

Social Equity Funds in a Pluralist Socialism

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How do we draw the line between varieties of capitalism and their potential socialist alternatives? Capitalist variants display large differences in their use of markets, the role of regulation, the degree of competition and other institutional characteristics; what boundaries don't they cross? The most common answer would surely point to the predominant form of ownership of productive capital: private for capitalism and some version of public or social ownership for socialism. I see no reason to disagree. Historically, socialism was often identified with government ownership of most enterprises, at least above a certain size. For reasons I will review shortly, however, this approach came under a cloud, and we are now living through a time when proponents of socialism are searching for alternative ownership frameworks. The present paper is intended as a contribution to this process, since it describes a form of social ownership that, to my knowledge, has not been considered previously.

I will begin by describing the political and intellectual context for the current discussion. A key question for socialist theory has been to define a viable conception of social ownership that avoids the pitfalls of simple nationalization. I will review the economic and political case against concentrated state ownership, since it establishes the objectives that a superior form of socialization would ideally accomplish. I will also provide a brief description of the mechanisms, actual and proposed, for substituting worker for state ownership.

The next section will make a case, political and economic, for pluralism as an overarching framework for defining the "social" component of socialism and organizing its institutional structure. This is a two-part process: first I will outline pluralism in a way that's applicable to socialist as well as capitalist societies, and then I will demonstrate that pluralism potentially addresses the problems that have beset state ownership.

After this I will present the model itself. I will describe what I mean by social equity funds and explain how they might be constituted and used to achieve a pluralist form of socialization. I will also consider the relationship between social ownership in this form and other, non-ownership means of socialization, as well as its implications for the role of profit in the economy and the potential for collaborative economic planning. This section will conclude with thoughts about the transition process and an acknowledgement of important unresolved issues. I will end the paper by speculating on why social ownership along these lines has been absent from socialist theorizing and practice for the entire history of the movement.

I. The question of ownership

Socialists have made many demands in the two centuries or so they have existed as a distinctive political force. Many have been won through democratic and workplace struggles and have become part of contemporary capitalist practice; roughly speaking, the term "social democracy" has been attached to the program of egalitarian reform feasible within a capitalist framework. Socialism has offered a more radical alternative, challenging the system of production and the ownership and

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This paper was inspired by the suggestion of a Slovenian financial regulator in an informal talk in 1998 that worker funds could be supplemented by environmental funds, women's funds and other funds for social purposes. I have been thinking about it ever since.

control of enterprises, as well as the distribution of goods and services. One way to describe the difference is with Marx's concept of a mode of production: just as capitalism substituted a new dominant class, that of the capitalists, for the landed aristocracy that preceded it, along with a new interlocking set of rules for mobilizing labor and technology, so socialism will replace capitalists with a new, majoritarian class system and an altered rulebook that places public benefit above the accumulation of private fortunes.¹ While the analysis of systems of production embraces far more than simple ownership—and we will consider some of these other dimensions further on—ownership is the one indispensable piece.

So socialism requires social ownership of the means of production, but what exactly does that mean? The most common answer beginning with the early years of the movement, such as the one provided by Auguste Blanqui and the circle around Karl Marx—was ownership by the state. Their assumption was that the revolutionary process that confiscated the wealth of the rich would also radically democratize the state, such that state-owned firms would become instruments of social purpose. Unfortunately, this “theory” of political transformation, if it can even be called that, has proved to be naive. It is important to understand why.²

There are three reasons why state ownership may deviate from social ownership:

1. Democratic control of the state will at best be imperfect, and it may fail altogether. Societies encompass many competing interest groups—not only the broad classes that preoccupied Marx but also institutionally defined groups like religious bodies and the military. Moreover, the state apparatus itself can take the form of an interest group whose potential power is magnified as more resources and control are vested in it. In fact, the capture of the state from within, in conjunction with a hegemonic party organization, is the hallmark of Formerly Actually Existing Socialism.

2. Insofar as they work, democratic mechanisms concentrate social control over the state at the pinnacle of the apparatus: legislators and top-level officials. As power is dispersed through the bureaucracy democratic attrition sets in. The public may exert substantial influence over the legislature, but agency chiefs are more autonomous, and lower-level but still important decision-makers below them may be beyond the reach of public control altogether. This problem, well known in capitalist societies, will only be exacerbated under socialism if the state is expanded to encompass most business enterprises.

3. Socialism from the outset has been drawn to an organic vision of a society united around a single, common interest. This can take the form of a universal class or a universalist conception of needs. Indeed, it pervaded the millennial upheavals out of which modern socialism emerged in the course of secularization: society was or needed to be unified into a single body of believers. (Cohn, 1970) But organic society is a myth. We are interwoven, but we are not all one; we are divided by what are now called identities as well as various social positions, backgrounds, proclivities, beliefs and desires. Even a hypothetical maximal democracy that in every instance expressed the will of a conjunctural majority would be unable to reflect the diversity of who we are. True social control must incorporate difference as well as commonality.

Economically, the case against state ownership is twofold:

1. Control over enterprises needs to be dispersed. We do not have a priori knowledge of what practices or products are best; firms need to be free to experiment with many different strategies and methods so learning can take place. While it might be possible for government ownership to be radically severed from management, permitting different public firms to follow a variety of

economic paths, in practice this has proved to be difficult. From a theoretical standpoint, the need for rivalry (or at least parallel processing) in a modern economy calls into question the case for common ownership.

2. Government sets the rules participants in the economy must live by, and it is a conflict of interest for government entities to also be the objects of those rules. This is at the heart of what Janos Kornai has identified as the problem of the soft budget constraint. (Kornai, 1992) On the one hand, state agencies establish rules for invoking and resolving insolvency; on the other they own enterprises subject to those rules. This allows them to relax the rules whenever it is convenient, which is nearly always. A potential solution could take the form of a constitutional constraint on the system, such that the components of the state responsible for oversight of insolvency and other regulatory procedures were independent of all other state ministries; in practice no country with a state-owned economy came close to attaining the political-economic basis for such a reform.

In response to the shortcomings of state ownership, many socialists have instead advocated some form of worker ownership. Indeed, the call for workers rather than governments to possess capital dates from the early phase of socialism, such as the Owenites in England and the followers of Proudhon in France. There are two forms of worker ownership, decentralized as worker cooperatives and relatively more centralized via worker-controlled organizations like unions or worker-managed equity funds. Historically the cooperative form came first, but for reasons that will later become apparent, here we are especially interested in mediated approaches.

What union and worker fund ownership have in common is a financial structure that, at least potentially, can extend beyond any single enterprise or set of enterprises.³ This is important in that it can overcome the incentive that groups of worker-owners would otherwise have to profit at each others' expense. If the purpose of vesting workers with ownership is to promote the interests workers have as a class, pitting them against one another is counterproductive.⁴

From time to time and in various countries, labor unions and union confederations have taken ownership of enterprises that provide services to them and their members or that simply generate earnings that can be used to finance labor advocacy and welfare. Examples can be found in both upper-income, European and North American countries like Germany and the United States, as well as developing countries like South Africa. (Eichhorn, 1999; Godfried and Webb, 1998; Iheduru, 2001) In no instance, however, was this course undertaken with expectation that the union-owned sector would constitute more than a small portion of the economy.

In its main twentieth-century formulation, however, the "worker fund" concept adopts exactly this goal of economic transformation: to use the power of the state to transfer the ownership of the majority of capital to the labor movement in the form of an equity fund. The key event was the drafting of a Swedish Wage Earner Fund proposal by Rudolf Meidner in 1975. Meidner was German by birth but adopted Swedish citizenship after fleeing his homeland to avoid the Third Reich. He became chief economist to the Landsorganisationen (LO), the national confederation of Swedish trade unions. A Wage Earner Fund appealed to him on two grounds. First, he was always convinced that, as long as capital ownership remained primarily in the hands of a wealthy elite, the labor movement would face an uphill struggle for social equality. Second, he had succeeded in winning acceptance of a solidarity wage policy in union bargaining, in which wage differences between workers in more and less profitable sectors of the economy were minimized. One intended goal was to purge enterprises that could stay afloat only on the basis of substandard wages, but another, unintended outcome was that more successful enterprises became highly profitable by not sharing rents with their workforce. A Wage Earner Fund could be used to sop up

these deep pools of profit.

Meidner proposed a 20% tax on all profits, with proceeds directed to the new Fund. Over time he expected most of the capital ownership to fall into the fund's hands, to be administered by directors selected from national union leadership. He sought to avoid any linkage between Fund ownership and management and the workforce of particular firms; workers at a given company would have no more say in the deployment of its capital than those anywhere else. In this way he envisioned a peaceful transition from capitalism to a form of socialism in which the working class as a whole would take possession of the means of production.

Unfortunately, Meidner's proposal encountered a series of setbacks. Shortly after his report was written the Social Democrats, labor's historic representative in parliament, were defeated in a new election by a center-right formation with little interest in evolving away from capitalism. (The Wage Earner Fund was not a primary reason.) Five years later the Social Democrats returned to power, but they were willing to endorse the Meidner Plan only if a number of compromises were made: the profit tax would have to exempt small firms, it would be supplemented by revenue withdrawn from pension contributions, earnings of the Fund would be distributed to these pensions and not accrued, a cap of 40% capital ownership would be placed on the Fund, and the government, not the unions, would select the directors. On this basis the proposal was put into effect, but at the end of a decade the Wage Earner Fund accounted for just 2.6% of the value of traded firms. It was terminated shortly thereafter.

A rather different use of worker funds appeared a few years later in Slovenia. After its secession from Yugoslavia in 1990, Slovenia underwent a transition unlike any other in eastern Europe. It had inherited an economy ostensibly under socialized ownership, but in fact it lacked any formal ownership framework at all. As a very small country, with a population of about two million, it viewed accession to the European Union as absolutely necessary, but the EU mandates participation in its single capital market; thus a conventional form of capitalist ownership was regarded as inevitable. As a transitional device, ownership of capital was placed in the hands of worker funds, allowing gradual sale to private buyers. Ironically, a potentially effective method of socialization was employed primarily in order to de-socialize the economy. To my knowledge, there is no English language account of this period, nor any evaluation of the advantages and disadvantages of this form of collective ownership.

II. Socialist pluralism

Although ownership via worker funds holds promise as a non-statist form of collectivization, it falls short in some respects. Workers as a social category hold some characteristics and interests in common, but as individuals they differ from one another in myriad ways; it is not possible for a single ownership entity to reflect the range of their experiences and wishes. Moreover, people often come together on a variety of bases that have relatively little to do with class. For instance, if we are considering ownership of large-scale agriculture, why is class organization necessarily more salient than organization according to environmental values or food philosophies? Is there a way to preserve the benefits of social, rather than state, ownership of capital while avoiding the limitations of a narrow worker-based approach?

The purpose of this paper is to provide a positive answer based on the principle of pluralism. In this section I will briefly describe the main elements of pluralist political theory and explain why I think it holds particular importance for socialists.

The terrain of pluralism is collective choice. Its premise is that it is not enough for individuals to have personal autonomy; for much of what we value in life we must come together in groups to make common decisions on how to pool our resources, energies and talents. At the same time, a pluralist rejects the notion that, for most such decisions, we can affiliate with only one group, settle on one choice and take only one course of action. To a pluralist, society is neither a set of monadic individuals or an organic unity; it is a mosaic of shifting affinities and interests. Specifically:

1. Pluralism acknowledges the existence within society of multiple, overlapping identities, interests and values. To begin, we have ascribed identities like race and gender, recognizing there is scope for individual choice at the margins, along with the intersectionalities made possible by cross-cutting hierarchies.⁵ This gives us a picture of diversity that is too simple, however, since, despite the identity label, these affiliations are not in general more fundamental than any others. To them we would add class, but here again the binning of modern societies into just a few class locations fails to capture the complexity of economic and social hierarchies connected to wealth, occupation and education. And there is more: religious affiliation, which can indeed be “fundamental” in societies in the grips of religiously inspired upheavals, ethnicity and historical heritage, geography, age, physical condition and other shared characteristics that structure how people are treated, how they position themselves with respect to others, and what interests they perceive. Finally, with the decline of hegemonic sources of authority, modern societies display an immense multiplicity of values. Nationalism, cosmopolitanism, traditionalism, environmentalism and many others bring individuals together into communities of shared belief and commitment. You may approve or disapprove of these fragmentations, but they will not disappear.

2. A second consequence of the decline in hegemonic authority is absence of any credible basis for claiming that a particular social group or collective choice is a priori correct or deserves deference relative to all others. Of course, we all have preferences that we believe to be justified. A desirable society would be one in which these justifications would be set out by their advocates and assessed through a deliberative process—but this is simply a description of pluralism. To put it differently, what pluralism requires is a process of collective deliberation and choice that is open to multiple types of participants, values and reasons because none has been declared the victor in advance. This of course contradicts the preference for one-party rule associated with Marxism-Leninism.

3. In order for all relevant perspectives to be put forward, a pluralist society must have ample freedom of expression. In any community that requires more interchange than face-to-face communication, expression depends on organization. This is true for purposes of representation (my giving consent for you to speak for me), collective voice (a group of us speaking in unison), and mustering the resources and technology for mediated speech (setting up a website, publishing a book). Thus freedom of expression requires the freedom to establish a range of organizations espousing different views.

4. The arguments for free, multiple organization apply over time and not just at one moment of deliberation or speech. There will always be winners and losers in contests over collective decision-making, but if only the winners survive in an organized form future debate will be truncated. Minority viewpoints need to be able to maintain their dissent even though majorities may consider the issues have been decided. This contradicts the Leninist principle of so-called democratic centralism, according to which plural viewpoints are allowed prior to a decision but not after it. Imposition of this principle had the effect, intended, of dissolving organized factions within the ruling party. On the contrary, independent political formations need to be institutionalized so

they can express themselves across a range of decisions, including reconsideration of decisions already taken; they can't be only temporary, situational or ad hoc.

Of course, like all political principles, pluralism imposes costs. Above all, it has the drawback of undermining transpolitical solidarities, the social glue that holds us together even when we disagree. Cooperation can't be contingent only on like-mindedness, and taken to extremes pluralism can result in paralyzing fragmentation. Like all principles, pluralism needs to be balanced against other objectives.

The above arguments apply with particular force to socialists, who favor a "strong" society capable of controlling economic life to a far greater degree than occurs anywhere today. Under socialism there will be more social decisions taken on more questions, with large and inescapable impacts on every conceivable social grouping. The core political problem of socialism is how to constitute the "social" of social control so the immense expansion of the domain of control does not overwhelm the democratic resources available for it. Pluralism is a crucial part of the answer.

Here is a list of arguments for incorporating a substantial degree of pluralism in socialism in no particular order:

1. There is a long history of socialists identifying society with workers, so that social control of the economy takes the form of direct or indirect workers control. There are two problems with this presumption, however. First, not everyone is or should be a worker. Many of us are too young or old or have disabilities that may limit how actively we participate in the workforce. In any decent society people will periodically withdraw from work, however broadly defined, to engage in study, exploration or simply personal renewal. Not working should not be disenfranchising. Second, we can infer from role theory that we are not unitary beings expressing ourselves identically in all social situations. On the contrary, we are bundles of selves, with different ones summoned by different social roles.⁶ Working is one such role, and it is true, as socialists claim, that the interests we experience as workers play far too small a role in political life. But it is hardly the only role for any of us. We are also friends, partners and family members; we are neighbors; we are citizens; we are human participants in the natural world; we belong to clubs, churches, political parties, and many other social groupings. In each situation we "are" the person who occupies this role, but the values that steer us change from one role to another. A society organized to uphold our interests as workers, but only those interests, would fail to represent our interests as political activists, lovers, spiritual seekers or any other role except the one we assume as workers. It is not difficult to draw up examples in which groups of people in their capacity as workers make choices they might be uncomfortable with in some other capacity.

2. If there was debate in the past over whether one's status as a member of the working class takes precedence over other identities, it has largely been resolved. What most socialists now recognize is that racial, gender and other "particular" identities do not in general compete with class location; each is mutually constitutive of a complex multiple location or intersectional identity. The working class *is* multiracial, multiply gendered and incorporates multiple nationalities, and each of these other categories is also multiclass. Even if we were to identify "society" with "workers" we would still face a range of constituent identities whose interests need to be voiced and heeded. A single vehicle for workers' speech and political participation is hardly compatible with this perspective.

3. Socialists have long believed that people's perceived interests and values are strongly conditioned by their place in society, and especially by their position within the class system.

Nevertheless, it has always been obvious that social position is not the *only* source of difference in outlook, and the tendency in recent decades has been for greater appreciation of these other, non-class sources. As consumption detaches itself from the satisfaction of necessities and market pressures generate an ever more-differentiated array of commodities, individuals have come to cluster around “lifestyle” choices with their characteristic values and perceptions. This is now the bread and butter of data-driven marketing, and it should be no less relevant for socialists, who, while they have no need to exploit these differences, can also not afford to ignore them. If we are to have social decisions over what and how to produce, the variety of non-work commitments, whether to outdoor recreation, social media, home renovation or other interests, needs to be reflected in that “social”. Similarly, the secular decline of society-wide institutions that exercised authority over belief and value has led to a profusion of local, competing organized worldviews. Socialism cannot base itself on a nostalgia for a lost era of even imagined ideological conformity; it has to embrace ideological diversity even within its core institutions.

4. In the Marxist conception of socialism, the unitary interest and, at least aspirationally, consciousness of the proletariat was based on the view that capitalism is built on the exploitation of labor by capital. If exploitation takes only, or predominantly, this one form, the struggle against it can unite disparate perceptions of interest into a single interest that can be represented by a single party with a single program. Unless one defines exploitation in a narrow, tautological fashion, however, it should be clear that multiple forms of exploitation exist in the modern world. To mention just a few, we should acknowledge exploitation by gender, race and nationality, as well as exploitation by hierarchical elites over subjects beholden to them (state officials versus citizens) and the exploitation of the rest of nature by resource-hungry humans.⁷ Thus even a view of socialism based only on the overcoming of exploitation—and this is a very limited motivation—needs to recognize the need for multiple, cross-cutting structures of organization and voice that combat non-labor systems of injustice. Moreover, there is no guarantee that policies or institutions that mitigate one form of exploitation will mitigate the others; there may well be compromises and tradeoffs between them.

5. The final argument for the relevance of pluralism to socialism draws primarily on economics. I regard the Austrian argument for rivalry, or at least a form of parallel processing, in economic activity to be valid, even if the solution most often embraced, the competitive pursuit of profit adjudicated solely by market success, is seriously flawed. There are an infinity of choices to be made in economic life: what goods and services to produce, where and for whom, with what methods and qualities, in what quantities, how to finance, advertise and distribute them, etc. No one can possibly know in advance what the best answers are. The only reasonable response is to allow different producers (firms) to pursue a variety of approaches simultaneously, with some further process that defines, evaluates and rewards relative success. Two points need to be stressed. First, firms must be free to pursue truly different strategies, even though they contradict one another. This means they need to be operationally independent and free to take initiative. Second, economic life, even more than other spheres, is the site of praxis; plans evolve as they confront real-world conditions. The autonomy of firms cannot be merely contingent, for instance on plan fulfillment or transient or value-laden performance standards, nor can firms be held to their initially stated purposes. Their character as diverse self-creating entities engaged in continuous experimentation requires genuine pluralism in ownership and control.

For all these reasons, we should expect socialism to expand the breadth and reach of pluralist organization in society—but how?

III. A model of pluralist social ownership

The institution we will discuss is a *social equity fund* (SEF). Like existing private equity funds, it takes the form of a pool of capital available for purchasing ownership stakes in enterprises. Unlike such funds, it exists to pursue a social mission through the enterprises it controls and not to simply accumulate returns from them. While we can describe SEF's in general terms, what distinguishes them from previous social ownership vehicles is their diversity; they can be established and operated by different social groupings with different values and goals.

The key characteristics of an SEF are these:

1. It pursues a social mission rather than solely a return on investment. This mission should be stated explicitly, and SEF's would be legally bound to adhere to them. While it is not appropriate at this point to speculate on precise legal criteria, it should not be difficult to imagine that boundaries could be established beyond which the activities of funds would be deemed as contravening their publicly declared purpose. The stated mission of an SEF is, above all, a pledge to its members who have chosen to join and support it because of what it claims to stand for. This pledge needs to be upheld.
2. A broad range of social missions is expected and permitted. Many will be expressive of conservative or right-wing values as these are currently understood. The penumbra of "social" in social ownership is deliberately defined so that normal political conflict can occur within socialism and not only between it and other economic systems.
3. As financial vehicles, SEF's can seek influence over enterprises that offer ownership shares to external parties—the corporate sector. They will not have a role in proprietorships or partnerships except insofar as these firms seek outside equity investment, for instance in startups. Social control in the realm of small business is an important topic, but it lies outside the scope of this paper.
4. Membership or affiliation with an SEF is entirely voluntary. No one can be compelled to affiliate, nor, if the SEF is legally sanctioned, can anyone be prohibited from affiliating. There can also be no financial rewards or punishments associated with this choice. This means, of course, that members of a SEF cannot personally profit from any profits earned by the fund.
5. Funds are subject to democratic governance. Legal stipulations can include frequency of elections, one member-one vote procedures, freedom of internal communication and other democratic norms. We already have such regulations for cooperatives (including credit unions), labor unions and other types of associations. They do not always work as well as they should, but they point to the feasibility of imposing procedural standards while respecting the diversity of memberships and their interests.
6. Funds have general freedom in allocating their investments, purchasing ownership shares in existing enterprises (partial or total) and financing the startup of new ones. To keep matters simple, I am restricting them to equity stakes only. It is possible to envision a credit role for them, but that would raise a number of thorny economic and political-economic questions. One justification for maintaining the equity restriction is that the mission of the fund can more reliably provide direction for enterprises it owns than those it lends to.
7. While SEF'S can advance a wide range of purposes and draw on different memberships, they will be prohibited from being controlled by individual enterprises. That is, they may purchase ownership of a given enterprise, but that enterprise should not possess leverage over their

subsequent decision-making. This is because, not only must these funds be administered for purposes beyond simple profit-making, they must also avoid becoming instruments by which firms can obtain strategic advantages over their competitors. Building solidarity and coordination beyond the level of individual enterprises is central to the socialist project, even if market competition retains an important role in post-capitalist society.⁸

8. A SEF, like an individual enterprise, must be subject to a hard budget constraint. As referenced earlier, the weakening of such constraints under state ownership was seen by Kornai (1992) as contributing significantly to the collapse of Formerly Existing Socialism (FES). Resources need to be withdrawn from unproductive activities as well as invested in productive ones. Of course, the market is not always an appropriate guide to what constitutes productivity, but departures from market criteria need to be explicit, rule based, publicly defended and limited. In the aggregate, economies need to be solvent: the combined value of their output must exceed their costs. Normally this is attained by applying this same calculus to their individual components, where any shortfalls at the enterprise level countenanced on social grounds are financed by surpluses elsewhere.

What sorts of SEF's might we envision under such a system? Worker funds, as proposed by Meidner and others, would be one obvious candidate, but it is important to think beyond traditional class terms. We should expect to see funds representing women's interests, and not only women as workers but also as citizens, members of families and communities and in their other roles in society. The same holds for racial and ethnic groups struggling to overcome dispossession and discrimination. As recognition spreads of gender and ability diversity, funds to support the goals of LGBTQ and differently abled groups should emerge. Meanwhile, it is essential that environmental funds appear to express the demand for sustainability—a demand that can be given different interpretations and can therefore animate a multiplicity of funds. Animal welfare funds may also arise separately from environmental motives. It would also be likely that regional funds would be organized, dedicated to the development or protection of particular geographic areas, particularly those that have experienced neglect or exploitation. (One could easily imagine an Appalachian Equity Fund, for instance.) On a very different front, cultural concerns could coalesce into SEF's; these could embrace artistic creation, historic preservation, language communities or other values that can be advanced or hindered by the way the economy operates. Finally, based on experience under capitalism with fair trade-promoting organizations, we would almost certainly see one or more Global Equity Funds aimed at achieving equitable economic relations beyond national borders. As mentioned earlier, however, it should not be presumed that all such funds would be "progressive".

Now that we have a top-level sense of what an SEF does and what purposes it might serve, it is time to consider its nuts and bolts: how would such an organization be constituted and directed? This depends on the ground rules put in place to regulate the SEF system, which might include:

Freedom of individual affiliation. Individuals would be free to affiliate or not affiliate with any SEF they choose. They could also affiliate with more than one such fund, depending on the forms of commitment funds might adopt. For instance, each individual might be given the option to distribute their commitment across a range of funds measured in percentages, such that the total equaled one. Or funds could require donations of time, so the time constraint establishes the maximum number of funds a single individual could affiliate with. However it might be accomplished, it is important to permit individuals to multi-affiliate (since we harbor multiple identities, values and commitments) and to limit how much support individuals can distribute across funds (which imposes the need to prioritize).

Resource allocation responsive to affiliation. The precise rules governing funding levels of the SEF can vary, but they should include a role for the number of affiliates, since socialism is predicated on the equality of individuals in decision-making. That is, if fund size were to be determined by past financial success to the exclusion of the number of individuals who currently affiliate, the economic power of the fund would be divorced from any egalitarian consideration. This does not mean, however, that only the extent of current affiliation should enter into funding levels; any principle like equal decision-making power can be balanced against others, such as providing incentives for prudence and realism in the exercise of power.

Democratic fund governance. As discussed previously, funds would have to adhere to rules designed to guarantee a sufficient level of democratic deliberation and decision-making, such as one person, one vote and equitable access to internal channels of communication.

Asset distribution for influence and returns. The primary motive for a SEF to invest in a chosen set of assets is to promote the values around which it is organized. Thus an environmental fund might invest in a manufacturing firm to shift production into a more environmentally friendly direction or finance research and development in less impactful production methods. A regional fund might want to foster new investments in an underserved locale, and a women's fund might promote affordable alternatives to individualized household tasks.⁹ This is the point of ownership: the identity and purposes of the owner matters deeply for the operations of the firm, which is why socialists have always placed a transformation of ownership at the center of their agenda. Diversifying ownership in a way that produces a mosaic roughly representative of the whole society is a tool for operating the economy in a socially responsive manner. Democratic efficiency, so to speak, is enhanced by permitting social interests to focus their ownership influence on the components of the economy that matter most to them.

Nevertheless, it is not enough for ownership stakes to promote the values of particular social groupings; the economy must be solvent and tolerably efficient, with a surplus of output over input value. Assuming for the sake of this paper that these values are determined through market mechanisms—an assumption that can be relaxed in a fuller economic model—there needs to be an incentive for owners to take net returns into account as well as other motivating objectives. The most direct way to accomplish this is to make the size of social funds available for investment a function of economic performance as well as the number of affiliates. Thus funds wield influence directly by the goals they set for the assets under their control and indirectly by earning returns that expand the value of assets over which they have influence. The ideal balance between these two determinants of fund size can't be determined *a priori*; it will need to be approximated through trial and error. We may also discover more complex funding models that include additional variables.

No personal distribution of net returns. While some sort of profit motive is necessary for acceptable economic performance—a topic to which I will return—it would violate the pluralist goals of a SEF system to permit funds to distribute earnings to their individual members. Inevitably, the desire to increase these distributions would drive fund decisions to the detriment of the social values the system is intended to serve. The simplest way to avoid this is to prohibit such distributions altogether. This should not be interpreted as a rejection of the “social dividend” concept in all contexts; on the contrary, it has an essential role to play in climate mitigation and elsewhere. (Boyce, 2019) The argument is narrower: personal financial benefit should not be permitted to eclipse collective, value-based goals in microeconomic management.¹⁰ This differentiates the current SEF proposal from many versions of worker fund ownership of productive assets.

Dispersed ownership. While SEF's may in some cases seek exclusive ownership over a few

enterprises, in general their goals will be better served by taking partial, influential stakes in an expanded number of them.¹¹ The normal situation, then, will be for enterprises to have multiple owners. Very generally, we can envision two types of cases. In the first, the owners have different but noncompetitive goals. Aside from unavoidable financial constraints, there is little difficulty in satisfying the objectives of all participating funds. (The discussion of permissible fund objectives later in this paper has implications for the generality of the noncompetitive case.) In the second, partial owners have intrinsically conflicting goals. For instance, a mining company might be partly owned by a regional development fund whose interest is generating more income in an economically depressed area, and also by an environmental protection fund eager to shut down operations. Such situations can't be avoided, because there really are inconsistent social motivations, and the point of a pluralist approach is to make their resolution explicit and democratic.¹² Such conflicts at the enterprise level will take the form of competition for ownership shares and bargaining on the basis of relative ownership stakes. While a system of competitive bidding for ownership is an essential part of a truly pluralist SEF framework, I will postpone discussion of it until later. For now it is clear that, however partial stakes are determined, owners with conflicting goals will usually need to find grounds for compromise in enterprise policy-setting. To put it differently, there needs to be a mechanism to compel disinvestment on the part of funds unwilling to reach such compromises—again a topic I will take up later.

Pluralism between and within funds. The SEF framework is intended as an application of pluralist principles to social ownership of productive enterprises. The funds themselves, however, face their own problem of social representation. Large, successful funds will be attractive to individuals who broadly share their goals, even as they may differ on emphasis, tradeoffs and similar matters. This is why it is essential to mandate democratic mechanisms for member input into fund decision-making. Nevertheless, over time particular tendencies within funds may congeal into organized factions that carry their concerns from one issue to the next. Unions, to take one example, have a long history of attempting to suppress such factions, even if they are relatively democratic in their voting and communication procedures. SEF's, however, should be required to permit and honor internal factions for the same reason the overall social ownership structure benefits from multiple, independent ownership groups. We see instances of such factional organization among shareholders in contemporary capitalism, and the greater democratic weight assigned to SEF's only increases the likelihood that caucuses will emerge and the representational benefit to be derived from them.

IV. Below and above the level of ownership funds

SEF's should not be viewed as standalone entities. To fulfill their purposes in a way that avoids adding further friction to the overall economy, it is important to have compatible institutions at the level of enterprise organization and management as well as the higher level of national (and eventually global) regulation and public initiative. In this section we will look down and then up.

1. Ownership and control. While ownership, and the specific governance institutions that translate ownership into decision-making power, are crucially important, we have learned that there are many other levers of control over enterprise strategy and behavior, all of which are potential subjects for democratic economic policy. In a future paper I will delve further into sub-ownership channels of socialization, but for now a simple list will have to do:

Co-management. Regulations can stipulate procedures for power-sharing between top-level managers and frontline workers. The best known example of these is German *Mitbestimmung*, under which workers have 50% of the votes on the supervisory boards of large corporations, but

there are applications in other countries and in the electoral programs of some center-left parties.

Works councils. A number of European countries have statutes requiring the formation of councils representing a firm's entire workforce, whose jurisdiction concerns matters that are neither strategic (under the jurisdiction of the supervisory board) or subject to collective bargaining. A series of directives extends aspects of this model to the European Union as a whole. (European Commission, undated) The usefulness of an all-employee consultation forum of this sort has been demonstrated under non-capitalist ownership systems as well, as demonstrated by the role of Social Councils (identical to works councils) in the Mondragon network of worker cooperatives.

Public directors. Boards of directors can be required to include members who represent the general public and are responsible to them. These public directors could serve more specific roles, such as financial auditing, environmental responsibility, public information, health or education. There is little experience with this approach, except temporarily in corporations receiving public bailout funds.

Union representation. This is undoubtedly the most widespread form of worker participation in governance, although legal frameworks vary immensely. In general terms, we distinguish between centralized systems, in which workers are organized by sector and enter into agreements with industry associations, and decentralized ones in which bargaining is restricted to the enterprise level or even subunits within it.

Support for worker autonomy. Workers have autonomy to the extent they can initiate action and make decisions about their work on their own volition. The promotion of worker autonomy is a large and complex topic, well beyond the scope of this paper. It ranges from whistleblower protection, right-to-know about hazardous conditions and right-to-refuse hazardous work, training programs run by external bodies, like governments, that give workers skills to decode and influence managerial practices, to institutes or other bodies that research and promote technologies that permit greater on-the-job control by workers.¹³

Permeable enterprise boundaries. Firms can be made more responsive to externally defined purposes by deliberately perforating or blurring their boundaries. One example is the emplacement of public officials within the operating structure of private firms overseeing areas of concern to the wider community—health officials, environmental monitors, journalists (for transparency), etc. Another is a framework for public-private partnerships that conjoin certain operations, such as shared IT systems or, again, environmental monitoring. The goal is to establish public knowledge of and influence over a portion of a private firm's activities.

Contractual obligations. This is similar to the previous approach, except it operates primarily at arm's length. Public bodies may enter into contracts that obligate firms to perform in certain ways and provide for the necessary oversight. This differs from regulation, which we will take up in a brief way shortly, in that it is voluntary: the government offers inducements, like procurement, to gain greater influence on a firm-by-firm basis.

Action plans. An action plan in this context is a public-private procedure for addressing social needs. A problem arises, and a government entity oversees a deliberative process in which affected parties and outside experts devise a course of action. This action is delegated to private firms or associations of them (for problems where it is appropriate), and after a specified time interval the deliberative process is reconvened to assess the adequacy of the plan and the performance of firms that were entrusted with carrying it out, with an eye toward future iterations

of the process. This type of action plan treats the private firm as if it were a public instrument.

These approaches differ in the extent to and purposes for which enterprise organization is altered. The point is not to rank them, however, but to imagine how they can be used in combination to substantially socialize firms from within. The reason for discussing them here is that firms have a role to play in resolving conflicts between SEF's and mitigating damage from SEF misbehavior, as we will see later. These functions will be performed in a more socially responsive way if firms themselves are substantially socialized entities.

2. Financial pluralism and political democracy. Pluralism is the centrifugal face of democracy; society-wide collective action is the centripetal face. Both are necessary, not only in themselves but also to remedy the limitations of the other. To advocate pluralism is not to deny the need for universal standards or economic initiatives that draw on the resources of the whole society in a coordinated way. (And the opposite is true as well.) A pluralist economy needs institutions through which society can act as unitary body when it needs to.

Fortunately, those institutions already exist, and it is enough to simply build on them.

- Governments have broad powers to regulate private enterprises, and this includes financial enterprises like SEF's. There will certainly be restrictions on what goals funds can pursue, what methods they can use to pursue them, and the activities of enterprises under their influence.
- Governments can also undertake economic projects themselves. They can operate public enterprises and public funds to invest in private enterprises. It is expected that a socialist economy, just like a capitalist one, will have a vibrant public sector that produces goods and services directly, while financing research and entrepreneurial initiatives in areas of broad public interest. (Mazzucato, 2013)

The creation of SEF's will result in a new set of needs for public economic intervention. To perform well, these funds need to be regulated, and their spheres of influence need to be bounded by effective public enterprises that assert common interests.

3. Systemic effects of socialized finance. We have dwelled on the political case for pluralism in finance and ownership, but the economic case has merits as well. During the current era of financialization it has become apparent that the profit motive, which has merit insofar as revenues and costs roughly correspond to the values of outputs and inputs, can become so strong that it eclipses all other economic purposes and rewards the gaming of the system so massively that regulation, if it is even wielded in response, is overwhelmed. We now propose to socialize finance; how do we expect this to affect the role of the profit motive?

There are two general parts to the answer to this question. The first is about the economic and social interpretation of the profit motive itself. The case for regarding profitability as a performance metric rests on what I have called elsewhere the "market welfare model". (Dorman, 2014) If three conditions are met—that the demand curve represents the marginal social benefit of an activity, the supply curve its marginal social cost, and the two intersect at a single, stable equilibrium—a market equilibrium is also a social optimum. Insofar as the profit motive guides participants to maximize market performance, it serves an essential social purpose. Of course, most reasonable observers, and, I trust, all socialists, doubt that these conditions are typically satisfied. There are many reasons for this, both recognized and largely overlooked by mainstream economics. Not only

should we take notice of externalities, public goods, monopolistic distortions and asymmetric information, but also the potential for gaming the system at various points, so that profits represent transfers, and also the many other reasons why individual consumer preferences may not aggregate to the social level.

The differences between market and social considerations are exactly what SEF's are concerned with. Sometimes they appear as externalities that are too specific to local situations or otherwise difficult to observe, measure and regulate. Sometimes they derive from public goods aspects of market choices that have symbolic or other intangible components. And sometimes they simply reflect the difference between what we value separately in our role as consumers and together as members of communities or other social groupings. (See the earlier discussion of role theory.) The justification for an SEF framework is that these diverse and somewhat diffuse concerns need to animate enterprise decision-making just as more conventional market pressures do. To the extent the system works, the more objectionable aspects of the profit motive will be alleviated, leaving what remains to serve more beneficially as a measure of and reward for "success".

Of course, no set of reforms will fully cleanse the market mechanism and render profitability a perfect indicator of social benefit. In particular, the ability to game economic institutions should not be underestimated. This applies at every level of management as well as the enterprise as a whole and therefore also financial institutions that share in net earnings. To mention just one issue, it is difficult to devise and enforce rules that prevent agents from socializing risks while privately appropriating rewards connected to them; the levers for recovering losses confront limited liability and the budget asymmetry between what individuals can acquire and what they can compensate. This brings us to the second effect of the SEF framework: as owners (and participants in the ownership) of enterprises, SEF's will balance their profit interest (which augments the resources available for investment) against their nonmarket enterprise performance interests. The weight of this balance will be strongly influenced by the algorithm employed to determine fund assets, a matter of public discretion, but no matter how it is decided, a mixed motive of profit and social performance will be less narrowly profit-directed than the purely financially driven approach that dominates today.

A second domain of systemic performance is the coordinated steering of the economy that takes place under industrial policy. Like a number of other topics that have made brief appearances in this paper, industrial policy deserves its own extended treatment; for now it will have to be enough to state three general points:

- We can distinguish between the capacity and selection aspects of industrial policy. The first creates the resources to undertake new kinds of activity; the second puts a public thumb on the scale of market competition to encourage some already-existing activities at the expense of others. They are not mutually exclusive, but they are logically separate, and in theory an industrial policy could do all one or the other.
- Industrial policy has historically been tied to the interests of the mercantilist state; even today, the countries that are most adept at it generate chronic trade surpluses. While mercantilist motives may yield social benefit in the form of more efficient methods or higher product quality, there is an inherent beggar-thy-neighbor aspect, such that the gains to the mercantilist and its clients exceed net gains to the international system. At worst, mercantilism promotes a race to the bottom.
- There are numerous non-mercantilist motives for industrial policy. These include the social

interests that SEF's may promulgate and also the general social choice interest we face in light of nonconvex production and social benefit sets and the resulting multiplicity of local equilibria.¹⁴

Taking them together, we can see why industrial policy has long been under a shadow: in its selecting-winners mode it has been commonly employed by mercantilist states to override market criteria for purposes that were often less reflective of the public good than the profitability indicators they replaced. Of course, this criticism does not obviate the need for well-considered industrial policy even for competitive trade motives, but it has the effect of restricting the range of situations for which it is appropriate. (Rodrik, 2004; Rodrik, 2008)

But there is a different reason for introducing industrial policies, to implement equilibrium selection in nonconvex environments. By definition, these are restructurings that independent markets would not arrive at on their own but which would be desirable and sustainable, even in market terms, once realized. While state-organized processes are possible and may be the best approach for some purposes, bottom-up coordination offers another, complementary route. The SEF, as a mission-oriented investor with the ability to take positions in a variety of markets, is a logical vehicle for such decentralized, and pluralist, industrial policies. It is not difficult to imagine that funds might seek stakes in firms that have potential synergies from the perspective of socially motivated restructuring. This could take the form of bringing together mutually supportive technologies or ancillary services that promote currently minor but potentially substantial end uses. Indeed, a mercantilist version of this possibility has been on display for decades in Germany, where networks of public and cooperative banks team up with unions, business associations, universities and state and local governments to facilitate the development of new products and resources for advancing the country's position in global markets. While local economic development plays a central role in this apparatus (embodied in the *Landesbanken*), a shift from mercantilist to broader social goals requires new, socially driven pools of finance—such as the SEF.

V. Looking forward

One view of the transition to socialism, traceable to a less apocalyptic version of Marxism, holds that the institutions of a new social order will not be invented out of the minds of intellectual visionaries and implemented in their entirety from on high. Rather, we expect them to emerge organically out of the circumstances of the existing order, the result of a long process of trial and error. This view recognizes the role of system crisis and moments of disjuncture at the political level, but for the purpose of unblocking and aligning emerging institutional change and not superceding it.

Social equity funds can be thought of as evolutionary extensions of worker and multi-enterprise cooperative funds, as well as (perhaps) the implicit regional funds of the German public banks. They reflect the broader and more diverse understanding that has progressively arisen regarding the importance of social needs that can't be met simply by economic growth as conventionally understood or even by the more egalitarian distribution of that growth. The first step toward implementing an SEF-oriented socialism is to simply begin to create such funds. There is no reason why the trial-and-error process, and also the process of normalization and habituation, can't begin immediately. Through what we learn we can build the foundation for a future of social economic control that can weather the inevitable shocks, with the potential to last for centuries and not only until the next change in government.

Nevertheless, the SEF model is not free-standing; it needs radical change in contiguous

institutions. First, it needs to be regulated, as we have already noted. There are many ways such a system could go wrong if it were not subject to reasonable restrictions on the types of goals it can pursue and the means of pursuing them. Second, to rise to the level of an economic system it needs to encompass most of the ownership of the corporate, privately owned economy. The necessary funding can only come from massive state intervention in the sources and holdings of wealth. Third, enterprises themselves need to be internally socialized, as discussed earlier, or otherwise SEF initiatives will be at cross purposes with management structurally and not just at times of divergent viewpoints. While this paper has focused almost exclusively at the ownership level, it should not be interpreted as arguing that radical change can occur at this level in the absence of corresponding changes above and below.

While practical experience will be the main impetus to improving the model of social ownership, it is helpful to put troublesome issues on the table as soon as they become apparent. I can see these uncertainties about how to proceed:

1. Allowable missions. It would be naive to assume that all purposes around which SEF's might form will be beneficent. Some will no doubt want to acquire the power of ownership to punish their enemies, pursue narrowly self-interested objectives, or advance various ideological or religious cults. SEF's might also be initiated by people who actually opposed their stated mission; the idea might be to usurp a funding space to prevent the emergence of a truly effective SEF within it. There will need to be standards for who can launch an SEF and what goals they can set for it.

I have little to contribute to this topic beyond one suggestion: SEF missions should be defined positively and non-pejoratively. That is, funds should announce themselves as being *for* particular groups, values and outcomes, not *against*. A fund can be for the development of a given region but not against the development of some competing region. It can be for advancing the cause of a underserved community but not against the well-being of other communities, even those currently the best off. Of course, in practice goals compete with one another, and to be for one thing is implicitly to want to limit other things; nevertheless it is important that the mission that legally constrains what activities a fund can support be defined in terms of the benefits it seeks to achieve. Thus, an environmental group may be in favor of climate stabilization or improved air quality, and this may lead them to oppose investments in coal mining, but the latter are sought not for their own sake but the environmental goals they are committed to. This means they can oppose a coal operation only if and to the extent this opposition fits their positive mission, and that is the standard disgruntled affiliates must appeal to if they claim the fund is in violation of its mission-fiduciary responsibilities. It will also be easier to arrive at compromises between partial owners with competing objectives if they are not defined in explicitly opposing terms. Finally, I suspect that at least some objectionable motives will be made a little more difficult to pursue if a positive framing is mandated.

2. Avoiding manipulation in SEF membership and decision-making. Much like shareholder governance procedures in conventional capitalism, rules will need to be developed to ensure that neither insider nor outsider groups can deny the majority of fund affiliates from exercising democratic control. Two risks in particular should be recognized. First, outside interests may take strategic stakes in a fund by affiliating en masse with it. Consider the situation of a small SEF with, say, several thousand affiliates. A much larger fund, whose affiliates are numbered in the millions, might make a move to take over the smaller one. Such an action is anti-pluralist and can deny the smaller group the opportunity to make its own voice heard in portions of the economy in which it has a strong interest. Hostile takeovers of this sort need to be prevented. Second, a group of insiders may try to dissuade new affiliates from joining in order to preserve their own control. In

theory this should be prohibited by the freedom all individuals have to choose which funds to affiliate with, but extra measures might be required to prevent an entrenched clique from implementing the fund's mission or policies in a manner that unfairly discourages wider participation.

3. Competing fund bids. Competition by funds, perhaps with strongly opposed missions, over ownership stakes in the same enterprise raises numerous issues of mechanism design. How are a limited number of shares to be allocated among funds whose combined demand exceeds supply? Is this purely a matter of auctioning to the highest bidder? Is there a need for a randomizing or sharing algorithm in allocating multiply desired shares? How does one fund buy out the ownership stakes of another? Or does the firm itself, especially if internally democratized, play a role in resolving such conflicts? There are many possible answers and little *a priori* basis for selecting one over the others.

4. Conflictual shared ownership. As mentioned previously, it will be common for enterprises to be partially owned by a number of funds. Where fund missions are complementary, this poses few problems, but conflicting goals will need to be resolved through a bargaining process. This may prove troublesome, especially since some missions will be better satisfied by nonagreement; moreover, delays in resolving differences or poorly designed agreements will be economically costly. It is likely that a regulatory structure for such situations will need to be devised, and it might include a mediating or arbitrating role for the enterprises themselves.

5. Dissolution of funds. Existing private equity funds depend on their investors for funding and their continuation as investment entities. As losses mount, investors withdraw, and if enough choose to do this the fund is closed. But what about SEF's? Affiliates have no personal equity stake and little reason to disaffiliate if the fund experiences losses. This is a potential incentive problem, and some form of regulatory action will be needed to overcome it. Funds should have to show some minimum level of performance, otherwise they are subject to the risk of dissolution. Exactly how this should be organized is unclear—what constitutes an appropriate minimum, what procedure for dissolution, what process for appeals and adjudication.

6. Funding the funds. I have saved the thorniest questions for last. How do SEF's acquire their initial funds? How are subsequent adjustments to their funding resources determined? What government agency serves as the funder to these funds, and what oversight does it submit to?

One answer to the first question is a variation on Meidner's: the state collects a tax on all corporate profits and uses revenues to populate a fund that can then be distributed to SEF's according to a chosen algorithm. This would allow for a more gradual transition from for-profit to social ownership. More abrupt funding scenarios are also possible, such as a revolutionary expropriation of existing wealth holders or, with similar effect, a "jubilee" arrangement under which, at various intervals financial assets are redistributed, with a public entity that funds SEF's a primary beneficiary. (Dorman, 2011) However the funding transition is organized, it is important that a mechanism be established to withdraw financial resources from the conventionally capitalist sector, so that social funds do not remain stuck, generation after generation, in a marginal, niche position.

VI. Afterthought

There has been more than a century of intense speculation on the form and significance of socialist ownership. Initially the state was assumed by most socialists to be the appropriate owner of productive assets, but this certainty has been shaken by the collapse of state-owned systems,

largely due to poor performance. Many socialist theorists have responded by proposing state-individual ownership hybrids, with individuals exercising investment choices and receiving distributions subject to rules designed to resist financial concentration. (Roemer, 1994) Others have been attracted by the vision of a labor-owned economy, as in a system of worker cooperatives. (Vanek, 1977) Remarkably, to this point no one has publicly suggested a system of ownership by social investment entities, either along the lines of this paper or otherwise. Why not?

It is not a difficult concept—quite the opposite, in fact. It faces theoretical and practical obstacles, but so do other relatively more prominent alternatives. My hypothesis, which brings us back to the earlier discussion of pluralism, is that socialism has yet to separate itself from its origins in religious millenarianism. (Cohn, 1970) Society is assumed to be a unitary entity with “true” needs, shared by all. Socialism also typically demands that society be guided by a single, broadly-shared consciousness; to be outside this value framework is to not be a socialist or at least not a good one. This is why no socialist program has yet survived a genuine change in government, even though capitalism pulls off this feat routinely, year after year. I believe it is also why truly pluralist approaches to social ownership have not yet made an appearance. Many socialists, hearing that a broad range of ideologies and interests, not all of them by any means on the left, would be invited to take part in owning the means of production, would deny that such a system deserves to be called socialist at all.

But if real politics, reflecting the real differences that exist among all modern populations, cannot take place *within* socialism, socialism is incompatible with democracy, which often puts each us on the losing side and has to be free to do so.

Endnotes

1. Although this analogy, central to historical materialism, is useful for organizing one’s thinking about grand issues of class and economic systems, it becomes problematic as historical and prospective analysis is less schematic and more fine-grained.

2. In what follows, I leave to the side perhaps the most important source of democratic failure in post-revolutionary societies, the “possession” of the new order by the leaders of the struggle to create it. It is understandable why much of the population might look to these leaders to fill the vacuum created by the destruction of the *ancien regime*, and also why the leaders themselves might feel they deserve to guide social reconstruction because of the burdens they bore during the revolution and the tests they passed along the way. Nevertheless, the skills required for governing in democratic consultation are different from those of commanding a revolutionary force, and the sense of deserving to lead can prevent ex-rebels from acknowledging the inevitable erosion of their mandate. It should be a rule of revolution that its leadership should take a well-earned holiday once its enemies have been defeated.

3. The coop-of-coops model of Mondragón in the Basque Country also encompasses multiple enterprises, but it is built from a foundation of individual enterprises owned by their own workers. This became clear for all to see in the bankruptcy of Fagor, as a result of which its former workforce lost most of their accumulated savings. These workers publicly demanded that the rest of the coop system make them whole, but their protest was turned away. (Alonso, 2019.)

4. Economic rivalry between enterprises does not require profit maximization, a point that will be developed subsequently.

5. Individual choice is now understood to actually permeate gender identity, as the old ascribed binary breaks down.
6. The classic statement of this version of role theory can be found in Mead (2015).
7. Arguably, during most of its existence the Soviet Union was a more exploitative society than the capitalist regimes it opposed, even though it had mostly abolished private capital.
8. The relative roles of competition and cooperation differ significantly across varieties of capitalism and can take an even wider range of institutional forms under socialism. This is a topic for another paper.
9. See Hayden (1981). Of course, proposals to reorganize household maintenance and care tasks do not contradict efforts to distribute those tasks more equitably.
10. Thus in the case of carbon dividends, the number of carbon permits auctioned or the level of carbon tax levied should be determined by social and scientific considerations, not the maximum financial benefit of any group of recipients.
11. They will generally experience diminishing returns, measured by the value of influence, to the size of their stake beyond some threshold level.
12. Note that this conflict of interests will often be settled at a higher level, through public regulation. The justification for also having mechanisms for addressing such issues at the level of enterprise ownership and management is that regulation is often too standardized or cumbersome to take account of changing local circumstances and needs, and that democratic control of the regulatory apparatus is attenuated—the reasons why we look to pluralism and decentralization in general.
13. From a varieties of capitalism perspective, there are circumstances under which firms will voluntarily adopt production strategies predicated on greater worker autonomy. See Dorman and Nolte, 2015.
14. For a general exposition, see Dorman (1997).

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