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To cite this article: Christian Neuhäuser (2021) Property-owning democracy, market socialism and workplace democracy, *Review of Social Economy*, 79:3, 554-580, DOI: [10.1080/00346764.2020.1854333](https://doi.org/10.1080/00346764.2020.1854333)

To link to this article: <https://doi.org/10.1080/00346764.2020.1854333>



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Published online: 14 Jan 2021.



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Property-owning democracy, market socialism and workplace democracy

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ABSTRACT

The paper discusses why on the one hand William Edmundson thinks that market socialism is superior to property-owning democracy, while on the other hand Alan Thomas thinks that an egalitarian version of property-owning democracy is superior to market socialism. For the purpose of this discussion, the concepts of property-owning democracy and market socialism are systematized and it is argued that those concepts, as understood by Rawls, do not exhaust the list of possible alternatives to capitalism and state socialism. Economic democracy, understood as mandatory workplace democracy, will be introduced as a middle ground, somewhat closer to market socialism than property-owning democracy. Against this background, it is argued that questions of transition and stability are important for deciding between these regimes and the importance of two realistic constraints in making this choice, namely egoism of powerful agents and path-dependency in institutional design, is highlighted.

ARTICLE HISTORY Received 30 June 2020; Accepted 17 November 2020

KEYWORDS Property-owning democracy; market socialism; workplace democracy; John Rawls; political realism

Until very recently and probably since the early 1980s, philosophers in the English speaking world, who considered alternatives to laissez-faire or even welfare capitalism were thought of as being rather peculiar, because public discourse in North America and Europe deemed it to be unreasonable to search for an alternative to capitalism. Since it also seemed to be extremely unrealistic that any serious political power in this part of the world will embrace an alternative to capitalism, those philosophers did not even appear to be dangerous, but only mildly eccentric. Things have changed in the last couple of years. Voices calling for an alternative to capitalism become louder and frequently heard in public debate even in Europe and North America (Piketty, 2017, 2020). In the

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US and the UK, serious politicians call for a shift toward market socialism and they get a considerable number of votes. For this reason, philosophers thinking about alternatives to capitalism have a new role to play in those societies. It is not enough anymore to simply state that capitalism is unjust, as John Rawls famously does in *Justice as Fairness* (Freeman, 2009; Rawls, 2017). He argues that welfare capitalism is incompatible with his theory of justice and that either some egalitarian form of property-owning democracy or market socialism has to be adopted in order to satisfy the demands of his two principles of justice.

His work, of course, remains an important contribution and starting point for later discussions. However, given that public discourse has changed considerably and given that alternatives to capitalism are taken seriously again, it also seems to be worthwhile to consider realistic questions of transition and stability, which actually were considered as being important, but not discussed at length by Rawls. He especially does not consider threats to a just society from a politically realistic point of view.¹ My reason for paying more attention to realistically framed questions of transition and stability in the philosophical debate is twofold. On the one hand it might be that either property-owning democracy or liberal market socialism, or indeed, as I will argue, something in between turns out to be the superior economic system when compared to the other alternatives, because it is easier to transform to this system and because it is more stable than those alternatives. Second, and somewhat contrary to this general assumption, it might also be that it turns out to be preferable for some countries to transform their capitalist economies into market socialist ones, while it will be preferable for others to aim at property-owning democracy, depending on institutional structures, traditions and cultural self-understandings.

It is my view that philosophers have to concern themselves with these realistic questions of transition and stability, because conceptual clarification and normative reflection play an important role in deciding them. In this paper, I will limit myself to discussing two realistic constraints regarding the most suitable economic system that have to be considered when thinking about the transformation to and stability of a just society.² One constraint relies on specific

¹ Edmundson (2017) thinks that Rawls does discuss not only basic philosophical questions of stability, but also realistic ones and that this is often overlooked. To be sure, in *Political Liberalism* (2005b) Rawls is very much occupied with questions of stability given that we do have reasonable disagreements about justice. However, he is not so much occupied with what I label realistic questions of stability that focus on egoistic motives and institutional design, because he thought that they do not play a major role in fully just societies where people have a fully developed sense of justice. I think, as will become clear later, that it is unreasonable to overly rely on such a fully developed sense of justice.

² This somewhat loosely follows some general insights of the historical school of institutional economics, where conflicts about ideas, power relations and path-dependencies are seen as central for the stability of basic institutional design (Hodgson, 2004), albeit without accepting the Darwinian outlook. Moreover, in the paper, I will abstract away from the conflict about ideas and questions regarding ideology, perception biases and reasonable pluralism. The reason for doing so is that these are topics philosophers of justice are very much engaged with. I want to argue that they should take questions of path-dependency and political egoism more serious than they normally do.

insights of institutional economics and has to do with path dependency and organizational fixedness. I call this the constraint of path-dependency in institutional design. The other constraint has to do with what is often, and somewhat awkwardly, called noncompliance, that is the fact that most people have mixed moral and egoistic motivations. This is also true for powerful agents. Therefore, I call this the constraint of egoism of powerful agents. Both raise realistic questions concerned with arbitrary distributions of political power and if considered carefully they might establish that under certain contingent historical circumstances market socialism, at least in a soft form, is superior to property-owning democracy. In other circumstances, it might be the other way round – or it might be that something else or something in between is preferable.

The paper develops in four steps. In a first section, I will set the stage by quickly recapitulating the position Rawls holds and clarifying the concepts of property-owning democracy, market socialism and economic democracy. I will also discuss why, somewhat curiously, on the one hand, William Edmundson (2017) thinks that market socialism is superior to property-owning democracy, while on the other hand Alan Thomas (2017) thinks that an egalitarian version of property-owning democracy is superior to market socialism. In a second section, I will try to systematize the concepts of property-owning democracy and market socialism and argue that those concepts, as understood by Rawls, do not exhaust the list of possible alternatives to capitalism and state socialism. I will present economic democracy, understood as mandatory workplace democracy, as a middle ground, somewhat closer to market socialism than property-owning democracy, although it embraces property-owning democracy as well. In a third section, I will explain why questions of transition and stability are important for any political theory of justice and highlight the importance of the two mentioned realistic constraints, namely egoism of powerful agents and path-dependency in institutional design. In the fourth section, I will consider in four steps the importance of those two realistic constraints first for questions of transition and second for questions of stability. I will then draw a short conclusion.

Rawlsian justice between property-owning democracy and market socialism

After *A Theory of Justice* was published a number of interpreters believed that in this book Rawls defends a form of welfare capitalism as realized more or less in some Continental European countries (Forrester, 2019; Vallier, 2015). Some critics even argued and continue to argue that the Rawlsian welfare state does not even have to be very big. According to them, the difference principle can be reduced to pareto optimality, since this is the best way to ensure the maximization of income for the worst of (Heath, 2011; Tomasi, 2013). However, in

Justice as Fairness Rawls clearly rejects those interpretations. He plainly states that capitalism, even welfare capitalism is incompatible with his principles of justice (Arnold, 2013; Rawls, 2017, pp. 137–138).³

At this later stage of his thought Rawls believed that the economic system affects the realization of all principles of justice. Basic liberties and especially the fair value of political liberty, fair equality of opportunity and the difference principle cannot be secured with a capitalist economy in place. By now it is well established that this was what the later Rawls believed (Edmundson, 2017; Thomas, 2017). And one should add, rightfully so. Capitalism, including welfare capitalism, allows for an extremely high concentration of money, which results in disproportional economic and political power of a small superrich group (Christiano, 2010; Reiff, 2013). This group can undermine democratic decision making, secure unfair opportunities for their group members and followers and create market failures in order to exploit workers, thereby distorting the difference principle. They constitute a civic oligarchy (Winters, 2011).

It is possible, of course, to criticise this Rawlsian line of argumentation on a number of levels. One could simply reject Rawlsian principles of justice or at least some of them and replace them by others. Some authors argue, for instance, that the difference principle should be replaced by other principles (Gustafsson, 2018). One alternative example, which I find promising, would be a principle of limitarianism, which sets limits on minimum and maximum income and wealth (Robeyns, 2017).⁴ It is also conceivable, on the other hand, to reject the claim, that the principle of fair equality of opportunity and the basic liberties are threatened by capitalism (O'Neill, 2008; Schemmel, 2015). It is possible to argue, for instance, that the fair value of political liberty can be secured despite a high concentration of capital, by insulating political power from the influence of money. However, Rawls clearly rejects such an insulation strategy and is wary of the danger of drift to oligarchy due to concentration of capital.

In this paper, I will not further discuss alternatives to the Rawlsian principles of justice and also not debate the statement that they are incompatible with any form of capitalism and instead stuck with Rawlsian orthodoxy in this respect. The aim of this paper is to discuss another claim by Rawls, which is of utmost importance for the question of what a feasible alternative to capitalism could look like. Rawls himself writes:

When a practical decision is to be made between property-owning democracy and a liberal socialist regime, we look to society's historical circumstances, to its traditions of political thought and practice, and much else. Justice as Fairness does

³ Kerr (2013) argues convincingly that welfare state capitalism is even unable to secure equal economic liberty, which is the heart of Thomas's argument.

⁴ I will not discuss limitarianism further in this paper as another alternative, because it can be seen as one policy option for property-owning democracy. Limiting wealth is one way of facilitating a more equal distribution of capital within society.

not decide between these regimes but tries to set out guidelines for how the decision can reasonably be approached. (JaF: 139)

Rawls follows James Meade (Jackson 2012) in his understanding of an equal version of property-owning democracy. It is a system where the property of the means of production is roughly equally distributed among the adult population, but otherwise the ownership of companies is private. He is not very clear about how he conceives market socialism. However, it seems that the ownership of companies is not private and not public, but in some sense social. I will further discuss this point later on. What is important for now is that Rawls is right, or so I think, in claiming that it depends on contingent circumstances which economic regime should be chosen from the perspective of justice. In this paper, I will defend this claim against William Edmundson (2017), who argues that liberal socialism has to be chosen by representatives in the original position. And I will defend it against Thomas (2017), who argues that property-owning democracy is superior to any liberal form of socialism. Moreover, in the next section, I will argue that there is another problem with Rawls choice between property-owning democracy and market socialism, namely that the list does not exhaust all reasonable alternatives to capitalism and state socialism.

But first things first. Why does Edmundson (2017) believe liberal socialism to be superior to property-owning democracy? His main argument, as I read it, is that Rawls was very concerned with various questions of stability, more so than appears on the surface when looking at pluralism and stability for the right reasons alone (Freeman, 2009). According to Edmundson the ideal theory of justice, which Rawls develops, consists of two stages. In a first stage of theorizing the basic social structure is set up and in a second stage its stability is secured. Edmundson believes that liberal socialism is better suited to ensure the stability of a just society than property-owning democracy, for it better fulfils three requirements. First, one important element of stability is the reconciliation requirement, namely that members of society are not in constant disagreement about the institutional design of the basic structure. Property-owning democracy does not ensure this, because it needs to be decided again and again how much private property in the means of production is to be allowed, how it is to be distributed and how a concentrated control of very powerful corporations is avoided. Second is the publicity requirement. People need to be able to assess for themselves whether the economic regime meets the demands of justice, which, according to Edmundson, is easier to be done for liberal socialism. Third is the reciprocity requirement. Public institutions need to express the equality of citizens and mutual benefit of cooperation. Edmundson thinks that socialism again is better able to do so than property-owning democracy.

The major problem with this argumentation is that it is not clear what exactly the relation between those three requirements, the principles of justice and the

importance of structural stability is. Why exactly are these three requirements necessary and together sufficient to make a just society stable? And what actually is meant by stability? This is especially worrisome for the first and for the argument crucial requirement, since there is reason to believe that the stability of a just society consists in its ability to deal with deep and even antagonistic disagreements in a reasonable way and not in avoiding them (Valentini, 2013). Moreover, the vagueness of his argument is rather problematic, because Edmundson also claims that considerations of efficiency are secondary to the problem of stability. According to him, it is not justifiable to jeopardize the stability of a just society for efficiency gains. Laid out in such categorical terms, the argument sounds quite convincing. The problem, however, is that efficiency and stability are imprecise and scalar concepts. Economic systems are always more or less efficient and just basic structures are more or less stable. Because of this, questions of balance emerge for representatives in the original position (Sen, 2006). If we could make an economic system ten times more efficient by making the basic structure just a tiny little bit less stable, for instance by allowing democratic disagreement about the amount of maximum wealth, then this is probably what we should do. The central open question is how representatives in the original position would balance stability and efficiency. Edmundson is unable to answer this question in a satisfying way, because of his unconvincing lexical prioritization of unlimited stability.

Thomas (2017) argument can be reconstructed as trying to answer the same question in a more moderate form. He argues that property-owning democracy is sufficiently stable and more profitable than liberal socialism, because it is the less demanding in requiring institutional change and government interference and also the more efficient economic system. It is less exploitative to workers and allows for more economic freedom than socialism. The key problem of market socialism is that capital loses its allocative function. Capital including work does not go where it is most productive, because price signals are distorted. Different schemes of liberal socialism try to solve this problem in different ways, but according to Thomas they all fail to do so. Thomas discusses two especially prominent versions of liberal socialism, one is Roemer (1994) coupon socialism and the other Schweikart (2002, 2012) socialism based on mandatory cooperatives.⁵

Coupon socialism rests on the idea of separating money-based markets for consumer goods and services from coupon-based markets in the shares of companies. Owners of coupons can sell their shares for other shares, but they cannot sell them for money. Coupons can also not be inherited. Such a system has several advantages over capitalism and other forms of socialism. It is not possible to bleed a company dry by transferring shares into cash, for instance.

⁵ Thomas (2017) actually discusses two different versions of co-ops. But I abstract away from this complexity, because they are faced with similar problems.

Government can have separated fiscal policies for coupons and money, which gives them quite some flexibility. Thomas (2017) argues that this is not really a form of socialism, but rather a way of implementing property-owning democracy. I am not convinced by this claim, because in coupon socialism property rights in the means of production are severely restricted due to the coupon system, which is decoupled from money circulation.

Socialism based on cooperative requires all companies to be collectively owned by all its employees, borrowing money for their ownership shares from the government. Here Thomas argues, following the seminal work of N. Scott Arnold (1994), that this form of socialism is burdened with many problematic forms of exploitation and efficiency losses. Talented and industrious workers will be exploited, for instance, because they cannot easily change jobs and for this reason there are no incentives to pay them according to their talents and efforts. Also, workers have to put their capital and the labour into the same company, which makes them very vulnerable to unfavourable market developments. Moreover, there are little incentives for cooperatives to invest in research and development. For reasons like those, Thomas judges this kind of socialism to be extremely inefficient and exploitative.

As we can see, Thomas argument is more economic and Edmundsons more political. Edmundson worries that necessary decision-making procedures and possible disagreements about the political design of property-owning democracy will lead to instability. Thomas worries that efficiency losses and possible exploitation of the talented directly violate the principles of justice. His argument can also be restated in terms of stability, since efficiency losses and exploitation might violate the sense of justice of affected people, thereby undermining their support of the basic structure.

Given that there is something like a standoff between Edmundson and Thomas, I want to propose a slightly different path for deciding what economic system is required by a just society. In the next section, I will complicate matters somewhat by arguing that the choice between property-owning democracy and market socialism is not exhaustive and put a certain version of economic democracy as a third alternative on the table. In the following section, I will argue that we need to consider the aforementioned realistic constraints when thinking about the transition to and stability of a just society. This leads to an assessment which is closer to Rawls own, namely that it depends on specific circumstances, what economic system is to be chosen, which I will argue for in the last section.⁶

⁶ The argument developed here is different from the one Rawls makes in an important respect though. Rawls seems to think that history and tradition has a direct impact on what economic system to choose. In the argument advanced here those factors have only indirect relevance in influencing the two feasibility constraints of path dependency and egoism of powerful agents.

Socialism between capitalism and communism

In *Justice as Fairness* Rawls (2017, p. 136) distinguishes five types of economic regimes as candidates for the just society. They are laissez-faire capitalism, welfare-state capitalism, state socialism, property-owning democracy and liberal market socialism. It is not clear how Rawls came to this list. It cannot be that those are just the existing modern types of economic regimes, since property-owning democracy was never realized and market socialism never in a liberal state (Bockman, 2011). It can also not be that those are the regimes discussed among scholars, because nobody seriously considered state socialism anymore and, as we will see, other types of economic regimes are discussed as well.

It also does not help to claim that Rawls simply followed John Stuart Mill (1994) classical distinction, although his reference to Mill makes this a plausible suggestion (Rawls, 2017). Mill distinguished only two main types of economic regimes (Hollander, 1985; Miller, 2003). One is the regime of private property, where the means of production are privately owned. The other is communism, where the means of production are in the hand of the state. For Mill socialism is closer to the regime of private property, because the means of production are not state property. Instead, through a voluntary piecemeal transition it will come about that workers will collectively own their workplaces. However, this collective ownership still rests on a regime of private property, because it is for contingent reasons that workers are the owners of shares and they will decide voluntarily to manage their companies together. Mills classical account does not allow for distinguishing property-owning democracy and liberal socialism, because Mill was not aware of such a distinction. If we want to put it into contemporary terms, he thought that property-owning democracy will inevitably turn itself into liberal socialism, something Thomas (2017) also endorses. However, in Mill market socialism is closely tied to workplace democracy, whereas Rawls rejects the later, at least in its mandatory form.

The best suggestion probably is to follow Edmundson (2017) in thinking that Rawls tries to distinguish ideal types. However, the problem here is that no clear pattern is identifiable. Laissez-faire capitalism and welfare-state capitalism look more like two forms of one type and it is not clear, at first glance, what exactly it is that distinguishes property-owning democracy and market socialism as types. I, therefore, want to propose a slightly different heuristic that might help to clarify this differentiation. Capitalism comes in many forms (Hall & Soskice, 2001). However, in my understanding the major characteristic of capitalism, that clearly distinguishes it from the other three types is that it allows for and indeed encourages unlimited individual ownership of the means of production.⁷ As we have seen, this is also what Rawls finds so objectionable

⁷ Of course other ways to conceptualize capitalism (Ingham, 2008). It might also be preferable to avoid this term altogether, as one reviewer has suggested, and speak of a regime of private property as Mill has

about capitalism. The major characteristic of state socialism or Millian communism is that there is no private ownership of the means of production, neither individual, nor collective.

Looking at the distinction from this perspective property-owning democracy and market socialism are in-between capitalism and state socialism. On the one hand there is no unlimited private ownership of the means of production and on the other hand the majority of capital is not in the hands of the state. This important feature they have in common. But here the central difference between property-owning democracy and market socialism becomes visible too. Property-owning democracy does allow for considerable individual ownership of productive capital, while market socialism does not.⁸ It only allows for collective ownership of the means of production. This is true for different schemes of market socialism like coupon socialism and socialism based on worker cooperatives and it might be its defining feature. So the distinction between property-owning democracy and market socialism lies in the difference between limited individual ownership of capital and collective ownership of the means of production.

This is a useful, but somewhat incomplete distinction. My problem with it is that it leaves the standard bundle of property rights untouched. It thereby excludes all alternative economic regimes from consideration that dismantle this bundle of property rights. One such alternative system was proposed, as I read it, by Rodney Peffer (1990, 1994, 2010). He added another principle as a first principle to Rawls principles of justice, namely a right to basic security and subsistence. This addition was readily accepted by Rawls. He simply thought it to be as taken care of in a well-ordered society. Peffer (1990, p. 14) also extended the second principle and included an 'equal right to participate in all social decision-making processes within institutions of which one is a part'. I take this to include mandatory workplace democracy in the strong version of endorsing a one person one vote system at least for electing senior management on a regular basis.⁹ This proposal was rejected by Rawls, because according to him it would require a socialist organization of the economy, which, as he thought, should not be a requirement of the principles of justice.

Yet, this argument for the rejection of Peffer's suggestion is inconclusive. What Peffer proposes, as I read it, is mandatory workplace democracy and not collective ownership of companies. This is not the same, because it is

done. However, I still think that for the purpose of this paper it is helpful to use the term as suggested, because this is what *laissez-faire* and social capitalism have in common and what distinguishes it from all other types of economic regimes.

⁸ Even in capitalism a lot of capital is tied to the state of course, e.g. the legal system and provision of infrastructure. I will abstract away from this complexity, because the argument is unaffected by it.

⁹ To be sure, it could also be that Peffer had more direct democratic mechanisms in mind. However, since the main thrust of the current debate on workplace democracy focuses on representative forms of democratization, this is the understanding I will work with (Frega et al., 2019).

possible to distinguish between a certain type of ownership rights and control rights (Attas, 2006; Honore, 1961). In ordinary understandings of property rights those two rights come together, but it is not necessary to think of property in such a way. A company can be owned by one group of people and then it is their property in the sense that they can individually buy and sell shares. They have a specific type of ownership rights. At the same time, a company can be controlled by another group of people, especially those working within this company.¹⁰ If this is true, Peffer in reality suggested a third alternative to market socialism and property-owning democracy. We then have at least three kinds of economic regimes that are neither capitalist, nor state socialist. The first is property-owning democracy, especially in its egalitarian form as advocated by Rawls, where capital is distributed and redistributed more or less equally among the adult population. Second is market socialism, where the means of production are collectively owned, either through a coupon system or through worker ownership of companies. Third is mandatory workplace democracy, where property in the means of production is split into control rights and ownership rights and control rights are collectivized in democratic structures at the workplace.

The situation is further complicated by the fact that workplace democracy can stand on its own or be combined with property-owning democracy or market socialism, while property-owning democracy and market socialism are mutually exclusive. To be sure, market socialism based on cooperative structures normally is thought to include workplace democracy, but coupon socialism does not need to implement workplace democracy. Indeed, Roemer (1994) thought of this as an advantage. Coupon owners of a company might think that it is preferable, because more efficient, to have a hierarchical command structure. Also, as we have seen, John Stuart Mill thought that property-owning democracy will inevitably lead to workplace democracy and that workplace democracy will reinforce property-owning democracy. He thought that workers will vote for a very high inheritance tax, which will distribute capital widely among the population. This will lead to a democratization of workplaces and an even more equal distribution of capital (McCabe, 2019). However, the fact that this never has happened in the last 150 years should give us a pause. It rather looks like such a piecemeal transition from capitalism to one of the just regimes is not as smooth as Mill, and maybe along with him Rawls has thought.

The result of those difficulties is that the question of a just alternative to capitalism is even more complicated than Rawls believed, because five alternatives

¹⁰ It is of course also possible to create mixed systems of co-determination where owners and workers share control rights (Ferreras, 2017). However, in order to count as minimally democratic, workers' rights have to at least equal owners' rights, unlike in the German system, where owners have the deciding vote. For the purpose of this paper, I will abstract away from these complexities, although they might be important when questions of efficiency and feasibility for a transition to economic democracy are further explored. This is work for future papers.

to capitalism and state socialism exist. One is mandatory workplace democracy on its own, which includes a restriction not of the extend of ownership of means of production, but of the legal rights that come with it. Second is property-owning democracy without and third with mandatory workplace democracy. Fourth is market socialism without and fifth with mandatory workplace democracy.

If we want to critically discuss Rawls' assumption, as Edmundson and Thomas did, that both property-owning democracy and market socialism realize justice by inquiring into the possible superiority of one of those regimes, then we in fact have to consider all five alternatives. This is especially urgent if we consider questions of transition and stability. It might very well be that in abstract all five alternative regimes are compatible with justice, but one of them fares better when it comes to the prospect of implementation and another might be more robust when it comes to questions of stability. This might also depend on historical circumstances and local traditions, as Rawls has suggested. Before entering into this discussion, I shall elaborate on how realistic constraints have to be considered when discussing questions of transition and stability, by introducing the two constraints of path dependency and self-interest.

Transition, stability and two realistic constraints

We have seen that Edmundson and Thomas discuss secondary concerns like stability and efficiency, in order to establish the superiority of market socialism over property-owning democracy or the other way round. As I have argued in the previous section, one problem with their discussion is that they follow Rawls in putting economic democracy aside. This is why they discuss only two and not five alternatives. To be fair, Thomas (2017) mentions workplace democracy, but cautiously follows Mill in assuming that it will be a likely result of property-owning democracy, since workers as owners can opt for democratizing workplaces.

There is a second problem with the arguments Thomas and Edmundson make. In my reading, they are insufficiently realistic. Or, to put it another way, their incidental discussion of realistic constraints is somewhat arbitrary. Edmundson (2017) for instance considers the negative effects of antagonistic politics regarding the limits of private property in a property-owning democracy for the stability of the just society. However, he does not consider what negative effects the power of bureaucrats in coupon socialism will have or how it will effect competition between companies. Thomas (2017) discusses the negative effects of market socialism in the form of new exploitations and inefficiencies. At the same time, he does not discuss the danger of powerful elites overthrowing property-owning democracy.

To be sure, it is difficult to systematize realistic constraints in general (Rossi & Sleat, 2014). That basic insight also counts for their influence on the choice between economic democracy, market socialism and property-owning democracy with or without workplace democracy. I will try to begin such a systematic approach by introducing two realistic constraints I deem to be of special importance when it comes to questions of transition of stability. The first constraint is the fact of egoism of powerful agents. This constraint takes it as a given that almost all real persons will always be partially motivated by demands of justice and partially by self-interest, even in a just society. If egoistic interests are not satisfied to an extent deemed to be sufficient by them it is likely that at least some powerful actors will abandon considerations of justice and struggle for their self-interest (Coady, 2008). Second is the constraint of path-dependency in institutional design. Countries have cultural traditions and social structures that heavily influence economic institutions and their structure (Granovetter, 1985; Hall & Soskice, 2001). The ability to transform and stabilize economic regimes is path dependent on those structures and traditions. In this section, I will elaborate on those points in abstract by first explaining the two mentioned realistic constraints and then trying to clarify the concepts of transition and stability. In the next section, I will apply them to the discussion of which of the five economic systems should be chosen in moving towards a just society.

As just indicated, any at least mildly realistic theory of justice has to deal with the fact that human beings have mixed motives. They have a sense of justice and reasons of justice do motivate them. However, they are also motivated by self-interest (Freeman, 2009). Economic theories that reduce human motivation to self-interest and especially the pursuit of profit are unrealistic in the sense that they abstract away from important motives people in fact do have. At the same time, theories of justice are in a utopian sense unrealistic, if they assume that people will be motivated by reasons of justice alone and fully comply in their actions with what justice demands.¹¹ Of course, both kinds of theories have the advantage that they can focus on pure theory, so to speak. Since motives of human agents are assumed to be fixed, those theories are not confronted with mixed motives, which are hard to estimate and therefore not easily integrated into the foundation of any theoretical architecture. The problem with the assumption of mixed motives is that it is virtually impossible to say to what extent real people will be motivated by self-interest and to what extent by reasons of justice. This depends on many uncertain factors like assumptions about human nature as well as the influence of social structures, cultural backgrounds and public moods on human motivation (Coady, 2008).

¹¹ Rawls seem to believe, albeit not as strongly as Gerald Cohen (2008), that people will have different evaluative and motivational systems in just societies. This might be so. From a cautiously realistic point of view the safe assumption, however, is that egoistic motivations will endure. Everything else looks like unfounded utopian assumptions and I think it is utterly unclear why we should believe this.

However, if a theory of justice concerns itself with questions of transition and stability it needs to be realistic in the sense that it assumes mixed motives. This is where Rawls own approach is not sufficiently realistic in my reading.¹² He relies too much on the sense of justice and downplays the danger of a formation of powerful interest groups (Rawls, 2005a, 2005b).¹³ This makes a transition to a just society unlikely and there is a high risk that a just society will be unstable and return to an unjust state. If not checked properly, reactionary groups that lost control in a transition to a just society might have the chance to reform and seize back power, because no safe-guard against collectively egoistic political actions of such group is in place. It seems to be a realistic assumption to me that at least some members of groups about to lose their privileges are likely to try to block traditions to a just society, because they favour their high status over just conditions. And at least some members of a group, who came for some reason to see themselves as superior, are likely to destabilize a just society, if this in their power.

Something similar counts for the constraint of path-dependency in institutional design. It is easy to envision a completely new institutional structure that fits well with the requirements of a just society. But this is not the structure we have at the moment and sometimes it is not clear how to get from here to there without major and maybe unjustifiable disruptions. Also institutions often evolve in unforeseeable ways, because they follow their own developmental logic. Readjusting them might be very costly. For these reasons, the problem of path dependency is not only and not primarily technical. It is not the case that under ideal circumstances for technical reasons institutions could not be transformed or stabilized. The problem rather is normative in the sense that trying to do so will come with costs that might not be justified or not enforceable.¹⁴

This normative path-dependency in institutional design comes at least in three forms, it might be cultural, structural or ideological. The constraint is cultural when an institutional transformation would take away something that is deemed to be of importance for the cultural self-understanding of the majority of a community. In Germany, for instance, many people cherish the fact that there are highways with no speed limit. Given the cultural embeddedness of

¹² To be sure, the idea of realistic utopia developed in Law of Peoples (2001) takes non-ideal circumstances into account. However, Rawls still believes that those non-ideal circumstances can be overcome, that one day all states will be liberal, for instance. This might be the case. The point here is that realistic constraint like path-dependency and egoism have to be taken into account if such an utopianism is to be realistic.

¹³ Critics like Raymond Geuss (2008) think that for this reason Rawlsian type theories of justice are mistaken and political philosophy should be more political as a form of ideology critique instead of constructing theories of justice. However, they neglect the possibility of a realistic theory of justice, or rather of incorporating realistic concerns into theorizing about justice (Thomas, 2017).

¹⁴ For this reason, I think that taking the constraint of path dependency seriously does not lead to a status quo bias. For the constraint it is not enough to claim that this is 'how we always have done it' and also not to claim that transitions would be complicated in a technical sense. Only when more convincing justice based normative arguments against changing a certain path a constraint is established.

this practice, it is virtually impossible to change it. The constraint is structural when changing institutional designs will disrupt existing structures with considerable negative effects. Changing the institutional framework that regulates mobility in Germany, for example, might have a serious negative impact on the car industry and its two million jobs.

The constraint is ideological when there is deep disagreement about its value. Many educational systems are judged to be unjust by those who subscribe to egalitarian ideas of justice. However, others favour less egalitarian ideas and support more competitive education systems. Such a deep disagreement is ideological when it cannot or at least not easily be resolved by public reason.¹⁵ It need not be the case that such a disagreement is related to egoistic interests, in can be based on traditions and ingrained cultural practices. This constraint is a serious obstacle for a transition to a just society. Nonetheless, working within the Rawlsian framework as much as possible, I will rather abstract away from questions of ideology and focus more on the first two forms of path-dependency.

How do these realistic constraints relate to questions of transition and stability in theorizing about justice? Transition, as understood here within the Rawlsian framework, means the peaceful conversion of a somewhat unjust society that strives for justice into a just one. It is not, for instance, concerned with tyrannical or despotic regimes to be overthrown by revolutionary violence. The assumption then is that democratic states with capitalistic economies are unjust, but not tyrannical or despotic (Freeman, 2013). People do have a sense of justice and there is space for public reason. Proposals for such a transition to a just society can be imagined and discussed. Political parties are able and free to develop programmes for such a transition. It is assumed, therefore, that institutional avenues for such a transition without devastating disturbances are conceivable. At the same time, public discourse is not entirely reasonable and not free from domination. Groups that profit from unjust structures are able to use their power to influence public discourse and their intervention often is not based on reasons of justice, but self-interest. They can use their money, for instance, to influence the media (Hacker & Pierson, 2010). Under these conditions a transition from an unjust, but not tyrannical or despotic to a just regime might not face violent confrontation, but it will certainly be challenged by political resistance where economic and discursive power is used to prevent such a transition.

¹⁵ One reviewer suggested that disagreement about education is not based in ideology, but has to do with sunk cost and therefore is structural. I do not want to deny that sunk costs are a contributing factor. But I also think that culture and ideology do have a role to play in such cases. For instance, many parents believe that their own children will and should thrive in very competitive educational system, maybe without admitting this. However, these are only examples, and I do not want to press this point. The distinction should be clear nonetheless.

Moreover, such a transition will come with costs and with different costs to different groups. Such costs have to be justified. If one assumes, to give an example, that factory farming is unjust, a transition to a society without such farming will bring high costs for all those who work in this industry. If we also assume that such a transition is a question of political and not individual morality it might also be the case that it would be unjust to not redistribute those costs (Green, 2020). However, it might also be that it is not clear how this should be done, because proper institutions are lacking, and it might be challenged by other institutional and legal obstacles. Another, more concrete example is the two class health care system in Germany. People with high incomes and government officials can choose to leave the system of public health insurances and be privately insured, which brings many benefits, like better medical care, shorter waiting time and so. Many observers judge this system to be clearly unjust, because it directly links health care to socioeconomic status (Kalvelage, 2014). However, it is extremely difficult to change the system, because those with private insurances have vested rights that are legally protected. Those two examples show that even relatively minor transition is confronted with institutional constraints. This certainly also is the case for a wider transition from an unjust to a just society on the level of the whole basic structure.

Something similar counts for realistic questions of stability. Here the two problems of egoism of powerful agents and path-dependency in institutional design also show up. Of course, questions of stability are manifold. Economic prosperity, bureaucratic effectiveness and legal certainty can be seen as conditions of stability as well as the absence of extreme environmental or health-related catastrophes and the absence of devastating wars. However, as far as it is possible to control for those factors, many important constraints can be summarized under the headings of path-dependency and egoism. Even in a just society groups might emerge, a managerial class or group of digital natives for instance, that come to control considerable economic resources like information assets. Those groups might use their economic power to amass sufficient political power to threaten the stability of a just society (Claassen & Herzog, 2019). Also unforeseeable institutional constraints can emerge. It is possible, for instance, that even in a just society a certain industrial sector, like the car industry or the financial sector, will become dominant. When such a sector is on the brink of failure, it might have to be protected, because its demise might be too costly in terms of jobs and economic stability. It has become too big to fail. This is not only a structural but an institutional problem, because it threatens the proper workings of existing institutions. To save such an industry might make a short term violation of the principles of justice necessary, with potentially devastating effects for the legitimacy of institutions and the political stability of the just society.

Being realistic about economic alternatives to capitalism

It is time to discuss the realistic prospects of the five identified economic alternatives for a just society with respect to questions of transition and stability. I will first discuss questions of transition and egoism of powerful agents, second questions of transition and path-dependency in institutional design, third questions of stability and egoism of powerful agents and finally questions of stability and path-dependency in institutional design.

Transition and egoism of powerful agents

How do the five systems fare when it comes to the prospect of transition given that agents have mixed motives and some will lose money or power in a just society? The idea of a transition to a just society has to deal with the fact that some and potentially powerful social groups will resist such a transition for egoistic reasons. They are aware that their absolute and relative position in terms of power, status and wealth will be diminished because of this transition. This is true for economic and political, but also for academic elites. Some members of those groups might welcome the transition nonetheless, because they value justice higher than power and money. It would be naïve, though, to assume that this is true for the vast majority of those elites. Some will silently concede to themselves that such a transition would be the just thing to do, but prefer to keep their privileges. Most will simply choose another available theory of justice from the bookshelf, one that better fits their preferences, and be satisfied with that. It is likely, then, that privileged groups will try to prevent that political majorities vote for a transition to a just society. They will do so by various means, by dominating public debates for instance, but also by threatening to distort the economy (Crouch, 2015).

When it comes to the domination of the public debate it does not make much of a difference whether Rawlsian justice is spelled out in terms of workplace democracy, market socialism or property-owning democracy. All those alternatives rely on concepts that are easily demonized in public discourse by conservative media (Rosanvallon, 2013). This is obvious for socialism, of course, liberal and market-based notwithstanding. But it is also true for any egalitarian version of property-owning democracy and mandatory workplace democracy, because such systems have to rely on a direct or indirect redistribution of property and they also have to somehow limit the accumulation of property or at least restrict its control rights. This will certainly be associated with socialism in public debate; it will be called dispossession and stigmatized accordingly.¹⁶ To be sure, the term property-owning democracy has a slightly more innocent ring to it, than mandatory workplace democracy or even socialism, also

¹⁶ As we know, this already was a successful strategy in blocking socializing attempts in the past (Mitchell & Fazi, 2017).

because it exists in in-egalitarian forms and as such is associated with libertarianism (O'Neill & Williamson, 2012). So it might have a small advantage over market socialism and workplace democracy in public debate, but, as said, if the truly egalitarian policy proposals are on the table, it will be called socialism in any case.

The situation is different when it comes to threats regarding the functioning of the economy. Here it seems reasonable to assume that economic elites will use their control over capital as a bargaining chip in political negotiations (Fuchs, 2007). The first and rather important point to note is that mandatory workplace democracy on its own can be removed from further consideration at this stage, because it does not have a suitable path to a just society. The simple reason is that, although owners lose control over companies, they still control most of the capital. This gives them considerable power and one major aim of a transition to a just society, which is preventing the drift to oligarchy, is not fulfilled (Freeman, 2013).

How do the other four regimes fare? If steps are taken to implement property-owning democracy or market socialism, capital owners will try to move their capital somewhere else and advise their business partners not to invest into the country, they just moved out of. This is a serious threat and often it does not even need to be voiced, because it will be anticipated by decision makers anyway (Lukes, 2005). The questions then are whether property-owning democracy or market socialism with or without workplace democracy is better equipped to counter this threat.¹⁷ I think that here a first advantage of including mandatory workplace democracy becomes visible. Property-owning democracy and market socialism on their own face serious problems, because it takes considerable time to realize the equalization of property and especially property in the means of production, since this is best achieved through a high inheritance tax. It also is rather difficult and a long-term project to implement something like a coupon-based system of market socialism. This gives ample opportunities to economic elites to voice and realize their threats.

Here the democratization of companies might have an advantage. A lot of capital is invested in companies and if they are organized in a democratic way, this can effectively prevent capital owners from moving their capital out of the country. Through legal reform ownership and control rights can effectively be separated (Christman, 1994; Jay, 1980). Although capital remains moveable, this might not be damaging for the economy under these circumstances. The reason is that owners would have to find someone else who is willing to buy their shares for a reasonable price without thereby acquiring control rights over the company. What they and future owners cannot do, is to use their property rights to dismantle and barter away parts of the company. The survival and

¹⁷ Dietsch and Rixen (2014) seem to think that it possible to counter this threat even in capitalist societies. However, they abstract away from questions of political power and focus on the possibilities of institutional control.

functionality of the company is secured due to this separation of ownership and control rights.¹⁸ The question then is whether or not it is easier to implement workplace democracy first, before aiming for a more equal distribution of capital.

I think there is reason to believe that at least in some countries the transition to workplace democracy is easier and faster done than the transition to property-owning democracy or market socialism on its own. Not the whole structure of property laws will have to be changed, but only more focused laws of corporate governance. Also, it might very well be that changing control rights over companies finds more public support than changing property laws, especially in countries with strong labour movements (Ferrerias, 2017). To be sure, shareholders and direct owners who exercise control rights over companies would most likely oppose such a move. They can still threaten to move their capital out of country. However, it is possible to limit their control rights and their rights to move capital by law while the transformation to workplace democracy is under way. A transition to property-owning democracy or market socialism without workplace democracy will take considerably longer and leave more opportunities to capital owners to politically organize and to move their capital substantially, thereby making their threats more credible. Equalizing property through an inheritance tax, for instance, is a policy mechanism that takes a long time, which gives owners greater opportunity to find ways to circumvent it than if property were being equalized via a more immediately effective mechanism (Halliday, 2018).

To conclude, the advantage of those regimes with workplace democracy over those without when looked at from a transitional perspective and taking the realist constraint of organized resistance into account is its ability to proceed in two steps. Democratizing workplaces is easier done and can precede an equalization of property ownership. For this reason, and somewhat surprisingly, property-owning democracy and market socialism with workplace democracy appear to be more realizable than property-owning democracy and market socialism without when considering the resistance of powerful reactionary groups.

Transition and path-dependency in institutional design

The second concern for the transition from a capitalist to a property-owning or market socialist society has to do with the resilience of institutions. This problem cannot be reduced to the lack of motivation of individuals. Even if

¹⁸ There are many other reasons for giving control rights to workers. However, since this paper moves within an orthodox reading of the Rawlsian framework in this respect, those reasons are not further discussed here. It would be interesting though to explore the possibility of developing Rawlsian arguments for workplace democracy, e.g. based on the fair value of political rights. For an overview over the recent debate on workplace democracy: Frega et al. (2019).

individual agents are highly motivated, it may be extremely difficult or costly to replace existing institutions by those that are needed for property-owning democracy or market socialism (Williamson, 2013).

Here property-owning democracy has a clear advantage, because the required institutional change is much smaller as compared to the alternatives and for this reason will create less efficiency costs.¹⁹ It is mostly a wealth and inheritance tax that is needed to create a more equal distribution of capital. Maybe a general policy of limiting wealth will be the most suitable form to ensure such a distributive pattern. To be sure, a high level of resistance is still likely on a political level. Also such a policy is in conflict with received economic wisdom, according to which a high concentration of capital is needed to facilitate innovation, entrepreneurship and growth.²⁰ And a creative solution for the inheritance of small and medium enterprises is needed, for instance an interest-free government loan (Halliday, 2018). For those reasons the institutional transformation that is necessary for property-owning democracy is rather unlikely in most capitalist countries, until these issues are resolved. However, the institutional transformation is still less demanding than in the other three cases. If a political will emerges to transform to a more just societies, there will be less institutional obstacles. Property-owning democracy can be implemented without distorting market functionalities (Thomas, 2017). It certainly takes time and some government agencies will have to change their basic mode of operation and new ones will have to be created, but unlike in the other cases this is not a fundamental change of the existing institutional structure, potentially facing serious blockades.

If workplace democracy is added to property-owning democracy, the additional challenges of changing property rights in companies and changing the legal governance structure of companies emerge. A whole new legal code and administrative system is needed in order to do so (Green, 2020; Singer, 2019). The change is even more complicated in the case of market socialism, for which a whole new bureaucratic system has to be created. At the moment it is rather difficult to say what institutional structures are needed, which changes will work well and which not, what the real costs and unintended consequences will be (Thomas, 2017). For those reasons it is fair to say that a transformation to property-owning democracy is less demanding and less risky in institutional terms. This is not a contradiction to the result of the previous section, because it only means that the transition to property-owning democracy or market socialism with workplace democracy can be initiated in a faster pace than property-owning democracy alone, but it is also riskier to do so and it

¹⁹ To be sure, this argument counts for efficiency costs in the transition period. I will discuss relative efficiency costs for the different economic systems when implemented later on.

²⁰ There is reason to doubt this widespread belief. Much innovation, for instance, is driven by public research institutions as Marina Mazzucato (2018) has shown.

will have more far-reaching institutional consequences. Here we can clearly see how there is a trade-off involved in taking one path or the other.

Stability and egoism of powerful agents

How do property-owning democracy and market socialism with or without workplace democracy fare, when it comes to opportunities for self-interested interferences that threaten the stability of those regimes? To answer this question, it is necessary to keep in mind that even in a just society at least some people will not or only reluctantly comply with the principles of justice. While I agree with those authors, who claim that in a more just society people will tend to be more just as well, it still is important to guard against the tendency of some groups to work towards a less just society more favourable for them (Freeman, 2009). Conservative or even reactionary thinking cannot be eradicated from a just society and it would be futile and possibly totalitarian to try to do so (Robin 2018). Who would those backward-looking groups be in the respective regimes? It will not be a small class of owners of capital, because in a Rawlsian property-owning democracy and in market socialism capital will be distributed much more equally.

However, in property-owning democracy without workplace democracy there are at least two other groups that can leverage their social position and lobby for an extension of their privileges. One is the group of people with highly specialized skills, for instance software engineers. The other group consists of the managers of firms. I will focus on this second group here, because different groups would still utilize similar mechanism to advance their group interests and this is most visible in the case of managers. If those managers turn into a class of their own, they will be the most powerful class of society. This is so because unlike the political class, their power is not checked by democratic control mechanisms. As a relatively small elite they also have a high potential to organize themselves and agree on collective actions to politically facilitate shared interests. It is possible to downplay this danger by pointing at the fact that fair equality of opportunity is part of a just society. Especially the school and university system will be structured in such a way that it will not privilege the sons and daughters of a managerial elite (Bourguignon, 2015; Piketty, 2017, 2020).

This may be true but does not prevent the danger of elitist circles. Even if formal education is equalized, which is very hard to do in any case, it is still possible that members of elites use their decision making power to only let those into their inner circles whom they define as members of their group. We know, for instance, that women with equal qualifications have a much harder time to obtain leadership positions in the economy and partly also in politics. This is so, because those in power define informal characteristics they deem to be necessary to become one of their own and act accordingly (Young, 1990, 2012).

So even in a property-owning democracy with fair equality of opportunity in the educational system, the managerial elite has the power to control membership in their inner circles.

At this point, the addition of workplace democracy has a clear advantage over property-owning democracy without. It constitutes a valuable mechanism of managerial control, just as part of the value of democratic control in the political system is to break up closed circles of political elites (Hsieh, 2005). This probably is also part of the explanation why we have more female top politicians than female top managers. One path of career is embedded in a system of democratic control, the other is not. To be sure, democratic control alone is not sufficient. We know from countries like the US, where money plays a huge role in election campaigns, that democratic structures do not prevent the closure of political elites (Hacker & Pierson, 2010; Winters, 2011). Only those who are able to raise considerable funds have a chance to get elected and normally only those who are parts of certain elitist groups have a chance to raise those funds. The conclusion then is that only together property-owning democracy and workplace democracy can prevent the formation of elitist circles in the economy that would be able to become a force to overthrow justice.

How does market socialism fare in this respect? The answer is rather simple. Market socialism without workplace democracy is faced with the same problems as property-owning democracy, because it is possible that new managerial or knowledge elites will emerge. Market socialism with workplace democracy has the same chances of preventing this formation of elitist circles. Incidentally, this also answers Edmundson's (2017) worry that property-owning democracy is unstable, because distribution mechanisms have to be decided in political processes. If workplaces are democratized, the general political bargaining power of different social groups will be equalized too in an important respect. No one has the economic power to threaten others with serious economic disruptions. Because of this, political struggles, even if taking an antagonistic form, will not be a threat to the stability of a just society under conditions of this relative equalization of economic and subsequently political power.

Stability and path-dependency in institutional design

Is the institutional set up of a property-owning democracy or market socialism without workplace democracy more stable than the two alternatives? At first glance it seems so, because it allows for more flexibility. Some companies will be run democratically, if owners choose to organize them in such a way. Other companies will have a more hierarchical command structure. Making this possible has a number of advantages. Companies might be more competitive without democratic structures. Also, it will be easier to reduce the workforce in case of decreasing demand. Since property-owning democracy or coupon

socialism is in place, laying off workers also does not have devastating personal costs. Economic efficiency and distributive justice are not contradictory in such a system. This is the reason why Thomas (2017) opts for property-owning democracy and Roemer (1994) for coupon socialism, both without workplace democracy.

Their argument is right in its core, or so I think. However, I am not sure how big the efficiency gains are and I am very doubtful about their normative importance. First of all, a mixed scheme combining property-owning democracy with workplace democracy is different from socialist institutional designs, that prevent the private ownership of capital. Those designs have to rely on cooperatives, where workers collectively own their companies or on some other mechanism where the state owns everything and leases out use rights. It is argued that those structures are highly inefficient, because they provide strong incentives to free-ride and disincentives to invest in innovation and research (Arnold, 1994; Taylor, 2014; Thomas, 2017). It is also argued that they are prone to new forms of exploitation, because some workers of some industries will have more economic power than others and leverage this power (Arnold, 1994; Thomas, 2017). I think the first point is correct. I am unsure about the second, because it seems possible to create control mechanisms to prevent this kind of exploitation. Moreover, when it is argued that such forms of market socialism are more exploitative than capitalism, it is rather the case that capitalism working well is compared to market socialism working badly. This is a not untypical comparison bias, which already John Stuart Mill warned against.

I do not want to go deeper into this discussion here, because I think the same problems do not occur when ownership rights are separated from control rights as in property-owning democracy or coupon socialism with workplace democracy. There will be a functioning labour market, because workers do not have to work in the company where they invest in. In fact, this is not advisable for them, since it contradicts risk diversification. At the same time workers will be less vulnerable to exploitation on the job market, since they are also capital holders. Even if industries with structures indicating an oligopoly emerge, workers are in a much better bargaining position than in current capitalist systems. When it comes to labour this scheme is much less exploitative and not much less efficient than the alternatives. It might be somewhat less efficient, because exploitation can be a tool to increase efficiency. Exploitable workers do not only have to sacrifice part of their fair share of profits. They might also have to put in extra hours and work harder than they otherwise might have been willing to do, often at considerable risk to their health and at the expense of their social life (Ferras, 2017). This is not an argument for exploitation, of course, but against treating efficiency as a principle of justice. Efficiency can be instrumental to justice, but only within the limits set by the principles of justice.

Something similar counts for investment in research. It is still advisable for worker councils to invest in research and technology in coupon socialism or

property-owning democracy, because their companies have to stay competitive on markets. It also seems reasonable to me to assume that those councils will have more long-term interests than shareholder controlled corporations. For those reasons, regimes with workplace democracy are not less stable than property-owning democracy without workplace democracy in their institutional design, but it is also not more stable. If organized well, both groups of institutional arrangements do not face serious institutional contradictions.

To be sure, it is still possible to argue that workplace democracy will make property-owning democracy or market socialism less efficient, even if it is not based on cooperatives, but on a separation of control and ownership rights.²¹ It might be that there is wage compression within democratized companies, which will make the labour market less competitive and take incentives out of the system. It might also be that companies have to pay an additional risk premium, because investors have not the safe guard of being able to interfere in the management of the companies they have invested in. In light of these possible inefficiencies it might be preferable to replace the requirement of workplace democracy by weaker ones, like unit trusts or a Meidner plan. However, I am not sure how serious possible inefficiencies will be and it is a question of future research or maybe social experimentation to explore this point.

More importantly is another counterargument. It is not clear whether or not those inefficiencies will be threat to the stability of property-owning democracy or market socialism with workplace democracy. If they are not, which I deem to be likely at least for very affluent countries, then the efficiency argument is of secondary importance only, since it does not block the transition to and stability of a just society. If, on the other hand, workplace democracy makes this transition more likely and a just society more stable, then those efficiency costs will be a fair price to pay.

Conclusion

The result of the previous discussion is the following. Workplace democracy alone is insufficient to overcome the problems of capitalist economies, especially because it is unable to prevent the drift to oligarchy. The other four alternatives, that is property-owning democracy and market socialism with or without workplace democracy, seem to be adequate for a just society, at least in principle. However, with respect to different realistic constraints they have different virtues. On the one hand, property-owning democracy seems to fare best in dealing with path-dependency in institutional design. On the other hand, property-owning democracy and market socialism with workplace democracy seem to be better equipped to block the egoistic resistance

²¹ I thank an anonymous reviewer for pressing me on these points.

of powerful group agents. Finally, the difference between property-owning democracy and market socialism with workplace democracy does not seem to be so large when it comes to the realistic constraints considered here.

So, we can say that Rawls is wrong in thinking that workplace democracy is not an important enabling condition for a just society. However, he is correct in thinking that there are different avenues to a just society which depend on specific circumstances, albeit not tradition, but rather structural circumstances. In fact, as the previous discussion has shown, there are at least three. First, a society can choose to go for property-owning democracy alone, because it judges the constraint of path-dependency as being more important than the constraint of egoism of powerful agents. Second, a society can choose to start with implementing workplace democracy first and property-owning democracy or coupon socialism second. Or it can decide to do it the other way round, depending on what is more likely to overcome institutional and political resistance in this specific country. Third, a society can choose to go for either property-owning democracy with workplace democracy or coupon socialism with workplace democracy, depending on what is more suitable to its self-understanding.

If this conclusion is correct, then it is futile to try to say anything more on this very general level of abstraction. Any further philosophical inquiry into these political-economic questions has to operate on the level of given societies and their contingent political situation, which raises the more challenging question of why this is not happening. Two possible answers might be that past attempts often were a disaster or that capital is able to go on strike in order to block a transition.²² If this is true a more detailed analysis that is sensitive to situational conditions might help to avoid repeating past mistakes and to overcome the problem of capital strike. It is for this reason that philosophers should continue to engage in this inquiry and combine conceptual, normative and causal analysis in a more realistically utopian spirit.²³

Disclosure statement

No potential conflict of interest was reported by the author(s).

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Christian Neuhäuser is professor in Practical Philosophy based at the Technical University of Dortmund, Germany. His academical focus lies on theories of responsibility and human dignity as well as philosophy of economics and international political philosophy.

²² This is what one reviewer has suggested to me.

²³ I want to sincerely thank two anonymous reviewers for very detailed, very helpful and also very challenging comments. I have tried to incorporate as much of their criticism as possible. The rest is for several future papers, I hope.

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