



Can Democratic Equality Justify Capitalism?

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Abstract

Jeppe von Platz has recently argued that welfare-state capitalism can be justified by a theory of democratic equality, challenging John Rawls’s critique of capitalism. Von Platz develops his argument by introducing a social democratic interpretation of democratic equality as an alternative to Rawls’s justice as fairness. Unlike justice as fairness, in which there is only one possible principle of reciprocity (the difference principle), social democracy includes four possible principles in an eligible set that could be chosen as a principle of reciprocity. However, I argue that von Platz’s conception of reciprocity still fails to justify welfare-state capitalism. Of the four principles of reciprocity in social democracy’s eligible set, one of them, the principle of utility, does not express a notion of reciprocity and thus does not belong. The other three – the principle of equality, the difference principle, and the principle of equity – are not compatible with welfare-state capitalism. Thus, since capitalism cannot satisfy a principle of reciprocity in the (revised) eligible set, it is incompatible with the social democratic interpretation of democratic equality.

Keywords Democratic equality · Reciprocity · Distributive justice · Political philosophy · Capitalism · Social democracy

1 Introduction

The relation between capitalism and democracy has long been a subject of debate among political theorists. One issue is that, on the one hand, democracy seems to require political equality among citizens. Indeed, according to von Platz (2020, 7), “*Democratic equality* is an ideal of society as a system of fair cooperation between free and equal persons.” On the other hand, capitalism has a tendency to produce

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extreme and enduring inequalities. Thus, the puzzle here is whether the ideal of democratic equality can be reconciled with the economic inequalities that seem to be an inevitable byproduct of a capitalist system. Rawls (2001) famously argued that capitalism is not compatible with democratic equality. As von Platz (2020, 5) puts it, “The argument articulates the widespread worry that capitalism and democratic equality are incompatible; we have to choose between the awesome productive power of capitalism and realizing the ideal of democratic equality.” Von Platz, however, does not share this worry. He claims that the economic efficiency of capitalism can coexist with the democratic ideal of equality. The argument is that *social democracy*, an alternative to Rawls’s justice as fairness, can reconcile democratic equality and welfare-state capitalism.

Von Platz (2020, 22–31) makes the case that, on a social democratic interpretation of democratic equality, welfare-state capitalism can satisfy all three of democratic equality’s necessary conditions: (1) the fair value of basic liberties, (2) fair equality of opportunity, and (3) democratic reciprocity.¹ The first requirement ensures that a regime is able to secure basic liberties for all its people. The second requirement ensures that every person, regardless of their social position at birth, has a fair chance of occupying social positions of power, wealth, and prestige. The third requirement, which will be the focus of this paper, ensures that the benefits and burdens of social cooperation are distributed fairly. As such, the third requirement of democratic equality deals with the subject of distributive justice, unlike the other two. For the purposes of the argument presented here, the first two requirements can be set aside. Since all three requirements are necessary conditions, it will suffice to show that welfare-state capitalism is incompatible with just one of them. This is not to say that basic liberties and fair equality of opportunity are unimportant; they are merely outside the scope of this argument.

In this paper, then, I will challenge von Platz’s claim that welfare-state capitalism can satisfy the third requirement of democratic equality: the condition that a principle of reciprocity must be recognized. For this requirement to be met, the distributions of wealth and income that result from an economic system must satisfy, or at least approximate, a distributive principle of reciprocity. In Rawls’s justice as fairness, there is only one principle of reciprocity: the difference principle. So, any economic system that cannot satisfy the difference principle would not be able to meet the reciprocity requirement. In contrast to Rawls, von Platz’s conception of social democracy includes four possible principles in an eligible set, the satisfaction of any of which is adequate.² Von Platz (2020, 29) explains the idea in the following way:

¹ Rawls, of course, thinks that the three requirements of democratic equality can be satisfied by his two principles of justice. (To clear up confusion, the first principle is the equal basic liberty principle, while the second principle has two parts: fair equality of opportunity and the difference principle. See Rawls (2001, 42–43).) Von Platz, on the other hand, offers a different interpretation of democratic equality that preserves the three requirements but does not involve Rawls’s two principles of justice. To put it simply, von Platz thinks that the broad requirements of democratic equality can be satisfied outside of a Rawlsian framework.

² It is worth noting here that the choice of a distributive principle is different in von Platz’s social democracy than in Rawls’s justice as fairness. Rawls uses the original position as a device of selection: parties in the hypothetical choice scenario choose principles of justice to regulate society. And, for Rawls, the parties would agree on one single principle of reciprocity to regulate the distribution of the benefits and

[W]e should doubt Rawls's argument that only the difference principle satisfies the requirement of democratic reciprocity. Instead, the requirement of democratic reciprocity defines an eligible set of principles to choose from. Combined with a sufficientarian guarantee, the eligible set includes the principle of equality (where all receive an equal share), the principle of equity (where benefits track marginal contribution to the social product), the principle of utility (where expected utility is maximized for all), and the difference principle.

In evaluating these four principles, we must answer two questions. The first question is whether all of these principles do, in fact, express a notion of reciprocity. Secondly, we must ask which principles (if any) are compatible with welfare-state capitalism. I will develop my argument in two stages, beginning with answering the first question and then moving on to the second. With regard to the first question, I argue that the principle of utility does not express a notion of reciprocity and thus does not belong in the eligible set (Sect. 2). Then, with regard to the second question, I argue that welfare-state capitalism is incompatible with all three of the remaining principles in social democracy's eligible set: the principle of equality, the difference principle, and the principle of equity (Sect. 3). I also reject the claim that reciprocity can be achieved in a wholly proceduralist way that discards distributive principles altogether (Sect. 4). Since the principle of utility is not a principle of reciprocity, and since the other three principles cannot be satisfied in a capitalist regime, welfare-state capitalism is not compatible with any of the principles of reciprocity in social democracy's (revised) eligible set. I conclude that welfare-state capitalism is not compatible with von Platz's social democratic interpretation of democratic equality, because the former does not satisfy the latter's requirement of democratic reciprocity (Sect. 5).

2 Reciprocity and the Principle of Utility

Reciprocity deals with the concept of distributive justice. Principles of distributive justice determine how the "economic pie" of society is to be divided. According to Rawls (2001, 50), "The problem of distributive justice in justice as fairness is always this: how are the institutions of the basic structure to be regulated as one unified scheme of institutions so that a fair, efficient, and productive system of social cooperation can be maintained over time, from one generation to the next?" In a well-ordered society,

"The basic structure is arranged so that when everyone follows the publicly recognized rules of cooperation, and honors the claims the rules specify, *the particular distributions of goods that result are acceptable as just (or at least not unjust) whatever these distributions turn out to be*" (Rawls, 2001, p. 50, my italics). To put it broadly,

burdens of social cooperation: the difference principle. In contrast, von Platz's social democracy does not make use of the original position to determine the selection of a single principle of reciprocity. Rather, "it leaves the choice of principles and the distribution of the product to be decided through democratic deliberation and choice, as well as through struggles between capital and labor that take place both through and outside the democratic processes of society" (von Platz, 2020, p. 30). See Sect. 2 for more discussion on this distinction.

reciprocity is expressed when citizens cooperate according to mutually recognized rules of cooperation, and each participant recognizes that they are benefitting appropriately for their contributions to the cooperative scheme.³ More specifically, von Platz (2020, 13–14) argues that Rawls’s notion of reciprocity contains three distinct requirements: (1) mutual advantage, (2) a contractualist requirement, and (3) a non-exploitation requirement. For the first requirement to be met, it must be the case that all social cooperators gain from engaging in productive economic activity. The second requirement entails that “the terms of cooperation we offer to others are those we could reasonably expect them to accept as free and equal persons, apart from their relative bargaining advantage” (von Platz, 2020, p. 13). The third requirement means that no citizen should gain “at the expense of others” (von Platz, 2020, p. 14). On these three requirements of reciprocity, von Platz and Rawls are in agreement.

Von Platz (2020, 27), however, denies that the three requirements imply only the difference principle. As previously mentioned, von Platz’s social democracy involves an eligible set of four principles for citizens to choose from, principles that he thinks could all satisfy the three requirements of reciprocity. In other words, von Platz rejects the notion that the difference principle is uniquely implied by the three requirements of reciprocity; he thinks other principles could satisfy the requirements as well. The focus of this section will be on the second requirement of reciprocity, the idea that terms of cooperation must be reasonably acceptable to all cooperators, conceived as free and equal persons. Von Platz’s argument implies that all four principles in the eligible set could meet this standard, what I will call the *reasonability requirement* of reciprocity.

The suggestion that the principle of utility, in particular, could satisfy this requirement deserves closer scrutiny. The question we will seek to answer in this section, then, is this: Could free and equal people reasonably be expected to choose the principle of utility as their society’s distributive principle? I will argue that the answer is “no.” The argument against the principle of utility, which I will call the *Argument from Reasonableness*, is structured as follows:

- (I) If the principle of utility is a principle of reciprocity, we could reasonably expect it to be accepted by free and equal people as their society’s distributive principle, defining the distribution of the benefits and burdens of social cooperation.
- (II) The principle of utility does not adequately take into account the separateness of persons.⁴
- (III) The principle of utility also can potentially undermine persons’ standing as equal citizens.⁵
- (IV) Given (II) and (III), it would be unreasonable to expect free and equal people to accept the principle of utility as their society’s distributive principle.
- (V) Therefore, the principle of utility is not a principle of reciprocity.

³ To be precise, Rawls (2001, 49, n. 14) defines reciprocity as follows: “As understood in justice as fairness, reciprocity is a relation between citizens expressed by principles of justice that regulate a social world in which all who are engaged in cooperation and do their part as the rules and procedures require are to benefit in an appropriate way as assessed by a suitable benchmark of comparison.”

⁴ This claim forms the basis of Rawls’s critique of the principle of utility in *A Theory of Justice*. See Rawls (1999, 19–24, 144–152, 159–167).

⁵ See Rawls (2001, 126–130).

Premise (I) is simply a restatement of von Platz's second requirement for a principle of reciprocity, the reasonability requirement. The argument hangs, then, on premises (II) through (IV).

Before examining those in further detail, it is worth noting at the outset that von Platz's decision to include the principle of utility in the eligible set is quite interesting, considering Rawls developed justice as fairness in opposition to utilitarianism, and Rawls specifically argued, quite extensively, that the principle of utility does *not* express a notion of reciprocity.⁶ Harsanyi (1975) defended the principle of utility against Rawls's critiques by arguing that rational contractors in the original position would choose the principle of average utility rather than the difference principle. That disagreement is not directly relevant to von Platz's conception of social democracy, however, since von Platz does not rely on the use of the original position to determine principles of justice. Instead, von Platz (2020, 29–30) calls the choice of a principle of reciprocity within social democracy

an instance of impure procedural justice. Impure, since the eligible set of principles is limited to those that secure a social minimum for all working members of society. Procedural, in the sense that it leaves the choice of principles and the distribution of the product to be decided through democratic deliberation and choice, as well as through struggles between capital and labor that take place both through and outside the democratic processes of society.

So, von Platz's social democracy and Rawls's justice as fairness share the idea that the choice of a distributive principle is procedural; they differ, though, on what the procedure is. For von Platz, the choice of a principle is made in the real world of democratic politics and class struggle. For Rawls, principles of justice are chosen in the hypothetical original position.

The theories also differ with regard to the fact that Rawls (1999, 104) calls the choice of principles in the original position "pure procedural justice," because there is no restriction on the principles that can be chosen; whatever is agreed upon by the parties in the original position constitutes the principles of justice. Von Platz, however, limits the candidate principles that can be chosen to the four that are in the eligible set, arguing that they all are principles of reciprocity. This implies that in social democracy any principle that is a member of the eligible set must represent fair terms of social cooperation that free and equal persons could reasonably be expected to agree to. And this agreement would not happen behind the veil of ignorance, where parties do not know their social position. A distributive principle, if it is to be a principle of reciprocity in social democracy, must represent terms of cooperation that we could reasonably expect everyone to agree to, with full knowledge of their race, gender, social position, natural abilities, personality, background, etc. What we are examining in this section, therefore, is whether the least-advantaged members of society could reasonably be expected to endorse the principle of utility (with a social minimum) as their society's distributive principle. If, as I will argue,

⁶ According to Rawls (2001, 122), the principle of utility "is a maximizing aggregative principle with no inherent tendency toward either equality or reciprocity..."

they would not, then it is not a principle of reciprocity within von Platz's social democratic framework.

Returning to the *Argument from Reasonableness*, premise (II) holds that the problem with the principle of utility is that it centers on increasing the well-being of society as a whole, meaning that it “fails to take seriously the distinction between persons” (Rawls, 1999, p. 162). As Moehler (2018, 86) notes, the principle of utility recognizes the separate utility functions of individual persons, but “the utility generated by different individuals is compared and traded against each other *as if* only one single abstract entity exists that pursues the collective good expressed by the aggregate social utility.” So, the well-being of individual persons may be legitimately sacrificed, according to the principle of utility, if it would maximize well-being in the aggregate.

To explicate why this is so problematic, consider an example of a society that organizes its economic system around a lottery. Everyone who is able to contribute to the process of production; they go to work every day and create goods and services that are beneficial to their society and the economy. However, the distribution of resources (income and wealth, in particular) is decided upon by an economic council tasked with maximizing average utility. The council determines that if they disperse the resources equally (or almost equally), there will be enough income for people to meet their basic needs and live with some material comforts, but no one will be rich enough to enjoy the luxuries that make people incredibly happy. On the other hand, the council calculates that if the vast majority of income and wealth is granted to a select few by way of a random lottery, those few people will be able to enjoy fantastic pleasures that greatly increase the aggregate utility of the society as a whole. Meanwhile, those who do not win will receive just enough to meet their basic needs. On the whole, the council decides that the vastly unequal distribution generates more aggregate utility than the more egalitarian distribution. Due to conditions of moderate scarcity, the total social utility would be greater if most resources were pooled among a small group of people who would be able to experience fantastic luxuries, while the majority have just enough to get by.

It is important to keep in mind that this arrangement is in line with von Platz's description of how the principle of utility could be a principle of reciprocity. He writes, “With equal opportunity secured and destitution off the table, it seems reasonable to propose an economic system that maximizes expected utility, since such a system offers equal and optimal prospects to all (as opposed to equality of outcomes) and so seems to satisfy this interpretation of democratic equality” (von Platz, 2020, p. 28). Notice here that the arrangement I have described gives equal and optimal prospects to all; everyone is entered into the lottery and thus has an equal chance to be fantastically wealthy. There is also a social minimum, which von Platz (2020, 31) includes as a necessary condition of social democracy. Everyone who loses the lottery receives just enough to meet their most basic subsistence needs. And although the thought experiment is obviously fictitious, it is still useful as a way of analyzing the principle of utility. While the lottery arrangement is not an example of any existing economic system, it is common for economic theorists to describe the distributions in a capitalist system as the results of a “lottery” of sorts (Friedman, 1962, p. 194). The market economy produces inequalities that are partly based on merit (a

person's work ethic, innovation, contribution to society, leadership, etc.), but they are also based, in large part, on social contingencies and random chance, "the natural lottery" as Rawls (1999, 64) called it.

The problem with the lottery case is that the equality and individual distinctness of citizens are not respected in the distribution of wealth and income. Instead, the maximization of aggregate utility, so as to maximize average utility, becomes the only justification for the distribution of resources (beyond the social minimum). Since citizens become cogs in the utility-maximizing machine and utility functions can be traded off among persons, the welfare of some may be legitimately sacrificed in order to benefit others. This is problematic because, as Nozick (1974, 32–33) puts it,

there is no *social entity* with a good that undergoes some sacrifice for its own good. There are only individual people, different individual people, with their own individual lives. Using one of these people for the benefit of others, uses him and benefits others. Nothing more... To use a person in this way does not sufficiently respect and take account of the fact that he is a separate person, that his is the only life he has.

In the case of the lottery, the high utility functions of the most well-off citizens are a direct consequence of the majority of the lottery's losers receiving comparatively small distributive shares. It is not as if the losers *themselves* are benefitted by the high average utility; rather, average utility is maximized because of the high utility functions of the *winners*. Correspondingly, in capitalist systems, those who hit the jackpot in the natural and social lotteries may experience high utility functions such that aggregate (and thus average) utility is maximized. But this would probably mean little to the least well-off if their own utility functions are comparably low, even if they were told that they had an equal chance to win the natural and social lotteries, but simply got unlucky.⁷

And this brings us to premise (III) of the *Argument from Reasonableness*: the principle of utility can potentially generate inequalities that do not respect the equal standing of citizens. Such an unequal distribution as in the lottery case does not respect the equal status of citizens, which is at the heart of the ideal of democratic equality.⁸ This is because, despite starting with equal prospects, those who lose the lottery would inevitably become dominated by the more wealthy, powerful, and influential. As Rawls (2001, 140) feared, the losers would almost certainly become a "depressed underclass" who would see themselves and be seen by others as infe-

⁷ The effects of the social lottery (which determines the socioeconomic situation a person is born into) on distributive shares may be mitigated to some extent by democratic equality's requirement of fair equality of opportunity. However, in a welfare-state capitalist society that chooses the principle of utility as its distributive principle, one might still suspect that wealthy and powerful families would be able to give advantages to their children. This is especially true considering von Platz makes no mention of the potential for inherited wealth to undermine both reciprocity and fair equality of opportunity. And even if the outcomes of the social lottery play only a small role in determining distributive shares, the outcomes of the natural lottery (which determines people's inherited traits and genetic endowments), would still play a large role.

⁸ See Anderson (1999) for a defense of the kind of relational equality that is part of the ideal of democratic equality.

rior. They would be “losers” in a factual, descriptive sense, as a consequence of failing to win the distributive lottery, but they would also be viewed as “losers” in the more colloquial, pejorative sense: less-worthy or less-deserving citizens.⁹ This sort of inequality, where society is divided into winners and losers, is incompatible with democratic equality and the notion of reciprocity. Rather than striking a balance between efficiency and equality, which Rawls (2001, 123) sees as crucial to the notion of reciprocity, utilitarianism rejects the value of equality altogether in favor of optimizing efficiency (in the sense of maximizing average utility).

Because there is nothing inherent in the principle of utility, beyond the provision of a social minimum required by social democracy, that could constrain inequalities or prevent utility-maximizing trade-offs that harm the worst-off to benefit the most advantaged, it is now clear that we could not reasonably expect free and equal people to choose it as their society’s distributive principle, as premise (IV) of the *Argument from Reasonableness* claims. Although persons begin the negotiations in a position of equality, the principle of utility (if it were agreed upon) has the potential to undermine that very equality. Utility-maximizing trade-offs could justify sorting citizens into “haves” and “have-nots” by sacrificing the interests of some to benefit others. It is not reasonable to expect a cooperator to voluntarily agree to an arrangement in which their own well-being can be traded off for someone else’s gain in the name of maximizing aggregate utility, so as to raise the utility function of the “average” member of society, which is not an existing person but the result of a statistical calculation. Thus, since the principle of utility does not meet the reasonability requirement necessary to make it a principle of reciprocity, von Platz was mistaken to include it in the eligible set of principles.

Some may think this notion of reciprocity is too demanding and claim that, in a welfare-state capitalist system, all society owes an individual is a certain bare minimum standard of living. The thinking would be something like this: “Some people may win the natural and social lotteries and become rich due to arbitrary factors. But allowing free markets to function freely means, ultimately, that production can be maximized, and thus aggregate social utility can be maximized as well. Despite the potential for massive inequalities to develop, as long as people at the bottom are compensated through a social minimum, this is enough to meet the requirement of reciprocity.”¹⁰ In order to evaluate the adequacy of this argument, we must keep in mind von Platz’s criteria for how a principle could express a notion of reciprocity: it must be the case that all social cooperators could agree to it. And it is important to keep in mind that in a social democracy this agreement is not made behind a veil of ignorance, but in the real world, where people have full knowledge of their place in society. Clearly, the most well-off in a capitalist system, who got ahead at least partly

⁹ Von Platz (2020, 31–32) tries to anticipate this objection by asserting that the social minimum provided by social democracy will prevent a depressed underclass of citizens from developing, even if the principle of utility is chosen as the society’s distributive principle. But this is not an adequate reply. As we have already seen, the social minimum can be built into the lottery example, and vast inequalities have the potential of developing. And, as I argue later in this section, even if the principle of utility entailed a more egalitarian distribution, there is still the problem that the principle does not adequately respect the separateness of persons.

¹⁰ I thank an anonymous referee for bringing up this point.

due to arbitrary factors, would agree to the principle of utility with a social minimum. But since *all* cooperators must be able to agree, we ought to consider whether the least well-off could also reasonably accept such an arrangement. It seems to me that they could not. Why would the least well-off accept merely a social minimum? If the answer is because it would make *society* better off, that is not a good enough reason for them. We are imagining that the least well-off are negotiating as equals to try to further their own interests. This is why the distinctness of persons is so critical to the notion of reciprocity. Perhaps economic production, and thus aggregate utility, is maximized if the principle of utility (plus a social minimum) is the distributive principle regulating society. But aggregate utility means very little to the least well-off if they are struggling to get by, owing to the fact that they receive only a social minimum. Or, even if the social minimum is quite high, the mere existence of inequality itself could be unacceptable to the least well-off. That is, a situation could unfold in which those who receive nothing beyond the social minimum are seen as “have-nots” in a highly unequal society of “haves” and “have-nots.” And receiving only a social minimum will be all the more insulting to the least well-off if there are large inequalities that are mostly the result of the arbitrary outcomes of the natural and social lotteries. In short, it would not be reasonable to expect the least well-off, as free and equal negotiators, to accept terms of cooperation that are aimed to make society better off but end up leaving them at the bottom of the (possibly very unequal) social hierarchy.

Before moving on, I would briefly like to touch on a possible objection. According to this style of objection, one may question premise (III) of the *Argument from Reasonableness*. That is, the objector would hold that the principle of utility may not necessarily prescribe radically unequal distributions which would lead to the wealthy and powerful dominating their less advantaged peers. The point of premise (III), though, is that the principle of utility *could* prescribe vast inequalities that undermine the equal standing of citizens, which is a consideration that makes it unreasonable to accept. But even if social cooperators somehow knew that vast inequalities would not result from accepting the principle of utility (perhaps because of the principle of diminishing marginal utility), thus forcing the argument to drop premise (III), premise (II) is still sufficient to condemn the principle of utility. This is because the important point is *how distributions are justified*. In the case of the principle of utility, even when an “empowering” social minimum is set,¹¹ the distributions beyond what individuals receive from the social minimum are decided on the basis of maximizing aggregate utility. This, as I have argued, does not adequately recognize the distinctness of individual persons. Citizens are viewed merely as pieces of data on a spreadsheet, rather than participating, equal members of society deserving of a fair share of the fruits of social cooperation. Von Platz (2020, 15–16) at times even seems to agree with this assessment: “Democratic equality rejects the social minimum as justified by the principle of restricted utility” because it “treats the least well-off as a problem to be dealt with, rather than as equal participants in productive processes with equal claims to the product.” So, if the principle of utility is problematic because

¹¹ von Platz (2020, 31) suggests that “the social minimum in a social democracy is not defined by reference to what maximizes utility, but by reference to what empowers workers to develop and exercise their moral powers and to negotiate on a footing of equality with capital...”.

of the way it treats people in setting the social minimum, the question is why it should be allowed to play any role in distributions at all. In other words, what changes after the social minimum has been set that the principle of utility suddenly becomes compatible with democratic equality? It seems clear to me that the same lack of regard for the separateness of persons is always there, whether we are talking about setting a social minimum, or the distribution of the remainder of the product once the minimum has been set. It is for this reason that the principle of utility is not compatible with democratic equality.

3 Reciprocity and Welfare-State Capitalism

Thus far, I have argued that von Platz was mistaken to include the principle of utility in the eligible set, as it does not express a notion of reciprocity appropriate for democratic citizens involved in social cooperation. There are now three remaining principles in social democracy's eligible set: (1) the principle of equality, (2) the difference principle, and (3) the principle of equity. The task of this section is to determine whether any of the remaining principles of reciprocity are compatible with welfare-state capitalism.

Before discussing each principle individually, it will be useful to define some key terms. Von Platz (2020, 8) describes capitalism as having three distinct features: "private ownership of all the major means of production, production is geared toward profits, and the productive process is driven by... free markets." Although welfare-state capitalism shares all of these features with laissez-faire capitalism, it "tempers each of these dimensions of capitalism" (von Platz, 2020, p. 8). In our discussion, a key distinction will be between welfare-state capitalism and property-owning democracy. As Rawls (2001, 135–136) notes, property-owning democracy is "an alternative to capitalism." He explains the distinction in the following way: "[T]he background institutions of property-owning democracy work to disperse the ownership of wealth and capital, and thus to prevent a small part of society from controlling the economy, and indirectly, political life as well. By contrast, welfare-state capitalism permits a small class to have a near monopoly of the means of production" (Rawls, 2001, p. 139). Capitalism is thus distinguished from property-owning democracy by the fact that ownership of capital and the means of production are concentrated into the hands of a privileged minority. As von Platz (2020, 8) puts it, "Unlike property-owning democracy, welfare-state capitalism is not committed to the dispersal of capital and permits greater inequalities of income and wealth." So, in determining whether welfare-state capitalism can satisfy any of the principles of reciprocity, we must evaluate whether it can do so while avoiding any commitments to dispersing wealth, capital, and income broadly among citizens.

3.1 Welfare-State Capitalism and the Principle of Equality

The principle of equality, according to von Platz (2020, 29), entails that "all receive an equal share" of the benefits of social cooperation. This arrangement would not be compatible with welfare-state capitalism as it has been defined. Consider the follow-

ing claim by von Platz (2020, 9): “[P]roperty-owning democracy ensures that wealth and real capital are distributed equally among the members of society; in a capitalist society these are distributed by market forces, tending to an unequal distribution.” Because market forces tend toward unequal outcomes, the only way to equalize distributive shares would be for a government to implement some sort of redistributive taxation scheme. But since capitalism permits inequalities of wealth and income and makes no commitment to broad redistribution, there is no way that it could satisfy the principle of equality. Such redistribution would be compatible with property-owning democracy, not capitalism.¹² Since distributions in a capitalist market economy tend toward inequality of wealth and income, and capitalism, by von Platz’s definition, does not commit itself to dispersing wealth and capital, welfare-state capitalism cannot satisfy the principle of equality.

3.2 Welfare-State Capitalism and the Difference Principle

Regarding the difference principle, von Platz (2020, 27) writes, “I am unsure that a welfare-state capitalist society can satisfy the difference principle. Instead of pursuing this doubt, however, I grant the assumption that a welfare-state capitalist society cannot satisfy the difference principle...” Rawls agreed with this assessment. As Rawls (2001, 64) explains, “[T]he difference principle requires that however great the inequalities in wealth and income may be... existing inequalities must contribute effectively to the benefit of the least advantaged.” Since wealth and capital ownership tend to be concentrated among a relatively small group of people in capitalist regimes, Rawls reasonably assumes that the least well-off citizens in a welfare-state capitalist society (who own almost no wealth or capital) would certainly be able to improve their condition if economic resources were more equally distributed, as would be the case in a property-owning democracy. The inequalities in a welfare-state capitalist regime, therefore, cannot be justified by the difference principle because they do not work to the maximal advantage of the least well-off.

3.3 Welfare-State Capitalism and the Principle of Equity

Now that, like von Platz and Rawls, we have abandoned the idea that welfare-state capitalism can satisfy the difference principle, we are left with only one other option in the (revised) eligible set: the principle of equity, which, according to von Platz (2020, 29), requires that “benefits track marginal contribution to the social product.” In order to be compatible with the principle of equity, capitalist economic systems (or, at least, idealized capitalist economies with perfectly competitive markets) must reward contributors in proportion to their marginal contributions. Meritocratic defenses of capitalism contend that this is in fact the case. According to these arguments, different “factors of production” – including labor and capital – contribute to the social product and then are rewarded directly in proportion to their marginal

¹² Redistribution in order to achieve equalization of distributive shares would also be compatible with democratic socialism, which Rawls (2001, 136–138) argued was compatible with justice as fairness, along with property-owning democracy.

product.¹³ The argument is meant to refute Marxist and socialist claims that workers are exploited and underpaid relative to their production, since it purports to show that workers receive wages that are commensurate with their contribution to production. However, in a more recent paper, von Platz (2022, 2) makes the case that such arguments face a fatal dilemma:

Either the argument relies on an interpretation of contribution that arguably will be reflected by the capital-labour split in a capitalist economy... but *cannot* serve as a plausible standard of merit...

Or the argument relies on an interpretation of contribution that *is* a plausible standard of merit... in which case it won't be reflected by the capital-labour split that we can expect from a capitalist economy.

Beginning with the first “horn” of this dilemma, von Platz (2022, 13) claims that “there are several independently sufficient reasons for rejecting the marginalist notion of contribution as the standard of merit employed in the normative principle of merit.”¹⁴ The most important reason he adduces is this: the marginalist argument predicts that workers will receive remunerations equivalent to the marginal product of the *final unit of labor*, which will be the least productive. While the other units of labor will be more productive than the final one, all workers are predicted to be paid in proportion to the production of the last worker. Therefore, “if the marginalist claim that labour is paid the equivalent of the marginal product of the final unit of labour is true, then it is false that labour is paid the equivalent of its contribution to production” (von Platz, 2022, p. 10). This point requires some explanation.

Marginalist arguments assume the *declining marginal productivity of labor*, meaning that additional units of labor will tend to add less and less additional value as more workers are hired (Clark, 1889, p. 51). The prediction is that firms will hire workers until the marginal product of the final worker matches the equilibrium wage for workers in that position, assuming a perfectly competitive labor market (von Platz, 2022, 7–8). The important point, though, is that *all* workers in their position are predicted to be paid in proportion to the production of the final unit of labor¹⁵ – the least productive – not just the last worker hired.¹⁶ Since the other units of labor have higher marginal products, those more productive workers are short-changed. For this reason, the marginalist argument that capitalism can satisfy the principle of equity falls short, despite its mathematical precision and predictive power. As Schweickart (2011, 32) puts it, “What we have here is a remarkable technical accomplishment: separating out quantities associated with each separate factor in such a way that they

¹³ See Clark (1889) for an argument of this kind.

¹⁴ To my knowledge, there is no difference between the principle of equity, as described by von Platz (2020), and the principle of merit, as described by von Platz (2022). Both are the principle that social cooperators ought to be rewarded according to their marginal contribution.

¹⁵ This assumes, for simplicity, that all the workers are equally skilled (Schweickart, 2011, p. 29).

¹⁶ As Clark (1889, 49) puts it, “*General wages tend to equal the actual product created by the last labor that is added to the social working force.*”

all add up to the total output. *But it is utterly bogus as an ethical argument...* there is something arbitrary in defining the contribution of *each* laborer to be the marginal product of the *last* laborer.”

Moreover, we have so far assumed that markets are perfectly competitive, which is an idealization that will never actually obtain. In real capitalist systems, there are non-ideal reasons why workers may receive less than even the marginal product of the final unit of labor, due to “various exogenous influences on market supply or demand” (von Platz, 2022, 8–9). Changes in the economy and the labor market may make it the case that workers are desperate enough to accept wages that fall below even the marginal product of the final unit of labor.¹⁷

Some readers may now object that something important was missed in the rejection of the marginalist argument. The objector may say something like this: “If all the workers are equally skilled and work equally hard, and they were hired at the same time, then how would one determine how to order them? The final unit will be the least productive. We know that. But how can we even decide *who* the final unit of labor is? It seems simplest to assign all the workers the marginal product of the last worker, since there is no way to distinguish them.” My response is this: such a move is too convenient for the marginalist argument, since it is arbitrary to say that all workers contribute what the final unit of labor does. We need a more principled way of determining the marginal contribution of labor that is independently plausible and not chosen simply because it lines up neatly with the calculations of the marginalist argument.

One way of solving the problem of ordering the workers is to calculate what is known in game theory as the Shapley value,¹⁸ which von Platz (2022, 18) claims can serve as a plausible measure of marginal contribution. Assuming certain basic axioms,¹⁹ there is one unique value (the Shapley value) that determines the marginal contribution of each participant in a cooperative scheme. This “is calculated as the average marginal contribution that players provide across all permutations of the coalition – where the marginal contribution for a given permutation is the value they add to the cooperation at their point of entry” (von Platz, 2022, p. 17). So, the order of workers and capitalists is no issue, since the Shapley value will give us the average of their marginal contributions across all the different possible permutations. Young (1988, 271) has proven the theorem that “The Shapley value is the unique sharing rule that is symmetric, fully distributes all gains, and satisfies the marginality principle.” The importance of the Shapley value is that a player’s place in the ordering of all cooperators is irrelevant to the measure of their marginal contribution, since marginal contribution is taken as the average of all possible orders of the cooperators. Thus, a player’s marginal contribution only varies according to their productive activity (and

¹⁷ There is also empirical evidence that shows currently existing capitalist regimes do not satisfy the principle of equity. For example, non-farm labor output in the U.S. grew by an average of 2.2% annually from 1947 to 2010, while real hourly compensation grew 1.7% annually over that same time period (Fleck et al., 2011).

¹⁸ The Shapley value was first introduced by Shapley (1953). For an introduction to the Shapley value, see Roth (1988).

¹⁹ The axioms are symmetry, efficiency, null player, and additivity. For a description of the axioms, see Shapley (1953, 309), Roth (1988, 5), von Platz (2022, 17).

the null player axiom ensures that players who contribute nothing receive nothing). In this way, the measure of workers' marginal contributions will only differ according to their skills, work ethic, and overall value to production, which is not influenced by the order that they find themselves in the sequence of cooperators.

The Shapley value seems to be a good way to measure marginal contribution. However, we have no reason to expect that distributions in a capitalist economic system will reflect the Shapley value (von Platz, 2022, p. 19). In a perfectly competitive market, according to the marginalist argument, each worker will be remunerated proportional to the marginal product of the final unit of labor, which we have no reason to think will be the same as each worker's marginal contribution according to the Shapley value, since that calculates the average contribution of each worker across all permutations, including those in which the worker is not the final unit of labor.²⁰

The objection may now be pressed that, while capitalism falls short of remunerating workers according to their marginal contribution, it may come closer than any feasible alternative.²¹ The response to this objection will need to show that a model of a feasible, non-capitalist economic system can better approximate the principle of equity than capitalism. Let us use the market socialist system proposed by Schweickart (2011), which he calls "Economic Democracy," as our working model of a capitalist alternative. Economic Democracy has three basic tenets: (1) worker-controlled cooperatives, (2) market competition between cooperatives, and (3) publicly funded investments (Schweickart, 2011, p. 49). In this kind of system, worker-controlled cooperatives compete with each other for profit, and "Workers get all that remains once nonlabor costs... have been paid" (Schweickart, 2011, p. 51). The capital needed for production is provided by a "national investment fund," which is financed by a capital assets tax on cooperatives (Schweickart, 2011, p. 52). This means that capital is owned by the public as a whole, through the government, who provides it to cooperatives for the purpose of production; then, once production has started, the value of the capital to production is paid back to the government through the capital assets tax, for it to be reinvested into the economy. While Schweickart (2011, 52) proposes that capital assets be taxed at a flat rate, we could modify this part of the model slightly to fit our current argument. Instead of taxing capital assets at a flat rate, the government could use the Shapley value to calculate the marginal contribution of the invested capital to each cooperative's production, and then tax each cooperative at that rate, ensuring that the marginal contribution of the capital is paid to those who provided it (the government). Then, workers will have the rest to split amongst themselves, which they could divide on the basis of the marginal contribution of each worker.

The discussion of Economic Democracy so far has been purely theoretical, and the objection was concerned with *feasible* alternatives to capitalism. So, the question now is whether Economic Democracy, as it has been described, would be feasible. The first thing to note about this type of socialism is that it does not face the feasibility problems associated with centralized planning.²² There are no central planning

²⁰ Going forward, when I use the term "marginal contribution," I will be referring to the Shapley value measurement of marginal contribution.

²¹ I thank an anonymous referee for bringing up this point.

²² See Hayek (1945).

organizations tasked with setting prices and deciding how all the goods and services of society are to be allocated. Instead, similar to capitalism, “Prices are largely unregulated except by supply and demand” (Schweickart, 2011, p. 51). Additionally, Economic Democracy does not have to make any outlandish assumptions about human nature; it does not need human beings to be perfectly altruistic and selfless for the system to work. Workers in cooperatives will still be motivated, perhaps by self-interest, to work and to generate sales, since all revenue will accrue to the workers collectively after nonlabor costs have been paid (including the capital assets tax). Indeed, for workers in cooperatives, the more productive they are, the more money the cooperative earns, allowing there to be more money for the workers to distribute amongst themselves.²³ Some may be concerned that the specific modification to Schweickart’s system introduced here – that capital be taxed at the rate of the marginal product of the invested capital – may be difficult to implement in practice. While I grant that there will no doubt be mathematical and practical complexity to making such a tax system work, I see no reason to suppose that this would make it completely impossible or unworkable.

It may also be questioned whether workers would actually distribute the after-tax revenue of the cooperative according to each worker’s marginal contribution. Again, while this would involve some practical and mathematical complexity, I see no reason why it could not work, in the case that workers were truly committed to distributing after-tax revenue in proportion to individual contributions. And it may indeed be the case that workers would make just such a commitment. There is much empirical evidence suggesting that people are deeply concerned with desert.²⁴ For instance, experimental studies on the *dictator game* have indicated that, in determining how money is to be distributed, people are not always motivated solely by self-interest and may be motivated by fairness. In one version of the dictator game involving productive activity, Frohlich et al. (2004, 109) found that “dictators” (participants in the experiment who had complete control over how the money was to be distributed) were sometimes willing to give themselves less money than their fellow cooperator, when the productive contribution of the other cooperator was greater than the dictator’s. In the experiment, the dictator has the option of keeping all the money for herself, splitting it equally, or any other combination, including those where the dictator gets the lion’s share of the money. But, in some cases, the dictators instead seemed more concerned with making sure distributions tracked productive contributions (Frohlich et al., 2004, p. 109). It is of course difficult to make conjectures about how people would behave in an economic system that has not been tried before, but such a result gives weight to the idea that in an Economic Democracy, workers may be willing to take less for themselves if they see that the productive contributions of their counterparts is greater. It seems, therefore, that we have found a feasible alternative to capitalism that could come closer to satisfying the principle of equity.

One might now protest that the discussion up to this point has focused on capitalism in a general, abstract form, rather than on the specific version of social-democratic welfare-state capitalism presented by von Platz. In that version of capitalism,

²³ For a more detailed discussion of Economic Democracy’s feasibility, see Schweickart (2011, 58–66).

²⁴ See Mulligan (2018) for a survey of the literature on this topic.

the government provides an employment guarantee to all citizens and implements other measures to “empower workers in their negotiations with capital” (von Platz, 2020, p. 31). First of all, there is the legitimate question of whether full employment, from a government jobs guarantee, could even be sustained in a capitalist system over the long term.²⁵ But even setting that aside, it does not seem to me that this solves the underlying problems with capitalism discussed already. Just because workers have increased bargaining power, since they have the option of leaving for a government job and are protected by a union, does not necessarily mean that they will receive the equivalent of their marginal contribution. We have no reason to expect that labor unions, even ones empowered by a government employment guarantee, would be able to negotiate each employee’s wage up to the level of their marginal contribution. And even if an argument like that could somehow be made, it is not made by von Platz. Instead, he concedes that the principle of equity cannot be satisfied in a capitalist regime but writes:

This worry invites us to consider a social democratic approach to distributive fairness, where the fairness of the capital-labour split is a function of how capital and labour are situated in the struggle that determines the distribution of the burdens and benefits of production. If capital and labour are situated as equals in this struggle, then the resulting distribution can be fair, even if the split does not track relative contributions (von Platz, 2022, p. 2).

This implies that reciprocity can be satisfied on entirely proceduralist grounds – as long as negotiations are conducted as a fair *procedure* (i.e., with both sides negotiating as equals), then the resulting distributions are fair. The next section will consider, and reject, such a notion of reciprocity.

4 Can Reciprocity be Entirely Procedural?

The following quote illustrates von Platz’s idea that reciprocity could be satisfied through entirely procedural means, even if distributions do not track any distributive principle:

[I]n a social democracy we can expect there to be an ongoing struggle about how to divide surplus value, for the terms of distribution of the benefits and burdens of cooperation are always renegotiable in both the political and economic spheres. Yet as long as these terms issue from negotiation and struggle between equals, they satisfy the requirement of democratic reciprocity, and all members of society can affirm their justice even if they continually try to change them (von Platz, 2020, p. 32).

²⁵ As Schweickart (2011, 101) puts it, “a healthy capitalism *requires* unemployment... If unemployment is too low, workers get uppity and make wage demands that either cut into profits to the degree that future investment is jeopardized or are passed on to consumers, thus generating inflationary instability.”

Perhaps, then, we ought to rid ourselves of the idea of the eligible set altogether and fully embrace a conception of distributive justice that is wholly procedural: as long as capital and labor negotiate the distribution of surplus value as equals, the resulting distribution is fair, and the reciprocity requirement is satisfied. But this conception of distributive justice is implausible. Without any independent criterion for determining a just distribution, anything could be considered fair, as long as it derives from a proper starting negotiation situation. It would thus be conceptually impossible to claim that a distribution is unfair (as long as capital and labor are “negotiating as equals,” however that is to be defined), since there is no independent criterion of a fair distribution. The following counterexamples are meant to illustrate the undesirability of this outcome:

Pay Gap – Consider a society in which women are paid less than men on average. Despite women producing as much as men, they are paid significantly less. It is also the case that the society has offered a generous social minimum (a government employment guarantee) and has set up institutions that empower workers to negotiate as equals with their employers, as required by social democracy. Imagine a movement that develops demanding “equal pay for equal work,” insisting that those who produce the same should be paid the same. A proceduralist account of distributive justice, though, would not be able to say that an injustice has occurred. The slogan “equal pay for equal work” supposes an independent criterion of distributive justice: the principle that each should be paid according to their productive contribution. The proceduralist response must be that the state of affairs is indeed fair, that the women are being compensated fairly for their role in the productive scheme. Since the background institutions of society are set up to produce fair negotiations, the distributions that result from such negotiations are by definition fair. However, a state of affairs in which women are paid less than men, despite being equally productive, offends an intuitive sense of justice that I suspect many readers will share.

Strike – On a smaller scale, imagine a union tries to negotiate higher wages with the owners of a corporation (in a social democratic context in which the two sides can negotiate “as equals”). Suppose the average worker is severely underpaid, relative to her production. The corporation knows that raising wages will be possible. However, raising worker pay will cut into the profits of the corporation, making shareholders and upper-level management extremely hesitant to offer such raises. Negotiations reach an impasse, causing the workers to go on strike. Now, at this point, the corporation spends large amounts of money to launch a major marketing campaign convincing the public that the workers will cause economic catastrophe if they do not end the strike. This causes public pressure to mount on the union, who quickly caves to the corporation’s demands and allows the workers to return to work without their demands of higher wages being met. Without any independent (non-proceduralist) criterion of what makes a distribution fair, there is no way to say that the workers were “fighting for their fair share” by trying to negotiate wages that come closer to matching their productivity. “Fairness” is merely a product of the negotiations, so what the workers ended up with was by definition fair. The other lesson from this scenario is that it begs the question of whether capital and labor can ever truly negotiate as equals, considering the material advantage that capital will always have over labor in a capitalist regime. Even if generous government provisions are given to workers,

capital will always have an advantage in virtue of their wealth and ownership of productive capital. For example, in this case, both sides would have been responsible for the economic catastrophe if the strike continued, but it was capital that was able to use its advantage in money and resources to put pressure on the other side to give in.

Poor Negotiator – On yet an even smaller scale, imagine the case of an individual worker negotiating a wage with a new employer. Again, we shall assume this takes place in the context of a social democracy in which workers are empowered to negotiate as equals. Suppose the employer, trying to low-ball the worker, makes an initial offer that is far below the employee’s expected marginal contribution. The employee, however, is very nervous and uncomfortable with negotiation, so she accepts the offer. The worker then goes on to be very underpaid, relative to her production. But a proceduralist account of distributive justice, again, cannot find fault with this outcome. It is fair, since the employee agreed to it. But it seems to offend an intuitive sense of justice that someone be underpaid simply due to the arbitrary fact that they are meek and uncomfortable with intense negotiation. Some people are simply too nervous to cause confrontation, and this does not seem to be a good reason for them to receive less than what they produce. But to call this state of affairs *unfair* would rely on an independent, non-proceduralist account of distributive justice. If the meek person negotiates as an equal, then their low pay is fair, according to proceduralism.

What these example cases are meant to show is that distributive shares can still be heavily influenced by arbitrary factors, such as a person’s negotiating skills, even if negotiators are empowered to act as equals. Rawls (1999, 64–65) warns that “the influence of either social contingencies or natural chance on the determination of distributive shares” should trouble us, because “From a moral standpoint the two seem equally arbitrary.” A concern with non-arbitrariness, then, seems to play an important role in the ideal of democratic equality. If citizens are conceived as free and equal, then arbitrary factors should not influence their ability to benefit fairly from social cooperation. But if there are no distributive principles to be used as standards, then *any* distribution can be considered fair, as long as it results from a fair procedure, even if the particular distribution has been influenced by arbitrary contingencies, such as an individual’s traits (like negotiating skills) or the social dynamics at play in a particular society (like valuing the labor of women less than that of men). This is why distributive principles play an important role; they show us how to reason correctly when aiming to evaluate existing systems in light of an ideal of justice, which in this case is democratic equality. And if a social system cannot live up to such a standard, it is unjust. Moreover, even if abandoning distributive principles is a move that von Platz would like to make, it seems incompatible with his own social democratic theory: “in theory the distribution of the capital-labor split could be decided entirely by the struggle between capital and labor and still satisfy any of the principles in the eligible set – and thus satisfy the requirement of democratic reciprocity” (von Platz, 2020, p. 30). This suggests that von Platz thinks it is a *requirement* of democratic reciprocity that one of the principles be satisfied, and equality of bargaining power between capital and labor is merely supposed to be a means to that end.

5 Conclusion

In this paper, I have objected to von Platz's assumption that there are four eligible principles that could satisfy the demands of democratic reciprocity. I have shown that one of those principles, the principle of utility, does not belong in the eligible set. As for the other three principles, none of them can be satisfied in a capitalist regime. I conclude that welfare-state capitalism is not compatible with von Platz's social democratic interpretation of democratic equality, because the former does not satisfy the latter's requirement of democratic reciprocity. Von Platz's attempt to reconcile capitalism with democratic equality thus falls short.

This conclusion will undoubtedly strike many as quite radical. Some defenders of capitalism may take this conclusion as grounds for removing the requirement of reciprocity from the concept of democratic equality altogether. In any case, it does appear that welfare-state capitalism is ruled out by the requirement of democratic reciprocity. While I agree with Rawls that democratic socialism could satisfy the demands of democratic equality, including the reciprocity requirement, the argument in this paper leaves open the possibility that there could be some private ownership of the means of production, as would be the case in a property-owning democracy. If there is private ownership of the means of production, though, ownership of wealth and capital must be widely dispersed so that inequalities are small enough to be justified according to a principle of reciprocity. In the social democratic interpretation, it would thus have to be the case that the inequalities in such a society were non-existent (to satisfy the principle of equality), maximally to the advantage of the least well-off (to satisfy the difference principle), or proportional to citizens' marginal contributions to the social product (to satisfy the principle of equity). Since, as I have argued, the inequalities produced by a welfare-state capitalist system will be too large to satisfy any of those three principles, capitalism is not compatible with von Platz's social democratic interpretation of democratic equality.

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