

**Sociology 292. *Envisioning Real Utopias*. Reading Interrogations**  
**Week 3: Asset Redistribution**

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**1. Elizabeth Holzer**

As a plan of economic reform narrowly intended to increase equality in the labor force, the assets-based redistribution seems plausible. But Bowles and Gintis stretch the plan to include wide-ranging social reform (like the children's stakes in parenting), and the social reform strikes me as implausible.

First, there is the problem with the guiding principle of self-interest. The overarching design principle of the plan is to create structured incentives and sanctions such that an individual following his self-interest will contribute to the goals that Bowles and Gintis set out. The reduction of human motivation to self-interest may be a useful analytic construct for some forms of social behavior, but I am not convinced that decisions in private life are made with unfailing attention to self-interest, and that solutions that appeal to self-interest will therefore suffice. On a related note, it is not clear what constitutes "efficient" or "profitable" relations between, for example, family members. Even if you somehow managed to translate familial obligations into monetary exchanges, the norms of obligation are a bit unclear—if a father is required to pay for neglect of his child, should a daughter be required to pay for neglect of her elderly father? In short, the assumption of rational self-interested actors is too broad to explain complex human interaction. **[You are absolutely right that B&G mainly operate with models in which humans act in self-interested ways, although they acknowledge from time to time other human motivations (altruism, spite, etc.) especially in their discussion of communities. The question here, however, is less whether this is satisfactory as a comprehensive explanatory theory than whether it is useful to work with this sort of model when thinking through the advantages and disadvantages of various institutional designs. They are trying to show how there can be efficiency gains along with welfare gains by redistributing assets *even if we assume people act in only self-interested ways*. In a way, if we were to assume that people acted in responsible, altruistic ways, then the design issues would become a lot easier, for moral behavior will only improve the outcomes from those proposed here. So, I think, one way of thinking about these issues is that B&G are asking if these gains can be achieved even with motivations that would be otherwise unfavorable to them. On the specific issue of the family obligations I agree with you that their approach isn't very enlightening, although of course lots of feminists criticize men for acting in narrowly self-interested ways within intimate relations.]**

Second, the asset-based redistribution disproportionately aids those that belong to the formal labor force so the egalitarianism of the plan is narrow, as others point out. This does little, for example, to help (and may exacerbate) the difficulties that women engaged in care-work face. Bowles and Gintis propose a basic income for those outside of the labor force, so I guess they concede this point, but then we're back to the problems of

basic income. **[I suppose part of the issue here is how much virtue any given proposal is expected to have. I also raised this criticism in my comments, but basically this just implies that asset redistribution strategies can be only part of a comprehensive social justice project, not that it is a wrong-headed proposal.]**

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## 2. Stuart Meland

Four Points: *oh I wonder wonder*

- 1) I wonder about the structural nature of democratic corporations and whether they can effectively run from the bottom up.
- 2) I wonder if redistributed assets would have any value. If assets are continually being redistributed, there would be no incentive to invest capital in either the creation or maintenance of an asset.
- 3) I wonder about redistribution loopholes. For example, the role of temp workers prior to redistribution. Like consultants, redistribution would grant them an equal share of the temp company, not the client company. Companies could shield their assets from redistribution by replacing all employees with temp workers. Or another option would be to place all assets in a holding company and all employees in a human resources company which is then subcontracted to manage the holding company's assets.
- 4) I wonder if asset redistribution can coexist with a freely functioning market. Wouldn't asset distribution cause a general market collapse?

### **Democracy, Inc.**

*Can workers effectively manage their own interests?*

Section 7 lays out a hypothetical redistribution of assets within a company. Bowles and Gintis suggest that such a company would be more efficient due to increased worker incentive, reduced monitoring of worker performance, and increased innovation. All workers own an equal share and collectively determine their corporate leadership. Democracy prevails... However, divisions soon form between different factions in the company. A single vote elects a corporate leadership which then has access to asymmetric information. The majority rules with an iron fist. Dissenters are punished or fired. Members of the majority reduce their individual output without fear of losing their jobs. The company fails and everyone blames everyone else. **[It isn't clear whether you are laying out this scenario as a prediction about the likely trajectory of internal democratic governance within a firm, or simply as a possibility. To be sure, dysfunctional conflict can undermine democratic governance, but I am not sure that this is the most likely scenario of democratic governance, particularly if it is combined with a set of rules around due process, open deliberations and open books, etc. We will explore some of these issues in a couple of weeks when we discuss workers coops.]**

### Assets as Funny Money

*Why bother?*

If assets are freely redistributed on a regular basis they will have little or no value. No one will invest their capital in asset accumulation, generation, or maintenance. **[Firms collectively owned by workers can still borrow money from banks and other credit institutions, so there will be ways for capital investments to flow into the democratic corporate sector. And of course, worker-owners within a firm would still have incentives to invest out of the profits of the firm for the same reason that capitalist owners do.]**

### What Assets?

*No assets here.*

Asset owners would undertake every conceivable effort to sell, destroy, shield, or relocated their assets in order to prevent their “redistribution.” Temp or contract workers would only play a minimal role in this effort. There would inevitably be a period of years between an asset redistribution proposal and actual implementation. This period would be characterized by the frantic efforts of asset owners to make the implementation as difficult and fruitless as possible. **[You are undoubtedly right that there is a major transition problem in this kind of proposal, at least in the worker-owned firm dimension. Still, I think it is worthwhile to distinguish the question of the desirability and workability of the design – egalitarian democratic worker cooperatives as an ownership structure – with the transition problem of how to move from here to there. A variety of transitional devices could be imagined, such as the gradual conversion of employee stock ownership plans into egalitarian asset ownership. These proposals need not imply confiscation of assets without compensation – a kind of revolutionary redistribution. The state can underwrite a loan/credit program whereby workers gradually assume ownership and governance rights.]**

### Market Instability

*Panic.*

If asset redistribution were ever seriously proposed by a high ranking government official, mass panic would ensue. Foreign investment would stop, all foreign assets would be removed from the country, the value of the dollar would fall, the stock market would implode, and domestic asset owners would undertake any conceivable means to either shield or relocate their assets. If asset redistribution were ever implemented, the free market would collapse entirely from the resulting instability. **[Again, this is a scenario that might occur if the redistribution took the form of a discontinuity, rupture, rather than some more incremental ownership transformation.]**

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### 3. Adam Jacobs

How utopian is it to focus on growth, efficiency and productivity? That question seems to dog Bowles and Gintis' (B&G henceforth) proposal. Levine points out, and I agree with, the fact that Pareto-optimality is not much of a basis for radical egalitarianism. What, if anything, does productivity and efficiency have to do with a real utopia? Many ecological arguments for societal improvements suggest the need to reduce the absolute level of production, and to cease the process of enlarging the proverbial economic pie. Although several of the respondents caution against dismissing B&G's proposal because it is not full-blown socialism, the focus on growth, enlargement and economic efficiency does not necessarily lead one in the direction of a better society. There is essentially no discussion of meaningful work, decommodified life, or freedom, topics which arose while debating basic income. Hausman addresses this nicely by observing 'In the United States, in which so much consumption goes to creating barriers to fraternity and to undermining the bases of self-respect, egalitarians should not be greatly concerned about increasing productivity ... the misery of those who are poorest in the United States could be alleviated without any economic growth.' (83) Does asset redistribution make people's lives better? How, besides the standard economist's argument about the need for growth in the long term? **[A concern with efficiency and productivity does not necessarily mean "growth" in the sense of an increasing amount of stuff; it just means that the outputs we produce are produced with fewer inputs, or the quality of what we produce increases with the same inputs. Inefficiency means waste of resources. This, I think, is a value we should care about, and one that environmentalists often do care about. It is also important if we are egalitarians and believe in egalitarian principles of distribution to know if in pushing for equality we are going to sacrifice productivity and efficiency (as conservatives claim), since this will impose constraints on such redistribution. It is especially important to think about alternative possible strategies of achieving a more socially just distribution if some strategies reduce efficiency and others enhance efficiency. This, I think, is the B&G goal here.]**

There appears to be a large ambiguity that sneaks into B&G's proposal at the very conclusion of their argument. Discussing asset redistribution as superior to government-set price floors, the authors claim that in their scheme the state will be 'not directly intervening in the market determination of prices, except where market externalities (e.g., environmental effects) indicate a divergence of market prices from social costs.' (58) This is not only a massive qualification, possibly encompassing housing, transportation, manufacturing, and construction; it is also subject to extremely broad interpretation. Some environmentalists such as economist Herman Daly argue that almost every consumer good does not reflect the true environmental cost, and that current systems of production rely on this inequality to survive. Can asset redistribution really stand alone from a state that intervenes in the arenas of price? **[This is an important point – that massive state intervention in the price mechanism is needed in order to internalize negative externalities in the costs of goods. But I am not sure that it trumps the argument that worker-owned cooperatives provide advantages in firm governance**

**that would be efficiency enhancing, and thus enable more equality without a decline in productivity. How do you see this negative externality problem, however big it might be, negating the virtues of internal democratic firm governance?]** How does this dovetail with Wright's points that empirical evidence shows that redistribution works, that is, it improves equality without hurting productivity (92)?

The conception of markets, and the benefits attendant, is still under the economists' halo. We are told that 'market competition is a means of inducing agents to make public the economically relevant private information that they hold.' (23) The standard response to this is: Enron. The standard rebuttal is: markets and monopolies (or cartels) are very different things, and Enron was the latter. I would like to raise the question: could Enron happen under asset redistribution? Does this remove the incentive to falsify, inflate prices, artificially reduce supply, and launder money? How does asset redistribution affect behavior in capital intensive industries where true markets are unlikely, and there are only a few firms? **[You are absolutely right, I think: a worker owned monopoly firm would still potentially behave in a market-manipulative manner. This suggests that internal governance may solve some problems – around worker productivity and effort, etc. – but not others.]**

I was interested in Gordon's observations that conflictual relations were empirically less efficient than cooperative relations across nations. Class conflict, then, is in fact expensive because of the resources devoted to supervision. Though the aggregate data was compelling, the example of Magma Corporation was questionable. The labor relations of a mining company and employees are, I would argue, less typical of the American economy than they once were. Is it possible to generalize that example to, say, a restaurant or photocopying corporation? When the product is a service, would it be difficult to redistribute the tangible gains from efficiency to workers? **[I think in many ways a service corporation would be easier to organize as a worker collective than is the case in capital intensive industries, because the issue of investment per worker is less overwhelming and economies of scale less of an issue.]**

Regarding our discussion about capital flight last week, Bowles and Gintis suggest that this concern is overblown on pp. 15-16. If redistribution and equality don't hurt, and may even help productivity, then the idea of capital flight changes. Rather than a rational profit-maximizing economic response, the notion of capital flight is simply a demand for control, or adherence to a neoconservative ideology. **[Of course, whether capital would flee in the face of a proposed redistributive process depends upon the mechanism by which the redistribution itself happens: would this be confiscation without compensation, or a device whereby the state lends workers the money to by the corporation/firm, and they then pay back these loans in a subsidized manner to avoid the problems of risk-aversion?]**

Discussing stakeholder grants, the authors conceded that Marxists might object to the bourgeois-ification of the worker via a lump sum payment. The same concern is heightened here – why is it good to embed all of the workers even more deeply in capitalism? More extremely, to what degree is reducing class conflict a desirable thing?

**[The claim here, in a way, is that a positive class compromise is better than pure conflict where there are gain from class collaboration that can be captured by workers. For this to be true it has to be the case both that productivity would be enhanced by more cooperative relations and that workers can appropriate at least some of the gains in productivity. This obviously is not always true.]** Is a prisoner's dilemma (beloved in economic examples) a meaningful representation of labor relations and the conflict between labor and capital? I do not mean to dismiss social democracies, or to claim that any welfare-state implementation placates the revolutionary workers. But I think B&G need to address the desirability of their project in the larger context; instead of claiming 'the left is dead, we must do what we can,' structural concerns about capitalism should still be considered. **[This issue, of course, depends upon what feasible alternatives you think there are. A "people's capitalism" in which all workers are equal owners of firms might be preferable to a capitalist capitalism if there were no alternative that would sustain the levels of efficiency required to reproduce the society.]**

Finally, if the authors wished to discuss the role of education in real utopias, this seems like a very minor way to address the issue. Many of the respondents took up the case of school choice, vouchers, free exit, the parental role, etc. It seems to me that a discussion of egalitarianism in school needs to go far beyond the model presented by B&G and examine more foundational subjects.

On a different subject entirely: to what degree is Basic Income an extreme extension of the authors' idea of insurance against ill fortune? **[BI is not exactly "insurance" since you get it even if you don't have ill fortune.]**

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#### 4. Linda M. Zech

The four aspects of the asset redistribution proposal have individual strengths and weaknesses. As a whole, I am in agreement with several of the critiques that the plan may do little to improve egalitarianism – while provoking serious political opposition. Taken individually some of the redistribution efforts may have a greater chance not only of succeeding in increasing productivity and equality, but may avoid fatal political opposition.

##### 1. Redistribution of Parental Stream of Income to Children

While this scheme does involve a very similar approach to improving child welfare as that found in our child support laws, there is something appealing about B&G's property based scheme. A child who is provided with the benefits of a steady stream of support would be more likely to take advantage of the education and social opportunities which could prepare the child to be a more productive adult. Nothing will compensate for the emotional turmoil of a broken home, but if income allocated to the child's needs can be disrupted as little as possible following a divorce, an optimistic future is more likely.

B&G place heavy emphasis on the role of state in being able to enforce this redistribution of income from the non-custodial parent (often the father) to the custodial parent (often the mother). While the state already plays some role in child support transfers – establishing formulas on a state by state basis, and enforcement – the custodial parent is called upon to initiate proceedings to create a right to a transfer. Limitations caused by time constraints, income for lawyers fees and emotional strength may force a mother, e.g., to give in before a fair allocation of income is embodied in a support order. (Englund notes this limitation in the current system) And she must return to court to revise the award if the husband's income rises – and a great support award is sought.

An more automatic system could be envisioned for redistributing the income stream of a non-custodial parent which would reduce the burden on the custodial parent where the child has a property right to the income. Where a divorce has occurred, and custody has been established, the state could make automatic deductions to a paycheck and place those sums in an account managed for the child by the custodial parent. While a similar effect can be achieved through garnishment of child support, an automatic system would be based on a percentage that could raise and fall with the parent's income – and not represent a fixed dollar amount. Limitations on garnishment proceedings – e.g., leaving an employee with a minimum of earnings after other mandatory deductions have been taken out – could be circumvented. And the cost and delays of having to file legal proceeding could be avoided. This would be much more efficient than the current system.

In addition, a system of state to state reciprocity could make it possible to obtain the child income “deduction” from a parent's check without need for any further legal proceedings in another jurisdiction if the parent moves.

Other problems could not be overcome in this system or that of B&G. For example, parents who are self-employed or who are paid under the table may have income that cannot be found and made subject to automatic deductions. In these cases the state will have a need for enforcement proceedings. But this tougher cases already create a disadvantage for children of the broken marriage.

## **2. Educational Vouchers**

The educational voucher program is one which has the possible for unintended consequences that could be contrary to a goal of improving welfare of those who are the least well off.

I did not some work on a lawsuit involving voluntary busing in the Milwaukee area. It was related to a desegregation lawsuit from about 15 years prior to the action. One of the clear lessons I learned from the suit is that many parents, even in poor inner city areas, did not want to send their children on buses to schools outside their neighborhood – even if it meant a better educational opportunity. They also wished to have their children attend school with those they felt more comfortable with – in this case other black (mostly) students.

With a voucher system, even if schools were available in larger metropolitan areas which might better education their children, parents who want to keep their kids close would not seek and “exit” strategy. The schools in these areas would not be penalized for failing to serve the children well. They would continue to thrive – and would not be subject to improved productivity envisioned by B&G at the hands of market forces. While other schools were subject to market forces, and the best got even better while some closed, those schools in inner city neighborhoods might offer a relatively poorer education to their students. This would put the kids in an even less equal position than in the past. Or else it would require the disruption of the communities – an undesirable outcome. **[The B&G proposal – generous vouchers with prohibitions on parental “top-ups” – would have the effect, they believe, of leading people to create new schools in inner city neighborhoods (and elsewhere of course) since the voucher money follows the child. If the vouchers were the equivalent of the current per student spending on schools -- \$10,000 or so – then this indeed would be an incentive to create schools. Remember that along with the voucher method of payment there will be a proliferation of different kinds of schools, including perhaps for-profit schools.]**

### 3. Ownership of Production Firms

One of the first problems I had with this proposal for asset redistribution is that it seems to focus on improving equality only for employees of manufacturing firms. There seems less carryover to other types of industry, and no redistribution for the unemployed, those in the public sector, or those who are self employed. **[I agree about the unemployed, public sector and self-employed, but I don’t see why this needs to be restricted to manufacturing. Service firms could certainly be owned in this way as well.]**

A second concern with the proposal that there be a distribution of firm’s assets to the employees in an effort to increase productivity is the likelihood that they will not possess the other assets necessary to make good and efficient use of those assets. (A similar concern applies to taking care of an improving a home in the fourth type of redistribution). While B&G did consider the need to create institutions for compensating for lack of other types of assets through the insurance and credit markets, it is hard to envision how employees could be made more equal with respect to other areas. For example social connections, acquired knowledge for dealing with industry groups, the ability to lobby government for improved laws and regulations, and ability to take into account environmental concerns. Thus business concerns – beyond those involved how to improve productivity on the shop floor – would require the purchase of knowledge. If those experts did not share the same owner’s commitment, efficiency and productivity would suffer. **[A lot of these specialized services are already purchased by firms through consultants and the like. I am not sure why employees in a corporation would be at a particularly strong disadvantage in navigating these issues.]**

Most of the proposals would be tough to sell, and would thus encounter serious political barriers – even if the egalitarians could get the support of the whole left on their side. This is an important practical consideration.

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## 5. Matías Scaglione

### *Coordination failures and reallocation of property rights*

In their essay, “Efficient Redistribution: New Rules for Markets, States and Communities”, Bowles and Gintis propose a reallocation of property rights towards a decentralization of “residual claimancy” and “control rights” as a means to foster both «greater equality» and «improved economic performance» (p. 5). Through the deployment of mainstream microeconomic techniques, the authors conclude that this kind of asset redistribution *may* attenuate “coordination failures” by private information «by making actors liable for the consequences of their actions» (p. 30).

I think it is crucial to understand the importance the authors assign to the “coordination failures” (CF) within their conceptual framework, in order to assess the general relevance and validity of the proposal. Inequality, Bowles and Gintis argue, fosters conflicts. High level of conflict and the

«lack of agreed-upon rules of division with broad legitimacy often preclude solutions to the *coordination failures that beset sophisticated economic systems.*

‘Coordination failures’ occur when the independent actions of agents lead to outcomes less desirable than could have been achieved in the presence of coordinated action»<sup>1</sup> (p. 5)

The often little or no incentive of the states to solve CF «in highly unequal economies» (ibid.), give rise to the proliferation of market failures and a reduced capacity of the public policy to ease such failures.

If I am correct and the CF is for Bowles and Gintis the main source of evils in modern capitalist societies, I would expect a thorough and deep conceptual and empirical defense of this pivotal social phenomenon, as long as the solution of such failure would result in an increase in the productivity (greater output per unit of input) through the decentralization of “residual claimancy” and “control rights”. **[I don't think they would say that CF is the main source of evils in capitalism. They would agree that poverty, negative externalities, exploitation, etc are also evils. They support egalitarianism on social justice grounds, not just efficiency grounds, but they believe that it is important to show that you can move in the direction of the social justice requirements of equality and still improve efficiency.]**

I believe that one of the virtues of a “good theory” is to introduce examples as a way of illustrating a well-developed concept. Bowles and Gintis, following a widely-used methodological strategy of modern mainstream economics, decide to *construct* an example, namely an *ad-hoc* model, to support what I think is a not-well-developed concept. Basically, they construct a prisoner's dilemma situation to analyze how

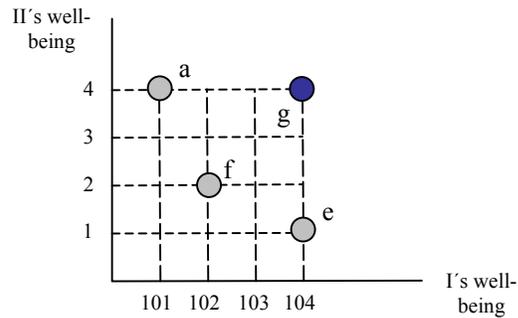
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<sup>1</sup> Italics are mine.

“governance structures” can impede desirable solutions to CF. The following alternative to figure 5 (p. 17) could serve as a contra example:

The “technically feasible outcome” *g* avoids the prisoner’s dilemma and leads to two equilibriums (Low, Low) and (High, High), thus contradicting the authors’ result: now a high productivity outcome is possible in this particular “governance structure”.

Figure 5(bis) – Productivity-Enhancing Redistributions



**[You are, of course right, that your model is not a prisoners’ dilemmas, and that actors located at *f* would be willing to move to *g* so long as they had assurance that they would not end up at *a* or *e*. This is more like an assurance game than a PD. The question, then, would be this: is a typical employer-employee relation more like an assurance game or a prisoner’s dilemma? I think B&G give good reasons why there are strong PD aspects to their interactions because of the noncostless enforcability of the labor contract. This, after all, was one of Marx’s main points as well: the extraction of labor from labor power cannot be fully contracted in exchange, and this imposes costs on employers which could otherwise be distributed to workers as higher wages and to capitalists as higher profits. But such surveillence and enforcement costs are needed because of the inherent nature of the labor contract (i.e. workers will defect from the high work agreement).**

I think that the authors’ approach suffers from the typical defect of modern mainstream economics literature, that is, the use of mathematics mainly not as an instrument to illustrate concepts (as Alfred Marshall, one of the fathers of neoclassical economics, used to advise) but as an instrument to *build* them.<sup>2</sup> **[B&G, however, do present the concept of the costs of enforcement of the labor contract and the problems this poses for surveillance costs before they give the more formal illustration. I am not sure that you are right here that the mathematics build the concept rather than render it more transparent.]** I agree with Daniel Hausman when he thinks that the authors are «busy making a pitch for egalitarian policies to soft-hearted efficiency worshipers» (p. 84). However, the authors’ uncritical incorporation and deployment of mainstream microeconomic theory, in particular the so-called “Economics of Information”, lead to the following kind of critical questions:

(i) Are the so-called “coordination failures” so crucial in modern capitalist societies? Assuming the preponderant importance assigned by Bowles and Gintis: is it important to ask how the “coordination failures” arise and behave in the society through the history, i.e. to introduce a historical analysis to test such deductive thesis?

(ii) Is the artificial construction of markets without (exogenous generated) failures valid to assume that they would become «a decentralized and relatively incorruptible

<sup>2</sup> See, for example, HEILBRONER, Robert and William MILBERG, *The Crisis of Vision in Modern Economic Thought*, Cambridge University Press, New York, 1998.

disciplining mechanism that punishes the inept and rewards high performers» (p. 24)? Would not the so-called “failures” be inherent to the nature of markets? **[I think B&G do believe that these failures are intrinsic to markets. The reason for positing the ideal-type market of transparent, complete information is purely to help clarify the implications of the information problem. Information imperfection follows from the same assumptions that generate the very possibility of markets – rational actors pursuing their interests]**

(iii) Assuming again the importance of “coordination failures”, how deleterious is it for the authors’ model and the egalitarian agenda to take inequality as given (pp. 4-5), without causes and just with consequences (see first major claim, p. 5)? It is not a valid epistemological objective to explore the causes of inequality in modern societies and to claim that the nature of property rights plays a pivotal role through history explaining the former? **[I think B&G certainly believe that capitalism generates inequalities – they would agree with you that these are produced by the way social structures are organized, etc. I am not sure that establishing the truth of the claim that inequality impedes economic performance on p5 requires that these inequalities already be explained. ]**

(iv) The most important question, I think, was raised by the authors: «why [the workers] do not purchase the assets [I would say capital] and thus acquire the associated control and residual claimancy rights». I believe, as I tried to show, that this very important question cannot be addressed from an individualistic, instrumentalist and ahistorical conceptual framework such as the proposed by the authors. **[There are really two sorts of questions: a) what currently prevents workers from buying the assets now, and b) what explains why workers don’t have assets and are forced to sell their labor power. I do think that B&G are probably right than one of the significant obstacles to people without wealth buying assets is that they cannot get credit to make the purchases since they lack collateral, and this in turn reflects a market failure in the credit market that is linked to the imperfect information problem.]**

Although I agree, in principle, with the normative principles that motivate the authors and I would have liked to talk more about the proposal than about their methodology, I believe that a strong diagnosis of modern capitalism could not avoid a critique of modern social science. In this sense, I believe that the uncritical adherence to any kind of school of thought undermine the chances of avoiding ideology.

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## 6. Richard Thomson

**[I only comments on a subset of the issues you raise because of time constraints....]**

Areas I would have liked to see a greater discussion of in the book:

- Egalitarianism – Bowles and Gintis provide only passing reference in the proposal to Egalitarianism, and fail to adequately define and articulate their vision for Egalitarianism. The critics latched on to this weakness in the proposal, leading to

a larger discussion in the Reconsiderations. Despite this larger discussion in Reconsiderations, I felt that links between their version of Egalitarianism and their proposal were weak or non-existent. How does Homo reciprocans and Bowles and Gintis's view of Egalitarianism tie into the proposals that they are making. Are they suggesting that asset-owners and the wealthy would be willing to allow workers to own firms and tenants houses because of the reciprocal nature of humanity (and state-mandated by their proposal)? Is this view realistic? **[I think that the issue here is that in our society people resent ordinary income redistribution – like welfare payments to the poor – because they do not see this as reflecting reciprocal obligations. This is why workfare seems so appealing. Asset redistribution does not have the same problems since the asset is something that is used by the owner and makes them accountable for the consequences of their actions. This means that it satisfies the fairness principles of reciprocity.]**

- Worker and tenant ownership transition – Bowles and Gintis fail to describe how this process would occur in the proposal. Bowles and Gintis provide only a short and vague additional discussion in Reconsiderations, which was not detailed adequately enough. **[see my comments on Stuarts interrogation]**
- Neo-Jeffersonian paradigm – This concept appears to have a central place in Bowles and Gintis's proposal, yet they only provide a paragraph description in Reconsiderations. I would have preferred a more in-depth discussion of the concept and how it applies to their proposal.
- Wages vs. profit trade-off for expanded economic growth, advantages vs. disadvantages - I don't dispute the results that increased profits are better than wages for increased economic growth, but (like a Doubting Thomas) I have to see the process to believe them for myself.

#### Random Thoughts:

- Role of retained earnings in the firm and the replicability of wealth derived from these assets - I was surprised that neither Bowles and Gintis, nor the critics, discuss the role of retained earnings in the firm, and how this investment in firms is created by workers and reinvested in the firm with the results being solely distributed to the asset-owners in capitalist firms (see Gates book on ESOPs for a greater discussion). I would have thought that a discussion of the value of retained earnings being returned to the workers who created it would have been a bigger selling feature. **[This does provide an additional argument in favor of the egalitarian redistribution, of course, But their concern is more with its feasibility/efficiency. They begin by assuming that egalitarian distributions are morally preferable to inegalitarian ones, but the issue is whether they are viable and sustainable. ]**
- Mondragon and Northwest forestry cooperatives are only a few examples of viable economic cooperatives – apples and oranges comparison of a few small worker cooperatives in a few industries vs. a complete distribution of millions of capitalist firms over time. Could the disadvantages of worker cooperatives be overly-magnified due to their small size in the economy historically and currently?

- Cooperatives currently have a significant role in the US economy; in agriculture (producer-cooperatives), financial services (credit unions), and housing cooperatives (especially in Northeast US).
- Lending criteria of financial institutions - Is one of the main problems of the Bowles and Gintis proposal the manner by which financial institutions base their lending criteria on? That financial institutions criteria for deciding to give (or not to give) investments is biased toward factors that benefit the wealthy and asset-holders? How can these financial criteria be re-oriented to better foster growth among the non-wealthy and non-asset holders? **[B&G would not quite say that these lending practices were “biased” in the sense of reflecting some prejudice on the part of banks, but rather that they reflect the problems of radical information incompleteness and the difficulty of overcoming this in the absence of collateral. Basically the problem is that the credit contract cannot be costlessly enforced, and in the absence of collateral it requires massive monitoring and bank surveillance.]**
  - Less-exploitative nature of worker cooperatives and housing cooperatives – I was surprised that the Egalitarian critics were less supportive of this proposal regarding the less-exploitative economic relationships. The Egalitarianism critics seem to prefer exploitative capitalism with basic income payments vs. non-exploitative capitalism without basic income payments (Bowles and Gintis proposal). I found this preference peculiar, I would prefer the non-exploitative economic relationship, but that may just be me. **[Basic Income can be viewed as also a way of reducing exploitation – i.e. by distributing the social surplus to people in the form of a citizen income. The problem with the firm-centered solution to exploitation is that it only deals with one form of exploitation – the type that occurs within production rather than through uneven exchange -- and it only gives resources to those who are directly capitalistically exploited.]**
  - Egalitarianism critics - some of the Egalitarianism critics seem to have a vested interest in basic income (i.e. these critics could likely have been individuals that promoted basic income redistributions in academic articles in the past, and thus, would be more likely to be less-conducive to asset redistributions instead). Additionally, some critics criticize Bowles and Gintis’s previous perspectives and ideas not appearing in the proposal. I think there is a danger in imputing previous work to current articles, as academics frequently evolve, and so too do their thoughts (and a critique that has to focus on previous ideas for criticism – could mean that the ideas in the proposal were less-susceptible to criticism). Moreover, some critics appear tied to the left-right continuum of social-political ideas vs. a bundle of political attributes that may overlap in significant areas. I was surprised by the frequent noting by several critics that the Egalitarianism ideas in question were actually the same as those promulgated by conservative, neo-liberal capitalists. My surprise was not that a social-political issue can have overlapping left-right interests (i.e. like a Venn diagram), but rather my surprise was in the way in which the critics were unable to get beyond this left-right continuum framework and who was promoting what social-political issue.

- Did the Egalitarianism critics focus too much on substantive results vs. a change in the procedural rules of the economic gain? Do Egalitarians have a bias against supply-side prescriptions (seemed like it in the readings)?
- Unachievable demand-side changes vs. achievable supply-side changes trade-off – the Egalitarianism critics believe that demand-side changes are still politically feasible, yet a contingent (including Bowles and Gintis) believe that the current political-social-economic environment is so hostile of demand-side Egalitarianism to warrant a shift to supply-side changes. What current examples of Egalitarianism demand-side changes do we see that we support this contention of the Egalitarianism critics?
- Silver bullet – are Egalitarianism looking for the one thing that solves everything? Is the bar set too high by the Egalitarianism critics? As Bowles and Gintis note, some low-cost positive change in an Egalitarianism direction is better than none.
- “Rational Reflection” - why does the role of “rational reflection” play such a strong role for Egalitarians? I assume that this is hold-over from Marxism, and in opposition to the unorganized cooperation of neo-liberal capitalism. Must any Egalitarian proposal include “rational reflection?”
- Other areas of economic efficiency of worker cooperatives - Could the Bowles and Gintis Egalitarianism case be made stronger with a focus on the other areas of interest alignment in the firm beyond labor monitoring and information problems? What other economic factors would become more efficient by having workers own firms?

#### Consequences of Proposal

- Competing interests of parties (stakeholders) - would this proposal lead to an increase in uncertainty in the assignment of property rights, and an a subsequent increase in the costs of investment, leading to a decrease in investment in US firms and lower economic growth? **[I am not sure how B&G envision the articulation of the worker-owner firms with things like the stockmarket. Presumably such firms could issue bonds, but not publicly traded stocks. Why would investing in such corporate bonds become more expensive and more uncertain?]**
- Mobility of investment, wealthy, and asset-holders - If this proposal would increase the costs of investments in the US, the comparative costs of abroad investments would look more attractive. Would we see migration of investment capital and/or wealthy Americans abroad (i.e. this sentiment is not unprecedented, MNCs leave developing countries when countries nationalize their factories or reduce the ability of the firm to pull-out their investments, also I was told Ayn Rand wrote a book detailing a situation where the wealthy leave society and creating their own society of wealthy people)?
- Although the efficiency improvements of Bowles and Gintis’s proposal would make the US economy more efficient, would these improvements be significant enough to overcome stockholder and landlord anger at the prospect of losing significant perpetual investments?

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## 7. Eric Freedman

First off, I have a number of clarification questions:

1. Wright notes that “a great deal of income inequality, including some of the most vicious forms of that inequality, is generated in the labor market and is not directly linked to ownership of capital assets” (p. 88). Could you clarify this argument? If everyone had equal shares in the total capital stock in the country, wouldn't that enable them to alter the labor market as well—i.e. as owners couldn't they force changes in levels of income, especially their own? **[Owning per capita shares of the entire capital stock is different from the B&G proposal, since it is workers within firms who own the assets of that firm. But aside from this, the earnings differential between an unskilled manual worker and a lawyer is not because of capital assets, but because of their human capital, and these would not be remedied by owning the capital. Of course, asset redistribution of capital assets could change the political conditions under which labor markets are regulated and this in turn might affect earnings]**

2. I had trouble understanding the first full paragraph on p. 364, beginning with “Third, many egalitarians overstate...” It seemed like this paragraph was crucial in understanding what exactly we mean by redistribution, and what the effects of it would be. What is the main argument of this paragraph? **[They are contrasting forms of redistribution that redivide a fixed pie with forms of redistribution that change the size of the pie – by increasing productivity and efficiency. Simply redistributing the wealth of the rich would accomplish less than one might think – they are saying – since it would not have these dynamic effects.]**

3. Somewhat tangential, but still important as it come up a number of times: What is wrong with the Keynesian idea that redistributing income raises aggregate demand and can therefore induce greater economic growth (or at least pull a country out of a depression, or lower unemployment)? Some have argued that a significant problem with modern economies is overproduction and under-consumption—is this actually the case or no? **[The argument is that in an open global system these policies no longer work very well. You increase demand, but this leads to the purchase of Japanese goods, which does not stimulate much growth in the US. There are also complications because of the nature of financial markets and interest rates and the effects of spending on these in an open economy.]**

4. I, like probably many of the other students in the class, was a bit confused by the economic diagrams. Should we take a little time to go over them, or are they not all that necessary to understand the central claims of the book? **[I don't think that they are generally all that important here, but we can discuss some of them]**

Second, it does not seem to me that Bowles and Gintis have sufficiently explained exactly how the asset redistribution they propose is to be achieved. Does the government simply order redistributions in certain sectors? That would seem highly problematic: it would shake investors confidence in the future, and it seems unfair to take away people's assets in certain sectors of the economy (and not in others) simply because the distribution of property rights in those sectors is inefficient. In the final chapter the authors say they want the government to provide incentives and subsidies, and to change insurance laws and interest rates. But it seems like this would amount to tinkering that may not have a sufficiently large effect to create substantial change. After all, in many cases they describe, there are two equilibriums, the one we have currently, in which wealth is highly centralized, and one hypothetical one where wealth distribution is much more egalitarian. How exactly can the people involved be induced to cross over the unstable gap in between these two equilibriums? In other words, if only a small amount of enough wealth redistribution occurs, in say the worker cooperatives case, then the proposal would fail; only a significantly large redistribution would lead to a stable alternative. How do we get from A to B? **[good question. see some of my comments on Stuart's interrogation]**

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## 8. Chang

### 1. Coordination failures

'Coordination failures' occur when the independent actions leads to outcomes less desirable than could have been achieved in the presence of coordinated action. If economic performance depends on the structure of economic governance (p.5), what regulates (or determine) the structure of economic governance? Bowles & Gintis suggest the new configurations of state, communities, and markets. If there are conflicts among three of them, which actor plays the role of the coordinator? Still, the state has the power to coordinate it under the circumstance of globalization? I think the state has the limited capacity. Bowles & Gintis emphasizes the role of the state in case of Social Insurance. They give the unemployment insurance and health insurance as the examples. But, in Europe, the unemployment insurance has changed during the 1980s and 1990s due to the high unemployment rates (over 10%). The crisis of finance makes the future of social insurance dark. In case of social insurance in the UK, the nation-state had to change the policy to the market-oriented direction (privatization). So, I wonder about the capacity of the state to regulate the market. **[The argument here is that different distribution of property rights make CFs more or less easy to solve. A change in the distribution of assets could facilitate the solution of problems in ways that increase efficiency and thus make things less costly, not more. So, in principle, if you can change the rules to help solve CFs, then the budget constraint of the state shouldn't matter as much.]**

### 2. The empirical Evidences on the relationship between inequality and productivity growth: Welfare States.

Bowles & Gintis argue that more equal countries have more rapid rates of economic growth (p.13). But, the welfare states had experienced the crisis and then changed into “Schumpeterian Workfare State.”(Jessop). Can the welfare states compete? I think the answer is not “yes”. Their empirical evidence, I think, is out-of-date. Now Swedish welfare state also experiences the economic crisis. Their conclusion is valid only “under favorable institutional circumstances”. **[Growth rates in Sweden are above those in the US for the past several years. Their crisis has not generated massively higher inequalities or a significant erosion of their welfare provisions]**

They also argue that countries experiencing rapid productivity growth from the 1960s to the 1990s, including China, Japan, Singapore and South Korea, exhibit a degree of economic equality and a great level of state involvement (p.11). But, except China, the NICs countries experienced the economic crisis after mid-90s. **[But this had nothing to do with their levels of inequality/equality, and their growth rates are still relatively high except for Japan]**

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## 9. Patrizia Aurich

### Recasting Egalitarianism

The main difficulty I had with the proposal on asset redistribution presented by Samuel Bowles and Herbert Gintis refers to the design as well as to the question of implementation. For one part I am not sure how Bowles and Gintis themselves believe such a redistribution could be implemented, and on the other hand I doubt the feasibility of the project in relation to the values that inspired Bowles and Gintis to make this proposition.

If I interpret the proposal correctly, then the main function in implementing this proposal is with the state. The state has the task to set the regulation for the redistribution of property rights. I wonder if the state decides to split the existing assets on everyone related to these assets, i.e. workers, tenants, pupils, parents, would there not be a major opposition to that? Would this not present high political costs? How could the design deal with this problem? What would happen to the former owners? Would they become part of the new cooperative? Would they be the hired managers which Erik Wright talks of (Wright: p.90)? But then if they were hired, they would not be residual claimants of their actions and the workers cooperative would have to face the cost of monitoring and the intended equality within the workplace would also not have been achieved.

Another way to achieve an asset redistribution is for the workers to buy out the owners. But this wouldn't work without huge help from the state in form of loans. **[There may be a variety of transitional devices which could smooth this out – loan guarantees rather than straight-out loans; stock option plans which gradually shift ownership rights; etc. But you are right that they state would have to be strongly involved, and**

**this requires political support.]** So either way: the state plays the important role in this design and although Bowles and Gintis spend a lot of time talking about how to increase the incentives for workers they do not pay attention to the difficulty of creating incentives for the community as a whole to support such undertaking. As Elaine McCrate suggests I think there needs to be some more emphasis on the way norms are developed and replicated (McCrate, in: Wright: p. 103), especially if Bowles and Gintis assume that the pressures that individuals face in competitive market relations are complemented by the cooperative relations they face within the communities, workplaces and the liberal, democratic political environment. I myself am not sure if the norms produced by this kind of proposed setting are not even inconsistent with the design of the proposal, i.e. the combination of community-enhancing equality matters and the efficiency-enhancing market values. Regarding the maintenance of market values such as competition I see two problems: 1. If the workers are residual claimants of their work, why should they not develop an aspiration to work somewhere else, i.e. in order to be the claimant of a different kind of work or firm, especially if there are still such inequalities in between the firms? Would the suggested proposal allow them to do so? Would it be flexible enough? **[This is an interesting and complicated issue, which we will discuss perhaps next week when we look at workers coops: how do you deal with job changes. Do workers have to sell their assets to the remaining workers? And what happens to new entrants to the coop? Are they immediately co-equal owners or what? ]** And secondly, as suggested above, would not the maintenance of competitive values between the cooperatives be contradictory to the proposed equality? **[Of course, we are already in a competitive world. The issue here would be whether this new organization of property rights would increase competitiveness, or would it actually partially neutralize such competition through a more cooperative work setting?]** As Daniel Hausman suggests there are more fundamental aspects of equality like equal respect, self-respect and fairness which are threatened by the orientation on productivity and which are not addressed by Bowles and Gintis (Hausman, in: Wright: p. 84). And maybe the proposals Bowles and Gintis make at the end of their paper (Bowles&Gintis, in: Wright: p. 54) like basic income and the provision of services by the state, are even more worth thinking about than the main proposal itself, at least under aspects of egalitarianism. I agree that in times of change towards a postfordistic economy there needs to be a more connected interplay of market, state and communities, but I doubt that the suggested way is the right one.

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## 10. César Rodríguez

I found Bowles and Gintis's proposal wanting on five different fronts. Since the latter have to do with details of the assumptions and institutional design of the authors' proposal that are relatively unrelated to each other, I will raise them here briefly as separate points for discussion.

1. One of the core assumptions of Bowles and Gintis's model is that since "those with higher wealth choose higher levels of controllable risk, increasing the wealth of the less wealthy will promote higher levels of risk-taking" (49). Indeed, this is the assumption that underlies their claim that asset redistribution will lead to a more socially efficient use of resources. **[It is only part of their claim. The other part is that workers will work harder and the deadweight losses of monitoring will be reduced. That is distinct from the risk taking issue.]**

I am not convinced about the plausibility of this assumption. For, it seems to me, it holds only in situations where the resulting wealth of the beneficiaries of asset redistribution is at least above the subsistence level. This, in turn, depends on four factors: 1) how poor the "less wealthy" are prior to the asset redistribution; 2) exactly how much they receive by virtue of the asset redistribution; 3) whether the beneficiaries of asset redistribution are allowed (as it seems to be the case) to sell their assets and turn them into cash **[I am not so sure that the worker-owners in a worker cooperative are allowed to sell their assets, at least if they want to stay in the worker coop. That is, the argument around the alignment of residual claimancy with work effort means that worker-producers need to be asset-owners as well, so they cannot just sell their assets]** ; and 4) whether asset redistribution is combined with some type of income redistribution—which seems to be out of the question for Bowles and Gintis.

The situation I have in mind is one that is common to many programs designed to foster so-called "micro enterprises" in the global South. Faced with the need to feed themselves and their children, poor people who benefit from credits for investment end up literally eating up the grants they receive. Thus, unless some mechanisms of income redistribution is in place—e.g., a basic income, means-tested programs, etc.—that lifts beneficiaries above the poverty level, even generous forms of asset redistribution will fail to produce the type of risk-taking, entrepreneurial attitude among the less wealthy that the authors envisage. Under such circumstances—as is so common in micro enterprises in the informal sector in poor countries—the less wealthy tend to opt for the safer strategy of investing the credits they receive in conventional, low-productivity endeavors (e.g., food stands on the streets, homework, etc.). **[I think you are right here. Also there is another important point: since workers also earn their earnings from the firms they own, and since they do not have a diversified portfolio – all their eggs are in one basket—they may well be risk averse in the ir use of the firm assets.]**

2. As many of the commentators note, the egalitarian character of Bowles and Gintis's proposal is far from clear. Beyond what is pointed out in the commentaries, I would like to raise a simple issue that, I think, escapes the authors. Throughout their article, they insist that asset redistribution (and the concomitant insurance programs that they propose) will reduce inequality. Several of the commentators rightly take issue with the internal consistency of this claim. What I would like to add as a point for discussion is Bowles and Gintis's failure to consider sources of inequality other than asymmetries in asset ownership. The latter is, of course, one of source of inequality, for the reasons that the authors explain at length. However, differences in economic capital—to put it in Bourdeian language—are only one of the engines of inequality. Equally important are differences in cultural and social capital—i.e., credentials and social connections. Simply redistributing assets will not do if the other tenets of the structure of stratification—e.g.,

education—are left intact. Equal access to credit will not guarantee a “levelling playing field,” as the authors contend, because differences in cultural and social capital will lead to widely different capabilities to invest assets successfully. The author’s further proposal to reform the school system through a voucher scheme seems to accentuate, rather than mitigate, such differences, as several of their critics point out. **[There is a strong and weak version of your claims here: strong version = redistributing capital assets will make inequalities worse, not better. Since those disadvantaged now will lack social and cultural capital needed to deploy their assets, they will end up worse off relative to those with social & cultural capital than they are under the present arrangement. weak version = if only capital assets are redistributed, the equalizing effects will be muted by the effects of other forms of inequality, but the net effect will not be more inequality.]**

3. Bowles and Gintis leave their proposal rather unspecified. Since “the devil is in the details,” I’d like to raise a few questions in the hope that our class discussion will help specify the proposal. The plausibility of “asset-based redistribution” as presented by the authors, I think, depends to a large extent on how these and other detailed questions are answered:

3.1. How would asset redistribution be financed? Would new taxes need to be established? Would some sort of wealth or inheritance tax be set to fund it?

3.2. What would be the precise shape that asset redistribution would take? The authors limit themselves to discussing four examples (worker coops, school vouchers, child care grants, and access to housing), but at least in the cases of worker coops and housing it is not entirely clear how asset redistribution would be implemented. Is it simply access to cheap credit? What would be the amount of the assets thus redistributed? **(I imagine that various kinds of loan guarantees would be the main device – the state would provide the collateral needed to solve the credit market failure for workers. Perhaps some other provisions to create incentives for worker buyouts. B&G definitely see this as occurring through full compensation rather than actual redistribution per se).**

3.3. (The answer to this question partially depends on the answer to the previous question) Would asset redistribution be a one-shot deal? Would individuals have one “golden opportunity” as in the stakeholder scheme –e.g., receive assets one time under particularly favorable circumstances, like very low interest rates? Alternatively, would they have access to small amounts of credit throughout their lives? In either case –and given the high failure rate among small business—would the likely result not be a society where a high percentage of the population would be debtors? Would the type of social insurance that the authors envisage be enough to counter this trend? **[They are obviously silent on these dynamic questions, and thus the sustainability of an economy with mainly workers coops is problematic. But a softer view is that in the ecology of firm types their objective is really just to increase the density of coops.]**

3.4. Would asset redistribution be compatible –both financially and politically—with different types of income redistribution (e.g., basic income, means-tested transfers, stakeholder grants, etc.)?

4. I find Bowles and Gintis's proposal for an insurance against economic uncertainty interesting. However, it must be noted that in absolute terms it would entail much higher payments to large corporations than to small worker coops. Since the amount of the insurance paid would be probably proportionate to the loss incurred due to exogenous causes, in a market economy most (or at least a large portion of) the state funds destined to this purpose will be used in bailing out large corporations, rather than small worker-owned cooperatives. (This type of bailouts is, indeed, what governments do routinely today in order to salvage firms that are deemed key to the economy). In practice, then, what is the egalitarian character (or consequence) of this insurance system? Would it not further tilt the balance of public expenditure in favor of the wealthy? **[I think in their vision many large corporations would become coops, worker-owned firms like Avis, so it is not necessarily the case that size implies wealthy investors in their scheme. It could also be the case that only coops are insured in this way, since the point of the insurance is to counter a market failure for nonwealthy persons involved in potentially risky-settings – the eggs-in-one-basket problem for coops.]**

5. Bowles and Gintis claim that the economic paradigm resulting from asset-based redistribution “might be described as competition on a levelling playing field” (57). However, in discussing the risk aversion of small worker cooperatives and the consequent need for large corporations to innovate and invest venture capital, they also recognize that the resulting economic system would be a two-tiered one. While large corporations would lead the way in research and development, and thus in developing new products and markets, “the emulation promoted by such firms would be readily emulated by worker-owned firms, under the pain of market position” (48). I think that calling this system “competition on a levelling playing field” is a bit of a stretch. At best, it would represent the familiar scenario in which worker-owned cooperatives, for reasons that have been amply analyzed in the literature on coops, struggle to survive in a market dominated by large capitalist firms.

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## 11. Jay Burlington

OK, a little muddled, but here is my interrogation for this week's session:

In their chapter which concludes *Recasting Egalitarianism*, Bowles & Gintis argue that there is considerable value in framing egalitarian proposals in terms that appeal to (universal) time-tested norms of reciprocity, stating that these are more likely to succeed than those which violate such norms.

Moral principles succeed not because they conform to a particular philosophical, political, or religious logic, but because they have aided those individuals who have used them and those groups in which they have been prevalent (p. 391).

Bowles & Gintis argue that norms of reciprocity are such moral principles. They make the case that people are more like *homo reciprocans* than they are *homo economicus*. *Homo reciprocans*, whose motives are grounded in a desire for reciprocity in interactions with others “is a conditional cooperator whose strong instincts for sharing can be elicited, under the proper circumstances, towards achieving socially egalitarian goals” (p. 370). *Homo reciprocans*, whose existence Bowles & Gintis adduce from experimental economics, wants to cooperate, but will basically treat you like you treat her, like the tit-for-tat strategy that won both of Axelrod’s well-known experiments. *Homo reciprocans* also has a notion of fairness that she shares with other members of her society: experimental results from game-theoretic ‘ultimatum games’ in different societies (and therefore, different cultural contexts) indicate that participants in a given society “share the same notion of what is considered ‘fair’ in that society” (p. 375). Among other generalizations (p. 376), B&G argue that the experimental data support the conclusion that people consider it fair to contribute to public goods and unfair to free-ride.

Bowles & Gintis claim that their proposal – whose solution to coordination failures is largely to “more closely align rights of control and residual claimancy” (p. 23) – is grounded in norms of reciprocity, and thus enjoys the advantage of that sort of appeal.

My question, though, is this:

Bowles & Gintis make their argument in terms of efficiency. How effectively can transferring residual claimancy in order to restructure incentives be appealed to on the basis of the enduring values of *homo reciprocans*? **[The idea here is that actors become accountable for the costs of their own actions when they have these proper incentive alignments. They don’t get something for nothing; what they get depends upon what they do. So, redistributing assets is what enables people to act in ways in which they bear that responsibility.]**

It seems the current highly inegalitarian society that is the U.S. is commonly justified in terms of norms of fairness grounded in reciprocity: hard work is rewarded with good pay, etc. What is the incentive for the wealthy and powerful – those arguably most likely to act according to the values of *homo economicus* – to ever give up power over capital? How does the left win the ideological battle that would put political pressure to bear on the wealthy and powerful if that battle is framed in terms of efficiency? **[The efficiency argument means that it would make sense for the state to underwrite the low interest loans needed for workers to buy out their employers. Their employers get fair value for their assets; workers take on debt at below market rates; but because of the productivity gains, workers end up better off even when they have to pay back the loans, and the state does not take on great risks because the improved efficiency means workers can do this.]**

Or does one imagine that one begins with establishing worker cooperatives that operate according to the principles explained by B&G, and expect that those cooperatives will become sufficiently economically competitive in many industries that business practices in line with those principles will then be implemented by other companies?