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# Democratic Rights and the Choice of Economic Systems

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## Discussion: Comments on J. Holt, *Requirements of Justice and Liberal Socialism*

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# Democratic Rights and the Choice of Economic Systems

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**Abstract:** Holt argues that Rawls's first principle of justice requires democratic control of the economy and that property owning democracy fails to satisfy this requirement; only liberal socialism is fully democratic. However, the notion of democratic control is ambiguous, and Holt has to choose between the weaker notion of democratic control that Rawls is committed to and the stronger notion that property owning democracy fails to satisfy. It may be that there is a tension between capitalism and democracy, so that only liberal socialism can be fully democratic, but if so, we should reject, rather than argue from, the theory of democracy we find in justice as fairness.

**Keywords:** Justin P. Holt, John Rawls, democracy, capitalism, socialism, rights

## 1 Introduction

In *The Requirements of Justice and Liberal Socialism* Holt argues that liberal socialism satisfies the requirements of Rawls's justice as fairness better than property owning democracy (Holt 2017, 172, 192, 193).<sup>1</sup> This is a surprising conclusion, since Rawls believed that justice as fairness is possible for both economic systems; a choice between them must be made in light of the "historical conditions and the traditions, institutions, and social forces of each country".<sup>2</sup> If Holt's argument is sound, Rawls was wrong about this, for justice as fairness chooses liberal socialism.

In a *property owning democracy* the means of production are privately owned, but the development of a class society normally associated with capitalism is

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<sup>1</sup> Holt's essay expands the argument he began in Holt 2011.

<sup>2</sup> Rawls 2001, 420 (Rawls 1999, xv–xvi). See also Rawls 1999, 242.

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avoided through provisions that secure widespread dispersal of capital ownership, equality of opportunity, the fair value of political liberties, and a social minimum sufficient “to facilitate full inclusion and full participation in society as social equals” (179). Property owning democracy permits, but does not require, worker-managed firms.

In a *liberal socialist* system most of the means of production are publicly owned and controlled, and firms are managed by workers through workplace democracy.<sup>3</sup> What makes such systems *liberal*, I take it, is that they protect and assign priority to the basic rights and secure adequate means for enjoying these to all.<sup>4</sup>

There are thus two clear differences between a property owning democracy and liberal socialism. First, a liberal socialist system has a much higher degree of publicly as opposed to privately owned means of production. Second, non-democratic workplace management is permitted in property owning democracy and prohibited in liberal socialism.<sup>5</sup>

Holt argues that both differences count in favor of liberal socialism; that is, a system that has a high degree of public ownership of the means of production and requires workplace democracy is more just than a system that permits a high degree of private ownership of the means of production and non-democratic workplace management. In overview, then, Holt’s argument is as follows:

- I. Two differences between property owning democracy and liberal socialism are that liberal socialism has a higher degree of public ownership of the means of production and requires workplace democracy.
- II. Justice as fairness is better satisfied by more, rather than less, public ownership of the means of production.

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<sup>3</sup> Holt 2017, 183–184. I’m not sure if Rawls would agree to this definition of liberal socialism. Rawls does not offer a clear definition, but in his *Lectures on the History of Political Philosophy* (Rawls 2007) he refers to Roemer’s *A Future for Socialism* (1994) as a book to consult for clarification (though Rawls title’s Roemer’s book *Liberal Socialism* it seems clear that he has *A Future for Socialism* in mind). Roemer is friendly to public ownership of the means of production and worker-management, but leaves the choice to be decided in light of egalitarian aims (see e.g. Roemer 1994, 23–24).

<sup>4</sup> Cf. Rawls 1996, 6; 2007, 12. Holt does not explicitly endorse this definition, but could do so without problems for his argument.

<sup>5</sup> Holt is not entirely clear whether workplace democracy requires worker *ownership* of firms in addition to workplace *management*. Since Holt’s argument shows that the means of production should be publicly owned (by society as a whole), the straightforward position would be that the firms are publicly owned and worker managed.

- III. Justice as fairness is better satisfied by requiring, rather than merely permitting, workplace democracy.
- IV. Thus, justice as fairness is better satisfied by liberal socialism than by property owning democracy.<sup>6</sup>

Holt's subsidiary arguments for II and III measure workplace democracy and public ownership of the means of production against each of Rawls's principles of justice—the principles of equal basic rights, fair equality of opportunity, and the difference principle—and argue in each case that liberal socialism better satisfies the principle.

I focus on just one of the three parts of Holt's argument for II and III, namely, his argument that Rawls's first principle favors both workplace democracy and public ownership of the means of production. As I understand it, the main idea is that the sort of capitalism permitted by property owning democracy violates the democratic rights of the first principle. In short, democracy and capitalism are opposed; only socialism is democratic.

## 2 Holt's Arguments in Detail

Here is Holt's argument that the first principle requires rather than permits workplace democracy:

“[W]orkplace democracy is a requirement of the priority of liberty. Rawls holds that representative agents in the original position would establish priority of basic liberties [...] Additionally, Rawls notes the basic liberties' relationship to economic outcomes: 'The priority of liberty means that whenever the basic liberties can be effectively established, a lesser or an equal liberty cannot be exchanged for an improvement in economic well-being.' (Rawls, 1999, 132) The right to democratic control over one's workplace '[...] in general takes precedence over economic gains'.” (187–188)

I understand this argument as follows:

1. The basic liberties have priority over other social concerns, including economic prosperity.
2. By the first principle, workers have a right to democratic control of their workplace.

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<sup>6</sup> I leave out the 'other-satisfactions-equal' clause needed to ensure validity.

3. Therefore, sacrificing the right to democratic control of one's workplace for economic gains is prohibited.
4. Property owning democracy permits non-democratic workplaces for the sake of economic gains.
5. Liberal socialism requires workplace democracy.
6. Thus, property owning democracy fails to satisfy the priority of liberty, and liberal socialism better satisfies the first principle in this particular respect.

Holt's argument that the first principle favors public ownership of the means of production starts by noting that the institutions that define the economy are part of the basic structure and, as such, are subject to democratic regulation (187). Holt then argues that a property owning democracy offers inadequate democratic control, since democratic regulation requires public ownership of the means of production:

“The exercising of political liberty requires that people are able to participate in the debate of how the means of production is currently used and will be used in the future. Questions such as quantity, price, and the pace of output are political concerns that require democratic oversight. Such oversight can be considered to be absent within a property owning democracy, where democratic control over the means of production is limited. The absence of public ownership prevents people from exercising the control over a part of the basic structure. In order to meet the requirements of basic liberties [...] national economic democracy and public ownership of the means of production must hold.” (190–191)

Here is how I understand this argument:

7. By the first principle, all parts of the basic structure must be subject to democratic control.
8. The economy is part of the basic structure.
9. Thus, the economy must be subject to democratic control.
10. Democratic control of the economy requires public ownership of the means of production.
11. Liberal socialism requires public ownership of the means of production, property owning democracy does not.<sup>7</sup>
12. Therefore, liberal socialism better satisfies the first principle requirement that all parts of the basic structure be subject to democratic control.

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<sup>7</sup> Perhaps this should be gradualized, so that “liberal socialism provides a greater degree of public ownership of the means of production than property owning democracy” and the rest of the argument changed accordingly, but it is easier to state it in the binary. My critique of the argument is indifferent to this nuance.

Taking both arguments together, we get Holt's overall conclusion that (at least in these two respects) the first principle of justice favors liberal socialism over property owning democracy.

### 3 Some Doubts About Premises 2 and 10<sup>8</sup>

The first argument appears to hinge on the priority of basic liberties. And it is, of course, true, that *if* there is a basic right to workplace democracy, then this right cannot be compromised merely for the sake of economic gains. However, the pivotal premise is 2., which says that the first principle includes a right to democratic control of one's workplace. Rawls would not and should not, I think, accept this premise.

Textually, Holt's argument should show why Rawls is committed to including workplace democracy on the list of basic political rights alongside freedom of speech, the rights to form, join, or leave political parties, or the rights that ensure access to vote in free and fair elections. I did not see this argument in Holt's essay, nor am I sure how it could be constructed from Rawls's writings.

Are there non-textual, philosophical reasons? It seems to me that the concerns that justify workplace democracy are about workplace oppression, exploitation, and alienation rather than the political liberties. These are, of course, serious concerns for most societies today, but they would not obtain in a well-ordered property owning democracy where background justice, workplace regulation, fair equality of opportunity, a guaranteed robust social minimum, and opportunities to engage in meaningful cooperation with others across the economy rather than in any particular firm remove the sources of these concerns.

Premise 10, above, states that democratic control of the economy requires public ownership of the means of production. The idea, again, is that the economy is part of the basic structure and, as such, should be subject to democratic control; only public ownership of the means of production fully secures such democratic control. However, Holt's argument slides from a notion of democratic control that Rawls would accept to one that Rawls would rightly reject. Look again at the relevant passage:

“The exercising of political liberty requires that people are able to participate in the debate of how the means of production is currently used and will be used in the future. Questions such as quantity, price, and the pace of output are political concerns that require demo-

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<sup>8</sup> I also have concerns about premises 4, 5, and 7 but focus on my disagreement with 2 and 10.

cratic oversight. Such oversight can be considered to be absent within a property owning democracy, where democratic control over the means of production is limited.” (190)

It is true that democratic rights guarantee citizens access to participation in public deliberations about the economy, and that there should be some democratic oversight of the economy. But it seems false that there can be no such debate or oversight without public ownership of the means of production.

Democratic control (as debate and oversight) of the economy can be exercised indirectly, through the democratically legislated design of a system of rules, roles, and institutions that define and secure a just and efficient economy.

## **4 Democratic Control of the Basic Structure: A Dilemma**

To illustrate my doubts about Holt’s argument, it might be helpful to draw an analogy to justice in the family. Holt argues that because the economy is part of the basic structure, all aspects of the economy must be subject to (full and direct) democratic control, since leaving parts of the economy unregulated (or regulated only indirectly through laws, institutions, and such) violates first principle political liberties. On one hand, he takes this to show that firms must be managed through workplace democracy; on the other, that the economy as a whole must be directed through democratic legislation, meaning that the public must own and direct the employment of the means of production. Now, the family is also part of the basic structure, but it seems that we should not argue from its status as such to the conclusions that families *must* be managed through family-place democracy and that the reproductive apparatus of society must be publicly owned and directed through democratically enacted legislation. Within a system of laws and institutions that ensure individually permissible and collectively beneficial choices, it makes good sense to let families determine their decision-making processes for themselves, and to leave the reproductive choices of families outside the realm of public regulation. At least, I see no violation of or compromise with first principle political liberties in leaving families free from direct democratic control in these two respects. Similarly, I see no violation of or compromise with basic political liberties in permitting non-democratic workplace management or running the economy on the basis of widespread private ownership of the means of production; provided, of course, that there is a background system of democratically enacted laws that secure fair equality of opportunity and prevent the accumula-

tion of capital over time, and that economic choices are individually permissible and collectively beneficial.

From this we can see that Holt's argument is involved with an ambiguity in the notion of democratic control of the economy and that this ambiguity leads to a dilemma. On one hand, democratic control of the economy might simply mean democratic oversight and control via laws, regulations, and other legal instruments that define the economy and set rules for the exercise of economic agency. On the other hand, democratic control of the economy might mean full and direct democratic control, so that what is produced, in what quantities, by whom, and how it is distributed between claimants should be directly decided by some sort of democratic process—either by public ownership of the means of production and the state directing their employment, or by all firms being managed through workplace democracy, or (more likely) by some combination of these.

Thus, the dilemma. If we go with the first, less demanding meaning of democratic control of the economy, then it is clear that property owning democracy provides adequate democratic control. However, if we go with the second, more demanding meaning of democratic control, then we cannot claim Rawls is committed to it (and there are philosophical and pragmatic reasons against it). Holt has to choose between the understanding of democratic control that Rawls is committed to and the one that liberal socialism satisfies better than property owning democracy. The one that Rawls endorses does not produce the result that liberal socialism is superior.

## 5 Conclusion

Holt argues that any capitalist system must violate the first principle of justice as fairness—that by the theory of democracy we find in justice as fairness, only socialism is democratic and (thus) just. I have voiced doubts about the soundness of this argument. The theory of democracy we find in justice as fairness is not demanding enough to decide the choice between capitalism and socialism. It may be that capitalism and democracy are mutually opposed, so that we can argue from a commitment to democracy to the superiority of socialism. Yet, if so, we would have to reject Rawls's theory of democracy, rather than argue from it.



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