴ White, “‘Revolutionary Liberalism’?”, p. 183, fn. 6.

³⁵ This paragraph draws on my detailed discussion of Labour revisionism in B. Jackson, ‘Revisionism Reconsidered: “Property-Owning Democracy” and Egalitarian Strategy in Post-War Britain’, *Twentieth Century British History*, 16 (2005), pp. 416-40.

If private property were much more equally divided we should achieve the “mixed” citizen – both worker and property owner at the same time – to live in the “mixed” economy of public and private enterprise. The ownership of private property could then fulfill its useful function of providing a basis for private enterprise and for individual security and independence without carrying with it the curse of social inequality as it now does.³⁶

These were early, perhaps even influential, statements of what was to become a widespread revisionist sentiment. Like the Conservatives, Labour revisionists also aspired to create a ‘property-owning democracy’, but while the Conservatives said little about reducing the large wealth inequalities that stratified Britain, revisionist exponents of this idea explicitly sought to appropriate and radicalise wider property ownership as the most plausible route to advancing egalitarian ideals. The revisionists’ understanding of a property-owning democracy contested the highly partisan contrast between Conservative and Labour models of property ownership described by Eden in 1946. They argued that to pose a choice between a Conservative-sponsored defence of private property and a Labour-enforced socialisation of property was a false dichotomy. On the contrary, the ideal society pictured by Labour was one in which private property was distributed much more equally between individuals, and in which the state and groups in civil society also held a certain amount of social property ear-marked for collective purposes. The provision of a strong welfare state and the use of progressive income taxation were certainly indispensable components of this social vision, but formed only one element of a radical egalitarian programme aimed at both fostering wider individual property ownership and encouraging alternative forms of social ownership. The revisionists proposed to implement this vision through three strands of policy. First, they wanted to introduce much more strongly progressive taxation of wealth, in particular focusing on the reform of inheritance tax so as to tax the beneficiary rather than the estate and on the introduction of a graduated annual tax on property over a certain exemption limit. Second, they canvassed various measures to promote equal access to marketable skills and a greater dispersion of individual property holdings, notably plans to introduce non-selective state secondary education and a scheme proposed by Douglas Jay to widen individual share ownership through a national unit trust (as opposed to promoting share ownership via institutions in the City of London). Finally, they planned to expand the amount of property held in social ownership by establishing state investment funds that would acquire substantial share-holdings in private industry in order to divert their revenues to redistributive transfers and public services and as a means of reducing the capital gains that would otherwise accrue to the wealthy. Although frequently portrayed as advocates of a ‘Keynesian welfare state’ route to equality, the revisionists’ aim was not simply to create safeguards against certain social risks (though they certainly saw this as an important goal), but to create a community of free and equal citizens not subject to the economic and political domination of a wealthy minority.

³⁶ J. Meade, ‘Next Steps in Domestic Economic Policy’, Archive of the Labour Party Research Department, Labour History Archive, People’s History Museum, Manchester, RD201, November 1948, pp. 2-3 (this document was subsequently published in *Political Quarterly*, 20 (1949), pp. 12-24). Around the same time, Meade published his first iteration of this social vision in his *Planning and the Price Mechanism: The Liberal-Socialist Solution* (London, 1948).

The revisionist version of a ‘property-owning democracy’ was therefore strongly egalitarian and much less inhibited about harnessing the power of the state to this end than the Conservative or Liberal advocates of the same idea. However, the Liberals did place greater emphasis than the revisionists on the importance of ensuring greater worker participation in the management of industry, a theme that was largely neglected in the revisionist literature. This silence may partly be accounted for by the deeply rooted distinction within the culture of the British labour movement between ‘political’ questions, the province of the Labour Party, and ‘industrial’ matters, which were the exclusive preserve of the trade unions.³⁷ But it also reflected the revisionists’ rather limited interest in fostering greater opportunities for democratic self-governance beyond the institutions of Westminster parliamentary democracy and participation in the internal life of political parties and trade unions.

It is in this context – debates about capitalism and socialism in Britain between the inter-war period and the 1950s – that the ‘property-owning democracy’ advocated by James Meade should be located. Throughout his life, and like many left-wing British intellectuals, Meade’s politics variously placed him within, or somewhere between, the Liberal and Labour Parties, depending on the latest iteration in the shifting ideological profile of those two venerable political institutions. He took his undergraduate degree in politics, philosophy and economics at Oxford in 1930, his choice of subject motivated by a desire to contribute to the elimination of the mass unemployment of that era. He also participated in the intellectual left milieu in the University, joining the Labour Club and the socialist student discussion group overseen by G. D. H. Cole. Upon becoming a fellow in Economics at Hertford College, Oxford in 1930, Meade was almost immediately drawn to the work of Keynes and became one of his earliest allies and interlocutors, as well as a staunch advocate of Keynes’s economic theory and policy prescriptions. Recruited into government service as an economist in the Cabinet Office during the Second World War, Meade played an important role in ensuring Keynes’s ideas became absorbed into the mainstream of the British state’s economy policy. Unlike Keynes himself, Meade was an instinctive egalitarian. As I noted earlier, when he returned to academia at the LSE in 1947, he was dissatisfied with the aspects of the economic strategy pursued by Labour in government after 1945 that relied on physical rather than financial controls, but he was politically and intellectually close to the generation of younger Labour politicians who had trained as economists in the 1930s, such as Hugh Gaitskell and Douglas Jay, and who were instrumental in marrying Keynesian economics to egalitarianism in Labour Party policy-making. In addition to his technical work in economy theory, in the 1950s and 1960s Meade produced a series of interventions in public policy discussions intended to persuade the Left of the virtues of a ‘liberal-socialist’ synthesis that relied on the free play of the price mechanism supported by Keynesian demand management, and not central planning, to allocate resources. But Meade recognised that although the use of the price mechanism would protect certain important individual liberties and promote efficiency, if left to its own devices it would also result in wholly unacceptable poverty and inequality. He therefore proposed a significant role for the state in ensuring a more equal distribution of income and wealth through the progressive taxation of wealth; the introduction of co-partnership between

³⁷ On the roots of this cultural divide, see D. Howell, *MacDonald’s Party: Labour Identities and Crisis, 1922-31* (Oxford, 2002), pp. 93-8, 194-221, 404-7.

labour and capital in place of traditional capitalist firms; and the development of state investment funds that would take a significant stake in private industry in order to use the capital returns to fund a basic income for all citizens.³⁸

As suggested in the remarks by Meade quoted earlier, he placed special significance on securing a more egalitarian distribution of property, for reasons that harked backed to republican ideals:

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-à-vis his propertyless fellow citizens but also vis-à-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.³⁹

This passage is drawn from Meade's 1964 monograph *Efficiency, Equality and the Distribution of Property*, the text Rawls subsequently drew upon in *A Theory of Justice*.⁴⁰ In this work, Meade used the term 'property-owning democracy' for the first time.⁴¹ He set out four analytically distinct egalitarian strategies: a trade-union state that relied on a strong labour movement to equalise wages and conditions; a welfare-state that employed high direct taxes on incomes to fund generous social benefits; a property-owning democracy; and socialism. Meade thought that the welfare state and trade union strategies would be ineffective if pursued on their own or pushed too far: the high rates of income tax required to fund social benefits would at some point impede economic efficiency and collective bargaining would eventually become inflationary. Moreover, both the welfare state and strong collective bargaining would leave untouched grave inequality in the ownership of property. Meade therefore recommended a hybrid egalitarian strategy as the way forward from the welfare state, combining measures to equalise private property holdings with an increase in the amount of the economy under social ownership.⁴² In

³⁸ S. Howson, 'Meade, James Edward (1907–1995)', *Oxford Dictionary of National Biography* (Oxford, 2004); online edition, Jan 2008 [<http://www.oxforddnb.com/view/article/60333>; accessed 6 Aug 2009]; S. Howson, 'James Meade', *Economic Journal*, 110 (2000), pp. 122-45; E. Durbin, *New Jerusalem* (London, 1985), pp. 95-100, 103-6, 110, 136-44, 149, 194-8; A. B. Atkinson, 'James Meade's Vision: Full Employment and Social Justice', *National Institute Economic Review*, 157 (1996), pp. 90-6; Ron, 'Visions of Democracy', pp. 179-83; Meade, *Planning*; J. Meade, *Efficiency, Equality and the Ownership of Property* [1964], reprinted in his *Liberty, Equality and Efficiency* (Basingstoke, 1993).

³⁹ J. Meade, *Efficiency*, p. 41.

⁴⁰ J. Rawls, *A Theory of Justice* (Oxford, 1999 [1971]), pp. xiv-xvi, 241-2; J. Rawls, *Justice as Fairness: A Restatement* (Cambridge MA, 2001), pp. 135-40; R. Krouse and M. McPherson, 'Capitalism, "Property-Owning Democracy," and the Welfare State', in A. Gutmann (ed.), *Democracy and the Welfare State* (Princeton, 1988), pp. 79-106.

⁴¹ By using the phrase, Meade was clearly alluding to contemporary British political debates about the term. For example, he had recently read and commented on a draft of Douglas Jay's book *Socialism in the New Society* (London, 1962), which contained a chapter entitled 'A Property-Owning Democracy': see pp. viii, 290-4.

⁴² Meade, *Efficiency*, pp. 38-68.

effect, this was an analytical reconstruction of the debates about equality that had preoccupied British liberals and socialists from the 1930s onwards. Meade combined elements from both the liberal and socialist strands of this discussion, marrying the revisionists' explicit egalitarianism and confidence in the power of the state with the liberal emphasis on fostering greater worker participation within industry.

Given Meade's emphasis on the need to pursue policies drawn from both the socialist and property-owning democracy egalitarian strategies, it is curious that Rawls and some of his successors alighted solely on the property-owning democracy strand of Meade's thinking. The choice that Rawls posed between a liberal socialist regime and a property-owning democracy was not one that Meade himself accepted; indeed, given the scope of his proposals, it is arguable that Meade's own view was much closer to Rawls's understanding of a liberal socialist regime than a property-owning democracy.⁴³ Meade also regarded the introduction of an unconditional basic income as an integral part of his egalitarian vision, a measure that Rawls was more hesitant about.⁴⁴ In his later work, Meade continued to develop the egalitarian agenda he had laid out in the 1950s and early 1960s. In the final and most developed version of his proposals, Meade envisaged an economy almost entirely made up of firms that allocated incomes via profit-sharing agreements with their employees; a community fund that owned 50 per cent of the nation's productive assets; and the use of the dividends and capital gains from these socially owned assets to fund an unconditional basic income to all citizens.⁴⁵ In the 1980s, Meade was active in promoting these ideas within the Social Democratic Party that had broken away from Labour in 1981 (and which allied itself, and then merged with, the Liberal Party shortly afterwards).⁴⁶ But by then a different, although not completely unrelated, vision of a 'property-owning democracy' was being introduced into political debate by Margaret Thatcher.

4. Property-Owning Democracy After Socialism? Rawlsian and Neo-Liberal Lineages

It should now be clear why 'property-owning democracy' emerged at the end of the twentieth century as a slogan for both the neo-liberal Right and for political theorists and policy entrepreneurs of the Left. One important strand of thinking on this issue was initially generated from within the British Conservative Party, but later drew sustenance from a section of the Liberal Party and neo-liberal political theory. These sponsors envisaged property-owning democracy as a means of averting socialism by converting at least some of what was perceived to be a class-conscious, heavily unionised proletariat into individual, small-scale capitalists likely to feel solidarity with the interests of larger property-owners. This version of the idea was not intended to be egalitarian but to foster greater personal responsibility and, ultimately, to diminish the legitimacy of the state's efforts to redistribute economic resources and interfere with market-generated property

⁴³ Although Rawls did indicate that he thought worker-managed firms compatible with his idea of a property-owning democracy: *Justice as Fairness*, p. 178.

⁴⁴ S. Freeman, *Rawls* (London, 2007), pp. 229-30.

⁴⁵ J. Meade, *Agathopia: The Economics of Partnership* (Aberdeen, 1989). See also his *The Intelligent Radical's Guide to Economic Policy* (London, 1975).

⁴⁶ White, "'Revolutionary Liberalism'?", pp. 172, 179-80.

entitlements. In this vein, Margaret Thatcher and her allies explicitly picked up Eden's language about 'property-owning democracy' as they privatised public sector assets, enabling tenants in public sector housing to purchase their homes and members of the public to buy shares in previously nationalised industries. The aim of these and similar policies was explicitly anti-egalitarian and indeed both income and wealth inequalities in Britain increased in the course of this restructuring programme.⁴⁷

But a second strand of thinking, which can be traced back to Rousseau and Paine, and which was nurtured for many years in the British liberal socialist tradition, envisages a property-owning democracy as a means of fostering civic equality against the domination of a wealthy minority and of ensuring a more equal distribution of freedom and security. As this tradition evolved, it encompassed not only efforts to equalise individual property-holdings but also the expansion of the social ownership of property and greater worker participation in the governance of industry. Rawls's adoption of a 'property-owning democracy' can therefore be seen as an appropriation of elements of this tradition.⁴⁸

How does this convoluted historical narrative help us to orientate contemporary debates? Although I am in warm agreement with much of the work currently being done on this subject, and discussed elsewhere in this book, in my view an acquaintance with the history recounted in this chapter can also help us to identify some dangers lurking within recent political theoretical and public policy debates about property-owning democracy. In particular, the frequent presentation of a property-owning democracy as an *alternative* to the welfare state or socialism is at variance with the historical exposition of the idea, unless the property-owning democracy that is desired is of the sort recommended by Conservatives and neo-liberals. We saw, for example, that the tendency to read Paine as an exponent of universal capital grants excludes from the discussion the various proposals that he advocated that would now be classified under the heading of the welfare state. Similarly, the analytical distinctions made by Meade between different egalitarian policy regimes were not in fact intended to represent a definitive practical choice. Rather, Meade presented four ideal types that can all be drawn on when designing egalitarian social institutions. In any actually existing democratic polity, egalitarians must pursue a plurality of egalitarian strategies, varying the emphasis between each of the elements according to contingent political circumstances: Meade himself, taking as a background assumption the strong British welfare state and trade union movement of the 1950s and 1960s, recommended a mixture of both the strategies of socialism and property-owning democracy as the way forward. This raises two difficulties for contemporary attempts to promote the agenda of a property-owning democracy.

First, there is a problematic, and politically dangerous, tendency in some recent work to focus exclusively on the property-owning democracy strand of Meade's work and to offer what is effectively a neo-liberal critique of the welfare state as inefficient,

⁴⁷ E. H. H. Green, *Thatcher* (London, 2006), pp. 83-101, 129-31; D. Howell, 'The Property-Owning Democracy: Prospects and Policies', *Policy Studies*, 4 (1984), pp. 14-21; A. Offer, 'British Manual Workers: From Producers to Consumers, c. 1950-2000', *Contemporary British History*, 22 (2008), pp. 537-71.

⁴⁸ For useful thoughts in this vein, see White, *Civic Minimum*; R. Dagger, 'Neo-republicanism and the Civic Economy', *Politics, Philosophy and Economics*, 5 (2006), pp. 151-61.

merely palliative and the creator of a culture of dependency.⁴⁹ But in truth the welfare state, coupled with progressive income taxation, has proved itself to be the most practical method we have so far discovered to reduce poverty, narrow economic inequality, and emancipate individuals from the chronic insecurity of the market. It is self-evidently imperfect, and many further measures are certainly required from an egalitarian perspective, but it is nonetheless an extraordinary social achievement. It would be a profound error to downplay this point. This is because, as should be clear from this chapter, it is all too easy to harness a property-owning democracy agenda to an anti-egalitarian, pro-capitalist politics that seeks to diffuse private property as a means of justifying the privatisation of social security, education and health services, and the reduction of direct income taxation, on the grounds that sturdy free-standing, individual property-owners should take care of themselves rather than look to the state for handouts. Insofar as property-owning democracy has a public policy track-record to scrutinise, this has indeed been its practical upshot.⁵⁰ Exponents of egalitarianism should therefore not aid their opponents by accepting their analysis of the welfare state or lapsing into unreflectively seeing the welfare state as old hat. Given the very substantial social gains reaped by the Nordic welfare states, there is even a case for seeing the strengthening of the welfare state in other countries as a top egalitarian priority.⁵¹ This point can be pressed further: if the major forms of individual property-ownership that could plausibly be equalised in contemporary capitalist societies are home ownership and shares in private companies, then, as recent events have made very clear, this will inevitably involve the exposure of individuals to significant financial risk. It therefore seems crucial to secure individuals against such risks through collective social welfare provision if the property-owning democracy strategy is to be pursued.

Second, a close examination of the ideas of Meade suggests that the distinction Rawls posed between a ‘property-owning democracy’ and ‘liberal socialism’ was drawn too sharply. Meade in fact advocated elements of both: collective capital ownership *and* the equalisation of individual property-ownership. The fascination with the ‘property-owning democracy’ element of Meade’s agenda at the expense of the equally textually warranted socialist one clearly reflects contemporary political constraints. This is of course perfectly legitimate if the objective is to make an impact on contemporary politics, but we should be clear that the leftist tradition of thinking examined in this chapter has been historically distinguished from its right-leaning counterpart by a willingness to accept that the scale and social interdependency of modern industrial production is such that, if we are serious about preventing 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. For that reason, advocates of a property-owning democracy should be careful what they wish for: there is both a progressive and a neo-liberal agenda that can be served

⁴⁹ It is probably unfair to single out only one example here, but it does seem to me that Samuel Freeman’s discussion of the welfare state, closely following Rawls’s own writings, provides an apt illustration of this wider tendency: see his *Rawls*, pp. 224-6.

⁵⁰ The obvious exception being the introduction of the Child Trust Funds in Britain, which has certainly contributed to a more progressive public policy towards the distribution of financial assets.

⁵¹ For thought-provoking remarks in this vein, see B. Bergmann, ‘A Swedish-Style Welfare State or Basic Income: Which Should Have Priority?’, in E. Olin Wright (ed.), *Redesigning Distribution* (London, 2006), pp. 130-42.

by these ideas. The work of James Meade and his predecessors suggests that, if the progressive agenda is to be advanced, difficult questions about collective ownership and the structure of the capitalist firm must remain part of the conversation.